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$1,750,000,000 5.250 per cent. Notes due 2029

US$1,250,000,000 5.500 per cent. Notes due 2034

EUR 750,000,000 4.250 per cent. Notes due 2031

The issue price of the US$1,750,000,000 5.250 per cent. Notes due 2029 (the "**USD 2029 Notes**") of Hungary (the "**Issuer**" or "**Hungary**" is 98.792 per cent. of their principal amount. The issue price of the U.S.$1,250,000,000 5.500 per cent. Notes due 2034 (the "**USD 2034 Notes**") of Hungary is 97.188 per cent. of their principal amount. The issue price of the EUR750,000,000 4.250 per cent. Notes due 2031 (the "**EUR 2031 Notes**") of Hungary is 98.161 per cent. of their principal amount. Each of the USD 2029 Notes, the USD 2034 Notes, and the EUR 2031 Notes will individually be referred to as the "**Notes**".

Unless previously redeemed or cancelled, the USD 2029 Notes will be redeemed at their principal amount on 16 June 2029, the USD 2034 Notes will be redeemed at their principal amount on 16 June 2034 and the EUR 2031 Notes will be redeemed at their principal amount on 16 June 2031.

The Notes will bear interest from 16 June 2022 (the "**Issue Date**") at the rate of 5.250 per cent. per annum in respect of the USD 2029 Notes, at the rate of 5.500 per cent. per annum in respect of the USD 2034 Notes, at the rate of 4.250 per cent. per annum in respect of the EUR 2031 Notes, and payable: in respect of the USD 2029 Notes, semi-annually in arrear on 16 June and 16 December in each year commencing on 16 December 2022; in respect of the USD 2034 Notes, semi-annually in arrear on 16 June and 16 December in each year commencing on 16 December 2022; and in respect of the EUR 2031 Notes, annually in arrear on 16 June in each year commencing on 16 June 2022. Payments in respect of the USD 2029 Notes and USD 2034 Notes will be made in US dollars and in respect of the EUR 2031 Notes in Euro 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**").

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 275(2) of the SFA) that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The USD 2029 Notes and the USD 2034 Notes will be in registered form in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof and the EUR 2031 Notes will be in registered form in the denomination of EUR100,000 and integral multiples of EUR1,000 in excess thereof. The USD 2029 Notes and the USD 2034 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 and the EUR 2031 Notes may be held and transferred, and will be offered and sold, in the principal amount of EUR100,000 and integral multiples of EUR1,000 in excess thereof. The USD 2029 Notes, the USD 2034 Notes and the EUR 2031 Notes will, in each case, 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 USD 2029 Notes and the USD 2034 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 Certificates in respect of the USD 2029 Notes and the USD 2034 Notes and the Global Certificates in respect of the EUR 2031 Notes (the "**ICSD Global Certificates**") 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 Certificates are 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 ("**EUWA**") (the "**UK Prospectus Regulation**"). Application will be made for the Notes to be admitted to listing on the Official List of 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 Financial Conduct Authority (the "**FCA**").

Application may also be made by the Issuer for the EUR 2031 Notes to be registered with the Budapest Stock Exchange BÉT XBond and be subject of secondary market trading on BÉT XBond subject to and in accordance with the provisions of Act No. CXX of 2001 on the Capital Markets, the rules and regulations of BÉT XBond and the requirements specified by the Budapest Stock Exchange as operator of BÉT XBond, 15 Hungarian business days after the Notes are admitted to listing on the Official List of the London Stock Exchange.

It is expected that delivery of the Global Certificates will be made on 16 June 2022 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 **DEUTSCHE BANK**

GOLDMAN SACHS BANK EUROPE SE **ING BANK N.V.** **J.P. MORGAN SE**

This Offering Circular is dated 10 June 2022

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 "**$**", "**USD**", "**US$**" 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 30 April 2022 was HUF356.78 = USD 1.00, and the National Bank of Hungary's foreign exchange rate for Euro on the same day was HUF377.12 = € 1.00."

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.

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.

CONTENTS

Page

RISK FACTORS 1
INFORMATION INCORPORATED BY REFERENCE 7
JURISDICTION AND ENFORCEABILITY OF JUDGMENTS 8
USE OF PROCEEDS 9
TERMS AND CONDITIONS 10
SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM 33
DESCRIPTION OF HUNGARY 37
TAXATION 94
SUBSCRIPTION AND SALE 100
OFFICIAL STATEMENTS OR DOCUMENTS 102
TRANSFER RESTRICTIONS 103
CLEARING AND SETTLEMENT ARRANGEMENTS 105
VALIDITY OF THE NOTES 106
GENERAL INFORMATION 107

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 Euro, or between the home currency and the Dollar. 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 Euro, the Dollar and the home currency. 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 Euro or 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 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 recently 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.

Definitive USD 2029 Notes and USD 2034 Notes not denominated in an integral multiple of US$200,000 or its equivalent may be illiquid and difficult to trade.

The USD 2029 Notes and the USD 2034 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.

Definitive EUR 2031 Notes not denominated in an integral multiple of EUR100,000 or its equivalent may be illiquid and difficult to trade.

The EUR 2031 Notes have denominations consisting of a minimum of EUR100,000 plus integral multiples of EUR1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of EUR100,000. In such case, a holder who, as a result of trading such amounts, holds an amount which is less than EUR100,000 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 EUR100,000.

If Certificates are issued, holders should be aware that Certificates which have a denomination that is not an integral multiple of EUR100,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of EUR100,000.

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 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

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 Act XXVIII of 2017 on Private International Law (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.

2. Risks relating to Hungary

The worldwide economic effects of the outbreak of the Coronavirus could adversely affect Hungary's economy.

The outbreak of Coronavirus disease 2019 ("**COVID-19"**) has had an adverse economic impact. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organization ("**WHO**") country office in China on 31 December 2019. On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and on 11 March 2020, declared the outbreak a pandemic. COVID-19 has had numerous worldwide effects on general commercial activity. In Hungary, following the discovery of the first case of COVID-19 in the country, the government implemented various protective measures, including declaring a state of danger to cope with the first wave of the pandemic with effect from 11 March 2020, decreeing a national curfew, suspending international passenger flights and extending tax amnesty. Thereafter, to combat the second wave of the pandemic, the government reintroduced the state of danger on 4 November 2020, and it expired on 1 June 2022.

As of 5 May 2022, Hungary had administered 16,083,906 doses of COVID-19 vaccines to its population, with 63.1 per cent. of the total Hungarian population, and 71.3 per cent. of the Hungarian population over 18 years of age, having been fully vaccinated.

As a result of the economic slowdown caused by the COVID-19 pandemic, Hungary's GDP contracted by 5.0 per cent. in 2020 and increased by 7.1 per cent in 2021. At this time, given the uncertainty of the lasting effect of COVID-19, any further impact on Hungary's economy cannot be determined. In the medium to long term, if the spread of COVID-19 is prolonged, it could continue to significantly adversely affect the economies and financial markets of Hungary and of many other countries, resulting in an economic downturn that could, among other effects, reduce international trade flows. The occurrence of these events could continue to have an adverse effect on Hungary's economy.

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

As with most countries, Hungary's economy and macroeconomic goals might be susceptible to eventual 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 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 have 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 announced to date include 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, on 3 June 2022, the European Commission announced the adoption of the sixth package of restrictive measures against Russia imposing an embargo on approximately 90 per cent. of Russian crude oil exports to the EU by the end of 2022. Russian pipeline oil exports to the EU (such as those to Hungary) are currently 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 set up for other types of oil. The United States and other countries could also impose wider sanctions and take other actions should the conflict escalate further.

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. See "Recent Developments–Economy–Principal Sectors of the Economy–Energy". 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 highly dependent on Russian energy imports. The Russian share of natural gas imports to Hungary is approximately 85 per cent. to 95 per cent., while that of crude oil is approximately 60 per cent. to 75 per cent. 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. Hungary, is a land-locked country with an established pipeline system for natural gas and oil imports from Russian. Hungary has limited scope to fully replace Russian imports. While imports of LNG from Croatia have the potential to gradually reduce the share of Russian gas imports, this would require a substantial increase in supply from Croatia. Nuclear energy accounts for 46 per cent. of the total electricity generation in Hungary and nuclear fuel is imported in its entirety from Russia.

For all these reasons, a possible failure, disruption or material decrease in energy imports from Russian energy sources could lead to an almost complete economic shutdown particularly during the colder months of the year. The economic and social consequences would be negative and unpredictable, and Hungary's economy could suffer a material adverse impact.

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 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 7.8 per cent. of GDP in 2020 and 6.8 per cent. of GDP in 2021, and Hungary currently has high fiscal financing requirements, partly due to the ongoing COVID-19 pandemic.

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 is an initial step in the process of activating the conditionality mechanism. After receiving the notification, Hungary will have several (at least one to three) months to comment, provide relevant information and propose remedial measures in response to the Commission's findings. Then, the process involves a lengthy (at least approximately six to nine month) dialogue between the Commission and Hungary, during which the European Commission will assess whether a rule of law deficiency exists, and whether a direct link can be established between any rule of law deficiency and European budget interests. If, at the end of the procedure, the Commission determines that such deficiencies still exist, a proportionate part of the EUR 5.85 billion from the EU's Recovery and Resilience Facility ("RRF") funding that Hungary expects to receive between 2022 and 2026 could be withheld to offset the budgetary effects of such deficiencies, if any. The exact proportion of the funds that may be withheld, if any, is uncertain. The objective of the process to remedy any identified deficiencies and its consultative nature gives ample opportunity to both parties to find the appropriate compromise remedial solutions.

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 European 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, including to monitor the potential impact of the COVID-19 pandemic generally. 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 economic impact of the COVID-19 pandemic, 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.

INFORMATION INCORPORATED BY REFERENCE

Hungary's annual report on Form 18-K for the year ended 31 December 2020, filed with the Securities and Exchange Commission (the "**SEC**") on 10 September 2021, containing Hungary's economic and statistical information as of 31 December 2020 (the "**Hungary Annual Report**"), available at www.sec.gov, and any amendment thereto filed with the SEC on Form 18-K/A on or prior to pricing, is considered part of and incorporated by reference in this Offering Circular.

Unless specifically incorporated by reference into this Offering Circular, information contained on a website referred to herein does not form part of this Offering Circular.

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".

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 certain other transaction related expenses) to approximately: (i) US$1,726,235,000 in respect of the USD 2029 Notes; (ii) US$1,212,350,000 in respect of the USD 2034 Notes; and (iii) EUR734,895,000 in respect of the EUR 2031 Notes, and will be used by Hungary for general funding purposes and may be used for liability management purposes with respect to its 5.375 per cent. notes due 2023, 5.750 per cent. notes due 2023, and 5.375 per cent. notes due 2024.

TERMS AND CONDITIONS

Terms and Conditions of the USD 2029 Notes

The following is the text of the Terms and Conditions of the USD 2029 Notes which, upon issue, will represent the terms and conditions applicable to all USD 2029 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. Within the following section "Terms and Conditions of the USD 2029 Notes", please note that the use of the term the "Notes" applies only to the USD 2029 Notes. Elsewhere in the Offering Circular, the use of the term the "Notes" applies to the USD 2029 Notes, the USD 2034 Notes, and the EUR 2031 Notes, each individually:

The US$1,750,000,000 5.250 per cent. Notes due 2029 (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 16 June 2022 (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 16 June 2022 (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 16 June 2022 (the "**Issue Date**") at the rate of 5.250 per cent. per annum (the "**Rate of Interest**"). Interest on the Notes is payable semi-annually in arrear on 16 June and 16 December in each year (each, an "**Interest Payment Date**") from and including 16 December 2022 (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 on each Interest Payment Date shall be US$26.25 in respect of each Calculation Amount. 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 16 June 2029 (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 either (i) such additional notes, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to the U.S. federal income tax laws), are not treated as issued with original issue discount (or are issued with a *de minimis* amount of original issue discount as defined in U.S. Treasury Regulation 1.1273-1(d)), or (ii) such additional securities are issued in a "**qualified reopening**" 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*).

Terms and Conditions of the USD 2034 Notes

The terms and conditions of the USD 2034 Notes will be identical to those described under "*Terms and Conditions of the USD 2029 Notes*" above, except that (i) use of the term the "Notes" applies only to the USD 2034 Notes and (ii) as follows:

(a) the reference in the introductory paragraph to the "US$1,750,000,000 5.250 per cent. Notes due 2029" shall be replaced by a reference to the "U.S.$1,250,000,000 5.500 per cent. Notes due 2034" and references to "Notes" shall be construed accordingly;

(b) the first paragraph of Condition 4 (*Interest*) shall be deleted and replaced with:

> "The Notes bear interest from 16 June 2022 (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 16 June and 16 December in each year (each, an "**Interest Payment Date**") from and including 16 December 2022 (the "**First Interest Payment Date**") to and including the Maturity Date."

(c) in the third paragraph of Condition 4 (*Interest*) the first sentence:

> "The amount of interest payable on each Interest Payment Date shall be US$26.25 in respect of each Calculation Amount."
>
> Shall be deleted and replaced with:
>
> "The amount of interest payable on each Interest Payment Date shall be US$27.50 in respect of each Calculation Amount."; and

(d) the reference in Condition 5(a) (*Redemption and Purchase – Scheduled redemption*) to "16 June 2029" shall be replaced by a reference to "16 June 2034".

Terms and Conditions of the EUR 2031 Notes

The terms and conditions of the EUR 2031 Notes will be identical to those described under "*Terms and Conditions of the USD 2029 Notes*" above, except that (i) use of the term the "Notes" applies only to the EUR 2031 Notes and (ii) as follows:

(a) the reference in the introductory paragraph to the "US$1,750,000,000 5.250 per cent. Notes due 2029" shall be replaced by a reference to the "EUR 750,000,000 4.250 per cent. Notes due 2031" and references to "Notes" shall be construed accordingly;

(b) the reference in the first paragraph of Condition 1 (*Form, Denomination and Status*) to "US$200,000 and integral multiples of US$1,000" shall be replaced by a reference to "EUR100,000 and integral multiples of EUR1,000";

(c) the first paragraph of Condition 4 (*Interest*) shall be deleted and replaced with:

> "The Notes bear interest from 16 June 2022 (the "**Issue Date**") at the rate of 4.250 per cent. per annum (the "**Rate of Interest**"). Interest on the Notes is payable annually in arrear on 16 June in each year (each, an "**Interest Payment Date**") from and including 16 June 2022 (the "**First Interest Payment Date**") to and including the Maturity Date."

(d) in the third paragraph of Condition 4 (*Interest*) the first sentence:

> "The amount of interest payable on each Interest Payment Date shall be US$26.25 in respect of each Calculation Amount."
>
> Shall be deleted and replaced with:
>
> "The amount of interest payable on each Interest Payment Date shall be EUR42.50 in respect of each Calculation Amount."; and

(e) the definition of Calculation Amount in Condition 4 (Interest) shall be replaced by reference to "EUR1,000";

(f) in Condition 4 (*Interest*) the definitions of "Day Count Fraction", "Calculation period", "Regular Date" and "Regular Period", shall be inserted, in accordance with the following:

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"**Day Count Fraction**" means:

(a) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

(b) if the Calculation Period is longer than one Regular Period, the sum of:

(i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

(ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year;

"**Regular Date**" means 16 June in any year; and

"**Regular Period**" means each period from (and including) any Regular Date to (but excluding) the next successive Regular Date.";

(a) the reference in Condition 5(a) (*Redemption and Purchase – Scheduled redemption*) to "16 June 2029" shall be replaced by a reference to "16 June 2031";

(b) the reference in Condition 6 (Payments) to "US dollar" shall be replaced by a reference to "Euro";

(c) the references in Condition 6(a) (Payments – Principal) to "that processes payments in US dollars" and in Condition 6(b) (Payments – Interest) to "New York City" shall each be replaced by a reference to "in a city in which banks have access to the Target System";

(d) the reference in Condition 6(d)(i) (Payments – Payments on business days) to "day on which banks are open for general business" shall be replaced by "TARGET Settlement Day"; and

(e) a new Condition 6(g) shall be inserted as follows:

"Interpretation: In these Conditions:

"**TARGET2**" means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

and

"**TARGET System**" means the TARGET2 system.";

(a) in second paragraph of Condition 7 (*Taxation*) the reference to "in a city on which banks have access to the TARGET System" shall be inserted immediately preceding "by the Fiscal Agent"; and

(b) the reference in Condition 12(k)(vii) (*Meetings of Noteholders; Modification – Manner of publication*) to "Clearstream Banking S.A., Euroclear Bank SA/NV and the Depositary Trust Company" shall be replaced by "Clearstream Banking S.A. and Euroclear Bank SA/NV".

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 Certificates are 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 intra day 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 16 June 2022, which will be the sixth business day following the date of this Offering Circular (such settlement being referred to as "T+6"). 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+2, 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.

Payment on business days: if the currency of all payments made in respect of a Global Certificate is in: (i) Euro, "**business day**" means any day on which the TARGET System is open; or (ii) US dollars, "**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

The description of the issuer is set out in the Hungary Annual Report, which has been incorporated by reference into this Offering Circular. The information included in this section supplements and should be read in conjunction with the documents incorporated by reference herein, including the Hungary Annual Report and any amendment thereto filed with the SEC on Form 18-K/A. To the extent the information in this section is inconsistent with the information contained in the Hungary Annual Report, the information in this section replaces such information. Initially capitalized terms used in this section have the respective meanings assigned to those terms in the Hungary Annual Report.

General

Population

As of 1 January 2021, the population of Hungary was approximately 9.7 million. Approximately 5.1 million of the population lived in urban areas, 2.9 million lived in rural areas and 1.7 million lived in Budapest, which is the political, administrative, cultural and commercial center of Hungary.

The following table sets forth certain information with respect to the population growth in Hungary for the years indicated.

Table 1: Population

	As of 1 January				
	2018	2019	2020	2021	2022
Population (in thousand persons)	9,778	9,773	9,770	9,731	9,689

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

As of 1 January 2022, based on preliminary data, the population of Hungary amounted to 9,689 thousand, a decrease of 0.4 per cent. from 9,731 thousand as of 1 January 2021.

The following table sets forth the age distribution for the population of Hungary for the periods indicated:

Table 2: Age Distribution of the Population of Hungary

	As of 1 January				
	2017	2018	2019	2020	2021
			(per cent. of total)		
0-14	14.5	14.5	14.5	14.5	14.6
15-64	66.8	66.5	66.1	65.6	65.1
65+	18.7	18.9	19.3	19.9	20.3

Source: HCSO

The following table sets forth the average life expectancy at birth in Hungary for the years indicated:

Table 3: Average life expectancy

	As of 1 January,				
	2018	2019	2020	2021	2022
Average life expectancy (years)	75.9	76.2	75.5	n/a	n/a

Source: HCSO

As of 1 January 2020, the average life expectancy in Hungary was 75.5 years.

Political System

Constitutional Amendments

On 3 May 2022, Judit Varga, the Acting Minister of Justice, submitted to the Parliament a proposed tenth amendment to the New Constitution. The tenth amendment would allow the Government to declare a state of danger in the event of a war, armed conflict or humanitarian disaster in a neighboring country.

On 24 May 2022, the Parliament adopted the tenth amendment to the New Constitution. The legislation was passed with 136 votes in favor and 36 votes against. The tenth amendment grants the Hungarian Government the power to declare a state of emergency in the case of an armed conflict, war, or humanitarian disaster in a neighboring country. The Parliament also adopted changes to the law on disaster management and related legislation. Pursuant to the changes, the Government could suspend some laws or deviate from their stipulations to ensure the security of residents, their assets and the stability of the national economy during a state of danger declared due to war in a neighboring country. Under the new legislation, the Constitutional Court, if requested, must review the government's measures taken in a state of danger.

On 24 May 2022, the Government declared a state of danger in relation to the armed conflict in Ukraine, a neighboring country. The state of danger is in effect from 25 May 2022 until further notice and provides for the Prime Minister to prevent and remedy negative consequences caused by the war in Ukraine. 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.

President

On 10 March 2022, Parliament elected Ms. Katalin Novák as President of Hungary and she took office on 10 May 2022. The next presidential election is expected to be held in 2027.

Parliament

The single-chamber Hungarian Parliament is the country's supreme legislative body. Parliament elects the President, the Prime Minister, the members and President of the Constitutional Court, the President of the State Audit Office, the President of the Supreme Court (the Curia), the President of the Supreme Court of Administration and the Attorney General.

Members of Parliament are elected by popular vote for four-year terms. Elections are held using a combination of individual constituency voting (the candidate receiving the most votes in a particular district being elected from that district) and proportional voting (parties receiving at least 5 per cent. of the popular vote proportionally divide a fixed number of seats). Hungary last held Parliamentary elections in April 2022. The next Parliamentary elections are scheduled to be held in 2026.

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 ("**CDPP**"), 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 ("**HSP**") and Párbeszéd ("**Párbeszéd**"). In addition, one representative of Country Self-Governance of Germans in Hungary (Landesselbsverwaltung der Ungarndeutschen – "**LdU**") was elected. Fidesz and CDPP formed an alliance before the elections and submitted a joint list of nominees. The following table sets forth the results of the 2022 Parliamentary elections as published by the Hungarian National Election Office (the "**NEO**"):

Table 4: Results of the 2022 Parliamentary Elections

	Number of seats	**Share of seats**
		(%)
Fidesz – CDPP	135	67.8
DK – Jobbik – LMP – HSP – Momentum – Párbeszéd	57	28.6
Mi Hazánk	6	3.0
Independent Representatives	1	0.5
Total	**199**	**100.0**

Source: NEO

Fidesz-CDPP obtained a majority of the Parliamentary seats in the 2022 elections. Fidesz-CDPP formed a government with a total of 135 of the 199 Parliamentary seats.

COVID-19

In response to the COVID-19 outbreak, the Government, pursuant to the powers vested in it under Article 53 of the New Constitution, introduced a special legal order in Hungary by declaring a state of danger in effect from March 11, 2020 for an indefinite period (i.e. until further notice). The Hungarian Prime Minister was appointed as responsible for preventing and mitigating the negative consequences caused by the COVID-19 pandemic. Pursuant to the New Constitution 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 CXXVIII of 2011 on Disaster Management. The Government may terminate the state of danger when the circumstances giving rise to its declaration no longer apply.

For the year ended 31 December 2020, the Government implemented multiple measures aimed at alleviating the economic impact of the COVID-19 pandemic which totaled approximately HUF13,970 billion. The measures were divided in seven main action areas including (1) job protection, job creation and training support (HUF219 billion); (2) expenses of the fund used to contain the COVID-19 pandemic (the "**Epidemic Protection Fund**") (HUF1,027 billion); (3) taxation benefits, family and other support (HUF490 billion); (4) total cost of capital, guarantee and loan programs (HUF2,103 billion); (5) Funding for Growth Scheme Go! (HUF2,500 billion); (6) payment moratorium (HUF3,600 billion); and (7) expenses of the Economy Protection Fund (HUF4,031 billion).

During the year ended 31 December 2021, the Government implemented multiple measures aimed at alleviating the economic impact of the COVID-19 pandemic which totaled approximately HUF4,088 billion. The measures were divided in five main action areas including (1) job protection, job creation and training support (HUF101 billion); (2) expenses of the Epidemic Protection Fund (HUF420 billion); (3) taxation benefits, family and other support (HUF1,100 billion); (4) Funding for Growth Scheme Go! (HUF500 billion); and (5) expenses of the Economy Protection Fund (HUF1,967 billion).

The Government's economic measures to alleviate the impact of the COVID-19 pandemic during 2020 and 2021 totaled approximately HUF18,058 billion (36.3 per cent. of GDP). The measures were divided in seven main action areas including (1) job protection, job creation and training support (HUF320 billion, equaling 0.6 per cent. of GDP); (2) expenses of the Epidemic Protection Fund (HUF1,447 billion, equaling 2.9 per cent. of GDP); (3) taxation benefits, family and other support (HUF1,590 billion, equaling 3.0 per cent. of GDP); (4) total cost of capital, guarantee and loan programs (HUF2,103 billion, equaling 4.4 per cent. of GDP); (5) Funding for Growth Scheme Go! (HUF3,000 billion, equaling 6.1 per cent. of GDP); (6) payment moratorium (HUF3,600 billion, equaling 7.5 per cent. of GDP); and (7) expenses of the Economy Protection Fund (HUF5,998 billion, equaling 11.9 per cent. of GDP).

On 3 July 2021, the number of vaccinated people in Hungary reached 5.5 million and the Government eased certain protective measures. As the number of vaccinations reached 5.5 million, masks were no longer required indoors and people were allowed to go to hotels, restaurants, baths and water parks without an immunity certificate. However, masks remained mandatory in the healthcare sector. The use of immunity certificates was also maintained for large events, such as sports events, concerts, festivals and night clubs.

In November 2021, due to rising COVID-19 cases, the Government reinstated the requirement for masks to be worn in enclosed spaces, including shops, malls, museums, theaters, cinemas and public transport.

On 7 March 2022, the Government lifted the majority of its COVID-19 protective health measures, including the requirement to wear masks. The Government maintained the state of danger and the special mandate of the Government in effect until 1 June 2022, when it expired.

The Economy

Background

The Hungarian economy has undergone a radical transformation since the fall of communism in 1989. As with other post-communist countries in the region, the Hungarian economy during the last thirty years can be characterized by economic dislocation at the beginning of the 1990s, with gradual improvement as reforms were implemented. The highlights of these economic reforms and trends include:

(1) An ambitious privatization program. The vast majority of Hungary's large state-owned enterprises have been privatized.

(2) A shift in exports from countries formerly participating in the Council for Mutual Economic Assistance to those of Western Europe and other industrialized countries. Currently, approximately three-quarters of Hungarian exports are to EU markets.

(3) The ratios of gross and net external debt (excluding intercompany loans) to GDP declined in the second half of the 1990s but rose steadily from 2002 to 2009 before declining until 2019. In 2020, the gross and net external debt to GDP ratios increased to 59.0 per cent. and 8.3 per cent., respectively. Meanwhile, the ratio of public sector debt to GDP decreased to 52.3 per cent. in 2001, but has increased since 2001, reaching 76.8 per cent. in 2022.

(4) Hungary's GDP grew by 4.3 per cent., 5.4 per cent. and 4.6 per cent. in 2017, 2018 and 2019, respectively, decreased by 4.5 per cent. in 2020 and increased by 7.1 per cent. in 2021. According to HCSO preliminary data, GDP grew by 8.2 per cent. during the three-month period ended 31 March 2022 relative to the corresponding period of the previous year.

(5) Inflation decreased dramatically from 28.3 per cent. at the end of 1995 to 2.3 per cent. as of April 2006, partly as a result of the reduction of the VAT rate. Price levels dropped by 0.9 per cent. in December 2014 mainly as a result of lower energy and food prices and a significant drop in certain public administered prices. Until December 2019, the inflation rate increased gradually to 4.0 per cent., mainly due to increasing food price inflation and indirect tax hikes. In December 2020, the inflation rate decreased to 2.7 per cent., but increased to 7.4 per cent. in December 2021, partly due to increasing food and fuel prices.

(6) Foreign direct investment (the total amount of capital invested in Hungary from abroad) has generally increased since 1995, reaching EUR116.7 billion cumulatively, as of 31 December 2021. During 2021, the balance of net direct investment amounted to a EUR2,143 million inflow, compared to a EUR2,311 million inflow during 2020.

(7) The general government deficit (according to ESA methodology) as a percentage of GDP amounted to 2.3 per cent. in 2012, increased to 2.6 per cent. in 2013, increased further to 2.8 per cent. in 2014, then dropped to 2.0 per cent. in 2015, and declined further to 1.8 per cent. in 2016, increased to 2.5 per cent. in 2017, decreased to 2.1 per cent. in 2018, amounted to 2.1 per cent. in 2019, increased to 7.8 per cent. in 2020 and decreased to 6.8 per cent. in 2021. According to the Ministry of Finance's projections, the general government deficit (according to ESA methodology) as a percentage of GDP is expected to decrease to 4.9 per cent. in 2022, 3.5 per cent in 2023, 2.5 per cent in 2024, 1.5 per cent. in 2025 and to 1.0 per cent. in 2026.

(8) The current account had a surplus from 2010 to 2018 and had a deficit in 2019 and 2020. The surplus amounted to EUR2,536 million in 2017 and EUR216 million in 2018. The current account had a deficit in the amount of EUR1,018 million in 2019 and EUR1,558 million in 2020. The current account deficit amounted to EUR4,736 million in 2021.

Recent Economic Performance

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

Table 5: Selected Macroeconomic Statistics

	For the year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
Economic Data[1]					
Nominal GDP (HUF billions)	39,281.4	43,392.4	47,530.6	48,276.4	55,256.7
Real GDP growth (previous year = 100)	104.3	105.4	104.6	95.5	107.1
Real exports growth (previous year = 100)..	106.5	105.0	105.4	93.9	110.3
Real imports growth (previous year = 100)..	108.4	107.0	108.2	96.0	108.7
Rate of unemployment (per cent.)	4.0	3.6	3.3	4.1	4.1
Consumer prices growth (previous year = 100)	102.4	102.8	103.4	103.3	105.1
Producer prices growth (previous year = 100)..	103.3	105.5	102.1	104.2	113.5

	For the year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
State Budget; Public and External Debt[(2)]					
State budget surplus/(deficit) (HUF billions)..	(1,314.5)	(1,202.1)	(1,204.2)	(5,422.5)	(5,063.8)
Total revenues (HUF billions)................	17,348.1	18,462.6	20,273.6	20,685.8	21,544.9
Public debt (HUF billions), unconsolidated....................................	26,746.2	28,688.2	29,682.0	36,684.3	40,697.0
External public debt (HUF billions).......	5,782.6	5,724.8	5,121.2	7,318.2	8,395.2
Balance of Payments Data[(3)]					
Current account (EUR billions)..............	2.5	0.2	(1.0)	(1.6)	(4.7)
Exports (EUR billions)[(4)]........................	109.1	113.9	119.4	108.6	125.3
Imports (EUR billions)[(4)]........................	100.4	108.1	116.0	105.8	124.1
NBH's foreign exchange reserves (EUR billions)...	23.4	27.4	28.4	33.7	38.4

*Sources: HCSO, NBH, Ministry of Finance ("**MoF**")*

(1) Derived from data published by the HCSO.
(2) Derived from the government budget as published by the Ministry of Finance, according to the GFS methodology.
(3) Derived from data published by the NBH.
(4) Including goods and services.

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 6: Gross Domestic Product

	For the year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
Nominal GDP (HUF billions)	39,281.4	43,392.4	47,530.6	48,276.4	55,256.7
Real GDP growth (previous year = 100)	104.3	105.4	104.6	95.5	107.1
Per capita GDP (HUF thousands)...........	4,013.2	4,438.9	4,864.4	4,951.3	n/a
GDP (USD billions)	143.2	160.6	163.5	156.8	n/a
Per capita GDP (USD)	14,632	16,425	16,736	16,079	n/a

Source: HCSO

Nominal GDP for 2021 amounted to HUF55,256.7 billion, a real GDP growth rate of 7.1 per cent. compared to the previous year.

The following tables show the sectoral composition of GDP in each of the periods indicated:

Table 7: Sectoral Composition of GDP

	For the year ended 31 December			
	2017	**2018**	**2019**	**2020**
		(HUF billions)		
Agriculture, forestry and fishing	1,474.5	1,512.6	1,588.7	1,632.1
Industry total	8,473.9	9,027.6	9,475.4	9,555.3
Mining and quarrying	64.8	103.3	147.2	97.8
Manufacturing	7,511.9	8,028.0	8,310.9	8,463.9
Electricity, gas, steam and air conditioning supply.........................	582.3	583.5	688.9	670.3
Water supply; sewerage, waste management and remediation activities..	314.9	312.9	328.4	323.2
Construction..	1,411.4	1,855.6	2,305.6	2,334.0
Wholesale and retail trade; repair of motor vehicles and motorcycles..........	3,428.0	3,862.6	4,167.8	4,412.4
Transportation and storage.....................	2,053.2	2,230.9	2,424.9	2,291.6
Accommodation and food service activities...	599.9	698.2	786.8	517.7
Information and communication	1,634.9	1,792.8	1,985.7	2,121.9
Financial and insurance activities...........	1,203.2	1,293.0	1,519.0	1,615.2
Real estate activities...............................	2,999.9	3,437.2	4,014.3	4,211.6
Professional, scientific and technical activities...	2,002.0	2,256.1	2,509.4	2,605.2
Administrative and support service activities...	1,307.2	1,419.3	1,548.9	1,380.5

	For the year ended 31 December			
	2017	2018	2019	2020
	(HUF billions)			
Public administration and defense; compulsory social security	2,726.5	2,894.6	3,164.1	3,301.9
Education	1,524.5	1,637.0	1,773.0	1,846.2
Human health and social work activities	1,497.6	1,665.1	1,777.9	1,974.3
Arts, entertainment and recreation	482.8	532.2	590.5	539.7
Other service activities	489.7	521.1	589.2	506.2
Activities of households	6.5	11.9	8.9	9.1
Taxes less subsidies on products	5,965.8	6,744.5	7,300.4	7,421.3
Gross domestic product (at purchasers' prices)	**39,281.4**	**43,392.4**	**47,530.6**	**48,276.4**

Source: HCSO

Table 8a: Sectoral Composition of GDP

	For the year ended 31 December	
	2021[(1)(2)]	
	(HUF billions)	(per cent. of GDP)
Agriculture, forestry and fishing	1,835.9	3.3
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	11,553.2	20.9
Of which: manufacturing	10,273.1	18.6
Construction	3,048.7	5.5
Services, total	30,501.4	55.2
Of which: wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	5,616.7	10.2
within it: wholesale and retail trade; repair of motor vehicles and motorcycles	5,016.9	9.1
within it: accommodation and food service activities	599.9	1.1
Of which: transportation and storage	2,521.5	4.6
Of which: information and communication	2,391.2	4.3
Of which: financial and insurance activities	1,758.0	3.2
Of which: real estate activities	4,753.2	8.6
Of which: professional, scientific and technical activities; administrative and support service activities	4,323.0	7.8
Of which: public administration and defense; compulsory social security; education; human health and social work activities	7,975.7	14.4
within it: public administration and defense; compulsory social security	3,602.1	6.5
within it: education	2,018.9	3.7
within it: human health and social work activities	2,354.8	4.3
Of which: arts, entertainment and recreation, repair of household goods and other services	1,161.9	2.1
Taxes less subsidies on products	8,317.5	15.1
Gross domestic product, total (at purchaser's prices)	**55,256.7**	**100.0**

Source: HCSO

(1) Preliminary data.

(2) Because this table contains preliminary GDP data, the categories of GDP are slightly different from those in "Table 7: Sectorial Composition of GDP".

In 2021, GDP amounted to HUF55,256.7 billion, and the value added of the services sector amounted to HUF30,501.4 billion (55.2 per cent. of GDP) in 2021. The value added of the agricultural sector (including forestry and fishing) and the industrial sector (including mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities) amounted to HUF1,835.9 billion and HUF11,553.2 billion, respectively; consequently the agricultural and industrial sector contributed 3.3 per cent. and 20.9 per cent. of GDP, respectively in 2021.

In 2021, GDP (including taxes less subsidies on products) amounted to HUF55,256.7 billion, and taxes less subsidies on products amounted to HUF8,317.5 billion; consequently GDP excluding taxes less subsidies on products amounted to HUF46,939.2 billion

The following tables show the sectoral composition of GDP (excluding taxes less subsidies on products) for the period indicated:

Table 8b: Sectoral Composition of GDP (excluding taxes less subsidies on products)

	For the year ended 31 December 2021	
	(HUF billions)	(per cent. of GDP)
Agriculture, forestry and fishing	**1,835.9**	**3.9**
Industry, total	**11,553.2**	**24.6**
Of which: manufacturing	10,273.1	21.9
Of which: other industry	1,280.1	2.7
Construction	**3,048.7**	**6.5**
Services, total	**30,501.4**	**65.0**
Of which: wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	5,616.7	12.0
within it: wholesale and retail trade; repair of motor vehicles and motorcycles	*5,016.9*	*10.7*
within it: accommodation and food service activities	*599.9*	*1.3*
Of which: transportation and storage	2,521.5	5.4
Of which: information and communication	2,391.2	5.1
Of which: financial and insurance activities	1,758.0	3.7
Of which: real estate activities	4,753.2	10.1
Of which: professional, scientific and technical activities; administrative and support service activities	4,323.0	9.2
Of which: public administration and defense; compulsory social security; education; human health and social work activities	7,975.7	17.0
within it: public administration and defense; compulsory social security	*3,602.1*	*7.7*
within it: education	*2,018.9*	*4.3*
within it: human health and social work activities	*2,354.8*	*5.0*
Of which: arts, entertainment and recreation, repair of household goods and other services	1,161.9	2.5
Gross domestic product, total (excluding taxes less subsidies on products)	**46,939.2**	**100.0**
Agriculture, forestry and fishing	**1,835.9**	**3.9**

Source: HCSO
(1) Preliminary data.
(2) Because this table contains preliminary GDP data, excluding taxes less subsidies on products, the share of categories of GDP are slightly different from those in "Table 8a: Sectoral Composition of GDP".

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

Table 9: Composition of GDP by Expenditure

	For the year ended 31 December				
	2017	2018	2019	2020	2021[1]
			(HUF billions)		
Household final consumption expenditure	18,945.5	20,512.5	22,552.9	22,928.3	25,493.8
Social transfers in kind from government	3,818.3	4,040.3	4,306.1	4,711.3	5,218.1
Social transfers in kind from NPISHs[2]	735.1	860.6	914.8	1,021.7	1,122.7
Actual final consumption of households	23,498.9	25,413.4	27,773.8	28,661.3	31,834.6
Actual final consumption of government	4,112.4	4,502.8	5,123.2	5,424.1	6,094.7
Actual final consumption, total	27,611.3	29,916.2	32,897.0	34,085.3	37,929.2
Gross fixed capital formation	8,698.6	10,729.9	12,873.3	12,856.8	14,986.6
Changes in inventories	305.0	832.8	581.0	233.6	1,866.4
Acquisitions less disposals of valuables	70.1	69.5	78.7	96.6	54.9
Gross capital formation, total	9,073.7	11,632.2	13,533.0	13,187.0	16,907.9
Domestic use, total	36,685.1	41,548.4	46,430.0	47,272.3	54,837.1
Exports					
Goods	26,379.8	28,233.9	30,103.8	31,164.0	37,035.6
Services	7,364.9	8,104.8	8,764.8	6,978.5	7,906.3
Total	33,744.7	36,338.7	38,868.6	38,142.5	44,941.8
Imports					
Goods	25,930.5	28,969.4	31,310.0	31,581.1	38,397.5
Services	5,217.9	5,525.3	6,457.9	5,557.4	6,124.8
Total	31,148.4	34,494.7	37,768.0	37,138.5	44,522.3
Balance					
Goods	449.4	(735.6)	(1,206.3)	(417.1)	(1,361.9)
Services	2,147.0	2,579.6	2,306.9	1,421.1	1,781.5
Total	2,596.3	1,844.0	1,100.6	1,004.0	419.6
Gross Domestic Product, Total	**39,281.4**	**43,392.4**	**47,530.6**	**48,276.4**	**55,256.7**

Source: HCSO
(1) Preliminary data.
(2) Non-profit institutions serving households.

In 2021, GDP amounted to HUF55,256.7 billion, and consumption (including actual final consumption of households and actual final consumption of government) amounted to HUF37,929.2 billion (68.6 per cent. of GDP). Investments (including gross fixed capital formation and changes in inventories and acquisition, less disposals of valuables) amounted to HUF16,907.9 billion (30.6 per cent. of GDP) in 2021. Exports amounted to HUF44,941.8 billion, exceeding imports, which amounted to HUF44,522.3 billion in 2021.

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

Table 10: Volume Indices of GDP

	For the year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021[1]**
	(Corresponding Period of the Previous Year = 100)				
Household final consumption expenditure	104.7	104.8	105.1	98.6	104.6
Social transfers in kind from government	101.7	99.3	101.9	94.1	103.4
Social transfers in kind from NPISHs[2]	114.6	112.9	101.9	103.4	102.9
Actual final consumption of households	104.5	104.2	104.5	98.1	104.4
Actual final consumption of government	103.8	104.2	106.5	103.4	103.9
Actual final consumption, total	104.4	104.2	104.8	98.9	104.3
Gross fixed capital formation	119.7	116.3	112.8	93.0	105.9
Changes in inventories	n/a[3]	n/a[3]	n/a[3]	n/a[3]	n/a[3]
Acquisitions less disposals of valuables	n/a[3]	n/a[3]	n/a[3]	n/a[3]	n/a[3]
Gross capital formation, total	110.1	115.9	112.0	93.4	109.6
Domestic use, total	105.7	107.1	106.8	97.3	105.8
Exports					
Goods	106.2	104.0	104.8	98.8	110.4
Services	107.6	108.5	107.5	77.1	109.8
Total	106.5	105.0	105.4	93.9	110.3
Imports					
Goods	109.1	107.5	106.8	98.2	108.8
Services	105.1	104.5	115.5	85.4	107.9
Total	108.4	107.0	108.2	96.0	108.7
External Balance					
Goods	n/a[3]	n/a[3]	n/a[3]	n/a[3]	n/a[3]
Services	n/a[3]	n/a[3]	n/a[3]	n/a[3]	n/a[3]
Total	n/a[3]	n/a[3]	n/a[3]	n/a[3]	n/a[3]
Gross Domestic Product, Total	**104.3**	**105.4**	**104.6**	**95.5**	**107.1**

Source: HCSO
(1) Preliminary data.
(2) Non-profit institutions serving households.
(3) n/a: Not available.

In 2017, 2018 and 2019, the volume index of GDP amounted to 104.3, 105.4 and 104.6, respectively implying a real GDP growth rate of 4.3 per cent., 5.4 per cent. and 4.6 per cent., respectively. In 2020, the volume index of GDP amounted to 95.5 implying a real GDP decrease of 4.5 per cent. In 2017, 2018 and 2019 the volume index of consumption amounted to 104.4, 104.2 and 104.8, respectively implying a real growth rate of consumption of 4.4 per cent., 4.2 per cent. and 4.8 per cent., respectively, contributing significantly to GDP growth. In 2020, the volume index of consumption amounted to 98.9 implying a real decrease consumption of 1.1 per cent., contributing significantly to the drop of GDP. In 2017, 2018 and 2019 the volume index of investments amounted to 110.1, 115.9 and 112.0, respectively implying a real growth rate of investments of 10.1 per cent., 15.9 per cent. and 12.0 per cent., respectively, contributing significantly to GDP growth. In 2020, the volume index of investments amounted to 93.4 implying a real decrease of investment of 6.6 per cent., contributing significantly to the drop of GDP. In 2017, 2018 and 2019 the volume index of exports amounted to 106.5, 105.0 and 105.4, respectively implying a real growth rate of exports of 6.5 per cent., 5.0 per cent. and 5.4 per cent., respectively. In 2017, 2018 and 2019 the volume index of imports amounted to 108.4, 107.0 and 108.2, respectively implying a real growth rate of imports of 8.4 per cent., 7.0 per cent. and 8.2 per cent., respectively. In 2017, 2018 and 2019, imports growth outpaced exports growth, consequently the growth contribution of net exports was negative and, as a result, GDP dynamics lagged behind the growth rates of domestic use. In 2020, the volume index of exports and imports amounted to 93.9 and 96.0 implying a real decrease of 6.1 per cent. and 4.0 per cent., respectively. The decrease in exports exceeded the decrease in imports; consequently, the growth contribution of net exports was negative, and as a result, the GDP decrease exceeded the decrease of domestic use.

In 2021, the volume index of GDP amounted to 107.1, implying a real GDP growth rate of 7.1 per cent. In 2021, the volume index of consumption amounted to 104.3 implying a real increase consumption of 4.3 per cent., contributing significantly to the increase of GDP. In 2021, the volume index of investments amounted to 109.6 implying a real increase of investment of 9.6 per cent., contributing significantly to the increase of GDP. In 2021, the volume index of exports and imports amounted to 110.3 and 108.7 implying a real increase of 10.3 per cent. and 8.7 per cent., respectively. The growth rate of exports exceeded the growth rate of imports; consequently, the growth contribution of net exports was positive, and as a result, GDP growth exceeded the increase of domestic use.

The European Commission published GDP growth rates and forecasts for EU countries in its Spring 2022 European Economic Forecast publication. The following table sets forth the five-year average GDP growth rates for EU countries for the five-year period between 2013 and 2017, as published by the European Commission:

Table 11a: Average GDP growth rates in the EU

	Five-year period ended 31 December 2017
	(per cent.)
European Union	1.7
Austria	1.2
Belgium	1.4
Bulgaria	1.9
Croatia	1.7
Cyprus	1.3
Czechia	3.0
Denmark	2.2
Estonia	3.0
Finland	1.0
France	1.2
Germany	1.8
Greece	(0.3)
Hungary	3.2
Ireland	8.9
Italy	0.4
Latvia	2.7
Lithuania	3.2
Luxembourg	2.9
Malta	7.4
Netherlands	1.7
Poland	3.3
Portugal	1.4
Romania	4.5
Slovakia	2.7
Slovenia	2.4
Spain	1.9
Sweden	2.6

Source: European Commission, European Economic Forecast, Spring 2022

The European Commission published GDP growth rates and forecasts for EU countries in its Spring 2022 European Economic Forecast publication. The following table sets forth the GDP growth rates for the EU countries and years indicated, as published by the European Commission:

Table 11b: GDP growth rates in the EU

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
				(per cent)				
European Union	1.6	2.3	2.0	2.8	2.1	1.8	(5.9)	5.3
Austria	0.7	1.0	2.0	2.3	2.5	1.5	(6.7)	4.5
Belgium	1.6	2.0	1.3	1.6	1.8	2.1	(5.7)	6.2

Bulgaria	1.0	3.4	3.0	2.8	2.7	4.0	(4.4)	4.2
Croatia	(0.3)	2.5	3.5	3.4	2.9	3.5	(8.1)	10.2
Cyprus	(1.8)	3.4	6.5	5.9	5.7	5.3	(5.0)	5.5
Czechia	2.3	5.4	2.5	5.2	3.2	3.0	(5.8)	3.3
Denmark	1.6	2.3	3.2	2.8	2.0	2.1	(2.1)	4.7
Estonia	3.0	1.9	3.2	5.8	4.1	4.1	(3.0)	8.3
Finland	(0.4)	0.5	2.8	3.2	1.1	1.2	(2.3)	3.5
France	1.0	1.1	1.1	2.3	1.9	1.8	(7.9)	7.0
Germany	2.2	1.5	2.2	2.7	1.1	1.1	(4.6)	2.9
Greece	0.5	(0.2)	(0.5)	1.1	1.7	1.8	(9.0)	8.3
Hungary	4.2	3.7	2.2	4.3	5.4	4.6	(4.5)	7.1
Ireland	8.7	25.2	2.0	8.9	9.0	4.9	5.9	13.5
Italy	0.0	0.8	1.3	1.7	0.9	0.5	(9.0)	6.6
Latvia	1.9	3.9	2.4	3.3	4.0	2.5	(3.8)	4.5
Lithuania	3.5	2.0	2.5	4.3	4.0	4.6	(0.1)	5.0
Luxembourg	2.6	2.3	5.0	1.3	2.0	3.3	(1.8)	6.9
Malta	7.6	9.6	3.4	11.1	6.0	5.9	(8.3)	9.4
Netherlands	1.4	2.0	2.2	2.9	2.4	2.0	(3.8)	5.0
Poland	3.4	4.2	3.1	4.8	5.4	4.7	(2.2)	5.9
Portugal	0.8	1.8	2.0	3.5	2.8	2.7	(8.4)	4.9
Romania	3.6	3.0	4.7	7.3	4.5	4.2	(3.7)	5.9
Slovakia	2.7	5.2	1.9	3.0	3.8	2.6	(4.4)	3.0
Slovenia	2.8	2.2	3.2	4.8	4.4	3.3	(4.2)	8.1
Spain	1.4	3.8	3.0	3.0	2.3	2.1	(10.8)	5.1
Sweden	2.7	4.5	2.1	2.6	2.0	2.0	(2.9)	4.8

Source: European Commission, European Economic Forecast, Spring 2022

In 2021, the GDP growth rate in Hungary amounted to 7.1 per cent., and the GDP growth rate in the EU amounted to 5.3 per cent.

The European Commission published GDP growth rate forecasts for EU countries in its Spring 2022 European Economic Forecast publication. The following table sets forth the growth rate forecasts of the European Commission for the countries and periods indicated:

Table 12: European Commission projections for GDP growth rates

	For the year ended 31 December	
	2022(1)	**2023(1**
	(per cent.)	
European Union	2.7	2.3
Hungary	3.6	2.6

Source: European Commission, European Economic Forecast, Spring 2022
(1) Preliminary data.

For the year 2022, the European Commission projected a GDP growth rate of 2.7 per cent. for the EU, and 3.6 per cent. for Hungary.

For the year 2023, the European Commission projected a GDP growth rate of 2.3 per cent for the EU, and 2.6 per cent for Hungary.

The European Statistics Agency ("**Eurostat**") publishes GDP aggregate data for EU countries. The following table sets forth the investment rates as a percentage of GDP, as published by Eurostat, for the countries and time periods indicated:

Table 13: Investment rates of EU countries:

	2017	**2018**	**2019**	**2020**	**2021**
			(per cent)		
Austria	24.8	25.7	25.4	25.9	27.6
Belgium	24.5	25.3	24.9	24.2(1)	26.3(1)
Bulgaria	19.8	21.2	21.0	20.3	19.6(1)
Croatia	21.7	23.2	22.8	23.9(1)	20.0(1)
Cyprus	20.7	19.3	20.3	19.2(1)	16.8(1)
Czechia	26.4	27.2	27.6	25.9	29.8
Denmark	22.1	22.6	22.0	22.9	23.3
Estonia	26.4	26.9	26.1	30.2	30.5
Finland	24.0	25.3	24.1	24.5	24.3

France	23.4	23.9	24.4[1]	23.8[1]	25.4[1]
Germany	21.0	21.9[1]	22.1[1]	21.1[1]	22.7[1]
Greece	12.0	13.2	12.6[1]	15.0[1]	17.8[1]
Hungary	23.1	26.8	28.5	27.3[1]	30.6[1]
Ireland	34.7	28.6	54.7	40.9	24.2
Italy	18.1	18.5	18.2	17.7	20.0
Latvia	22.0	23.3	23.3	21.7	27.2
Lithuania	19.2	20.4	17.6	13.5	18.6
Luxembourg	18.9	17.1	18.4	17.9	18.2
Malta	21.3	21.0[1]	21.2[1]	22.0[1]	23.2[1]
Netherlands	20.6	21.0	22.1	21.7[1]	21.2[1]
Poland	19.9	20.8	19.7	17.5	20.3
Portugal	17.2	18.3	18.5	18.8[1]	19.7[1]
Romania	23.4	22.8	23.6	24.4[1]	25.9[1]
Slovakia	22.8	23.1	23.5	19.4	21.4
Slovenia	20.0	21.2	20.6	20.0	22.0
Spain	19.4	20.5	20.9[1]	20.7[1]	21.5[1]
Sweden	25.7	26.0	25.1	24.8	25.6

Source: Eurostat, Main GDP Aggregate Dataset, April 2022

(1) Provisional data.

The three highest investment rates (calculated as the value of gross capital formation compared to the GDP) were recorded in Hungary (30.6 per cent.), Estonia (30.5 per cent.) and Czechia (29.8 per cent.).

The following table sets forth the growth contribution of the main sectors of the economy for the periods indicated:

Table 14: Contribution to GDP by sector

	For the year ended 31 December,								
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
	(per cent. change)								
Agriculture, forestry and fishing	0.6	0.6	0.0	0.5	(0.3)	0.2	(0.1)	(0.3)	(0.1)
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply	(0.5)	1.4	1.8	0.4	0.5	0.6	0.6	(1.4)	1.9
Construction	0.2	0.3	0.2	(0.5)	0.6	0.5	0.6	(0.4)	0.8
Services	1.8	1.5	1.1	1.6	2.7	3.4	2.8	(1.9)	3.5
Net Taxes on Products	(0.2)	0.5	0.6	0.3	0.7	0.6	0.7	(0.5)	1.0

Source: HCSO

For the year 2021, the growth contribution of the mining and manufacturing, construction and services sectors were all positive and amounted to 1.9 per cent., 0.8 per cent., and 3.5 per cent., respectively. The growth contribution of the agriculture sector was negative and amounted to 0.1 per cent.

The following table sets forth the growth contribution of the main expenditure categories for the periods indicated:

Table 15: Contribution to GDP by expenditure

	For the year ended December 31,								
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
	(per cent.)								
Consumption	0.5	2.3	2.3	2.4	3.1	2.9	3.3	(0.7)	3.0
Gross Capital Formation	1.0	2.7	(0.4)	(0.8)	2.2	3.7	3.2	(1.9)	2.6
Net Exports	0.2	(0.7)	1.8	0.6	(1.0)	(1.2)	(2.0)	(1.8)	1.4

Source: HCSO

For the year 2021, the growth contribution of consumption, gross capital formation and net exports to GDP was positive and amounted to 3.0 per cent., 2.6 per cent. and 1.4 per cent., respectively.

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 16: Main price indices: CPI & PPI

	For the year ended 31 December					
	2016	2017	2018	2019	2020	2021
	(corresponding period of the previous year = 100)					
CPI (yearly average)...	100.4	102.4	102.8	103.4	103.3	105.1
CPI (December)	101.8	102.1	102.7	104.0	102.7	107.4
PPI (yearly average)...	98.3	103.3	105.5	102.1	104.2	113.5
PPI (December)..........	100.5	103.9	104.7	102.4	106.8	122.3

Source: HCSO

In December 2021, the CPI price index amounted to 107.4 implying an inflation rate of 7.4 per cent. The consumer price index for food, alcoholic beverages and tobacco, durable goods and other goods (including motor fuel) amounted to 108.0, 108.9, 107.5 and 111.7 indicating a price increase of 8.0 per cent., 8.9 per cent., 7.5 per cent. and 11.7 per cent., respectively, as of December 2021. The price increase of food, alcoholic beverages and tobacco, durable goods and other goods (including motor fuel) exceeded the inflation rate. The consumer price index for clothing and footwear, fuel and power and services amounted to 102.8, 101.2 and 105.0 indicating a price increase of 2.8 per cent., 1.2 per cent. and 5.0 per cent., respectively, as of December 2021. The price increase of clothing and footwear, fuel and power and services was lower than the inflation rate.

The following table sets forth monthly inflation data for the months indicated:

Table 17: Monthly inflation data:

	Headline Inflation	Core Inflation
	(per cent. change in last 12 months)	
2018		
January	2.1	1.9
February	1.9	1.7
March	2.0	1.7
April	2.3	1.8
May	2.8	1.9
June	3.1	1.8
July	3.4	2.0
August	3.4	1.9
September	3.6	1.9
October	3.8	2.2
November	3.1	2.3
December	2.7	2.5
2019		
January	2.7	2.6
February	3.1	3.0
March	3.7	3.2
April	3.9	3.0
May	3.9	3.3
June	3.4	3.3
July	3.3	2.9
August	3.1	2.9
September	2.8	3.2
October	2.9	3.3
November	3.4	3.3
December	4.0	3.2
2020		
January	4.7	3.5
February	4.4	3.6
March	3.9	3.8
April	2.4	3.8
May	2.2	3.5
June	2.9	3.5
July	3.8	4.2
August	3.9	4.3
September	3.4	3.6
October	3.0	3.4

	Headline Inflation	Core Inflation
	(per cent. change in last 12 months)	
November	2.7	3.4
December	2.7	3.1
2021		
January	2.7	3.2
February	3.1	3.2
March	3.7	2.8
April	5.1	3.1
May	5.1	3.4
June	5.3	3.8
July	4.6	3.5
August	4.9	3.6
September	5.5	4.0
October	6.5	4.7
November	7.4	5.3
December	7.4	6.4
2022		
January	7.9	7.4
February	8.3	8.1
March	8.5	9.1
April	9.5	10.3

Source: NBH

The headline 12-month inflation rate (CPI) amounted to 7.4 per cent. in December 2021 and increased to 9.5 per cent. in April 2022. The core 12-month inflation rate amounted to 6.4 per cent. in December 2021 and increased to 10.3 per cent. in April 2022.

Price Regulation

As of the end of 2021, approximately 86.3 per cent. of all prices in Hungary were unregulated. The main categories of products and services that continue to have regulated prices are: electricity, gas, purchased heating, various pharmaceutical products, meals at schools, kindergartens and nurseries, the state lottery, local and long-distance passenger transport, state-owned housing rent, various household utilities (including water and sewage charges and refuse collection services) and postal services.

Wages

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

Table 18: Wages

	For the year ended 31 December				
	2017	**2018**	**2019**[(1)]	**2020**[(1)]	**2021**[(1)]
	(corresponding period of the previous year = 100)				
Nominal net wage index	112.9	111.3	111.4	109.7	108.7
Real net wage index	110.3	108.3	107.7	106.2	103.4

Source: HCSO
(1) Preliminary data.

In 2021, the nominal net wage index amounted to 108.7, representing a nominal net wage growth of 8.7 per cent., and the real net wage index amounted to 103.4, representing a real net wage growth of 3.4 per cent. During the three-month period ended 31 March 2022, nominal net wages grew by 21.0 per cent., compared to the corresponding period of 2021. During the three month-period ended 31 March 2022, real net wage growth amounted to 11.8 per cent, compared to the corresponding period of 2021.

Employment

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

Table 19: Unemployment

	For the year ended 31 December						For the three-month period ended	
	2016	2017	2018	2019	2020	2021	31 March 2021	31 March 2022
	(period average, per cent.)							
Activity rate (population aged 15-74)...	62.8	63.5	64.3	64.7	64.8	65.6	64.8	66.2
Employment rate (population aged 15-64)	68.5	70.2	71.4	72.2	71.9	73.1	71.8	74.0
Unemployment rate (population aged 15-74)[(1)]	5.0	4.0	3.6	3.3	4.1	4.1	4.5	3.7

Source: HCSO

[(1)] Based on the international sampling methodology pursuant to the guidelines of the International Labor Organization.

The unemployment rate in 2017 (calculated using the guidelines of the International Labor Organization) reached 4.0 per cent. In addition to improving economic performance, government measures aimed at reducing unemployment played a significant role in reducing the unemployment rate. In 2018, the unemployment rate fell to 3.6 per cent. In 2019, the unemployment rate fell further to 3.3 per cent. The unemployment rate increased to 4.1 per cent. in 2020 mainly as a result of the COVID-19 pandemic. The unemployment rate amounted to 4.1 per cent. in 2021. The three-month average unemployment rate decreased to 3.7 per cent. in the three-month period ended 31 March 2022.

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

Table 20: Composition of Employment by Sector

	For the year ended 31 December				
Sector	**2017**	**2018**	**2019**	**2020**	**2021**
	(in thousands of persons)				
Agriculture, forestry and fishing	222.4	217.4	212.7	213.9	201.4
Mining and quarrying...........................	9.4	10.5	11.5	8.7	5.1
Manufacturing......................................	1,012.9	1,033.0	1,020.8	989.7	980.8
Electricity, gas, steam and air conditioning supply	35.8	42.5	35.3	35.3	38.8
Water supply, sewerage, waste management and remediation activities..	55.7	59.4	58.5	54.6	53.3
Construction..	304.4	333.8	344.5	361.6	373.8
Wholesale and retail trade; repair of motor vehicles and motorcycles.........	572.7	573.3	594.0	597.9	575.6
Transportation and storage....................	296.1	291.6	306.3	280.5	284.9
Accommodation and food service activities..	195.5	185.9	193.4	176.9	169.4
Information and communication	112.3	118.6	136.3	147.5	168.5
Financial and insurance activities..........	97.2	94.4	80.4	90.3	96.1
Real estate activities.............................	26.8	27.1	25.4	27.7	32.4
Professional, scientific and technical activities..	162.9	160.7	173.8	193.7	216.8
Administrative and support service activities..	158.1	154.5	145.1	143.0	141.1
Public administration and defense; compulsory social security.................	474.8	437.7	419.7	406.6	424.9
Education	336.6	356.3	359.8	346.8	368.2
Human health and social work activities..	298.0	317.9	330.2	335.0	313.9
Arts, entertainment and recreation.........	71.9	82.4	83.1	82.7	80.9
Other activities.....................................	102.5	106.1	108.5	106.8	108.6
Not classified..	2.3	3.3	5.2	4.0	0.0
Total	**4,548.4**	**4,606.4**	**4,644.6**	**4,603.2**	**4,634.6**

Source: HCSO

The number of employed persons amounted to 4,634.6 thousand in 2021, exceeding the 4,603.2 thousand employed persons in 2020 by 31.4 thousand. In 2021, the number of employed persons in the manufacturing sector amounted to 980.8 thousand, the number of employed persons in the wholesale and retail trade, repair of motor vehicles and motorcycles sector amounted to 575.6 thousand, the number of employed persons in the public administration and defense, compulsory social security sector amounted to 424.9 thousand, the number of employed persons in the construction sector amounted to 373.8 thousand, the number of employed persons in the education sector amounted to 368.2 thousand, the number of employed persons in the human health and social works activities sector amounted to 313.9 thousand and the number of employed persons in the transportation and storage sector amounted to 284.9 thousand.

Principal Sectors of the Economy

The following table indicates the volume indices by industry sector for the periods indicated:

Table 21: Volume Indices by Industry[(1)]

	For the year ended 31 December 2021 *(corresponding period of the previous year = 100)*
Agriculture, forestry and fishing	97.0
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	109.8
of which:	
Manufacturing	110.6
Construction	115.7
Services, total	106.2
of which:	
Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	107.6
Transportation and storage	109.4
Information and communication	113.9
Financial and insurance activities	105.0
Real estate activities	102.5
Professional, scientific and technical activities; administrative and support service activities	106.8
Public administration and defense; compulsory social security; education; human health and social work activities	104.1
Arts, entertainment and recreation, repair of household goods and other services	106.3
Taxes less subsidies on products	n/a[(2)]
GDP, Total (at purchaser's prices)	**107.1**

Source: HCSO

(1) Data unadjusted for calendar-day effect.

(2) n/a: Not available.

The volume index of agriculture (including forestry and fishing) amounted to 97.0 in 2021, a 3.0 per cent. decline in value added relative to 2020. The volume index of industry (including mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities) amounted to 109.8 in 2021, a 9.8 per cent. increase in value added relative to 2020. The volume index of manufacturing amounted to 110.6 in 2021, a 10.6 per cent. increase in value added relative to 2020. The volume index of construction amounted to 115.7 in 2021, a 15.7 per cent. increase in value added relative to 2020. The volume index of services amounted to 106.2 in 2021, a 6.2 per cent. increase in value added relative to 2020.

Industry

According to preliminary volume indices compiled by HCSO, in 2021, industrial gross production (which includes mining and quarrying, manufacturing, and supply of electricity, gas, steam and air conditioning), and total industrial sales increased by 9.3 per cent. and 9.5 per cent., respectively, compared to the previous year. The volume of domestic industrial sales and the volume of export sales increased by 10.8 per cent. and 8.9 per cent., respectively, compared to the previous year.

According to preliminary volume indices compiled by HCSO, during the three-month period ended 31 March 2022, industrial gross production (which includes mining and quarrying, manufacturing, and supply of electricity, gas, steam and air conditioning) and total industrial sales increased by 5.5 per cent. and 6.2 per cent., respectively, compared to the same period of the previous year. The volume of domestic industrial sales and the volume of export sales increased by 8.0 per cent. and 5.1 per cent., respectively, compared to the same period of the previous year.

The following table sets forth monthly data for industrial production, retail sales and unemployment rates for the months indicated:

Table 22: Monthly economic indicators:

	Industrial Production	Retail Sales	Unemployment Rate
	(2015 = 100)		*(per cent.)*
2018			
January	108.8	115.3	3.7
February	108.0	114.7	3.8
March	107.6	116.2	3.7
April	108.7	115.9	3.6
May	110.8	118.0	3.4
June	109.9	117.9	3.3
July	107.0	118.1	3.7
August	111.8	119.3	3.8
September	108.7	119.2	3.6
October	110.9	120.5	3.3
November	110.2	120.4	3.6
December	116.2	121.1	3.6
2019			
January	114.4	121.8	3.5
February	114.1	122.1	3.4
March	115.9	123.5	3.4
April	115.3	125.1	3.3
May	118.7	123.4	3.3
June	114.7	125.0	3.1
July	116.8	125.7	3.4
August	115.4	126.8	3.3
September	118.9	127.5	3.4
October	117.5	128.0	3.4
November	115.9	128.5	3.2
December	112.7	129.0	2.9
2020			
January	118.1	128.8	3.9
February	116.0	131.2	3.5
March	104.0	129.0	3.6
April	73.0	111.0	4.0
May	86.0	119.1	4.5
June	101.3	122.3	5.0
July	108.5	125.4	4.5
August	115.5	125.8	3.8
September	117.8	126.2	4.6
October	119.7	126.6	4.1
November	117.9	127.8	3.9
December	116.2	126.7	4.1
2021			
January	114.9	128.3	5.0
February	119.9	126.3	4.5
March	120.3	127.3	4.0
April	116.4	126.8	4.4
May	120.4	127.8	3.9
June	120.2	129.2	4.0
July	119.5	129.6	3.9
August	116.3	130.9	4.0
September	116.2	132.2	4.0
October	117.1	133.3	3.9
November	120.6	133.8	3.7
December	120.7	135.6	3.7
2022			
January	123.0	135.8	4.2
February	125.3	138.0	3.8
March	125.2	144.1	3.6
April	n/a	140.7	3.6

Source: HCSO

According to seasonally and working-day adjusted data compiled by HCSO, the volume index of industrial production in January, February and March 2022 amounted to 101.9, 101.9 and 99.9, respectively, indicating an increase in industrial production of 1.9 per cent. in January 2022 and 1.9 per cent. in February

2022, and a decrease in industrial production of 0.1 per cent. in March 2022, each relative to the previous month. The volume index of retail sales in January, February, March and April 2022 amounted to 100.1, 101.6, 104.4 and 97.6, respectively, indicating increases in retail sales of 0.1 per cent., 1.6 per cent. and 4.4 per cent. in January 2022, February 2022 and March 2022, respectively, each relative to the previous month and a decrease of 2.4 percent. in April 2022 relative to the previous month. In January 2022, unemployment rate of persons aged 15-74 amounted to 4.2 per cent. The unemployment rate decreased to 3.8 per cent. in February 2022, to 3.6 per cent. in March 2022 and remained at 3.6 per cent. in April 2022.

Manufacturing

According to preliminary volume indices compiled by HCSO, in 2021, gross production in the manufacturing sector and total manufacturing sales increased by 9.1 per cent. and 7.7 per cent., respectively, compared to the previous year. The volume of domestic manufacturing sales and the volume of export sales increased by 12.0 per cent. and 6.1 per cent., respectively, compared to the previous year.

According to preliminary volume indices compiled by HCSO, during the three-month period ended 31 March 2022, gross production in the manufacturing sector and total manufacturing sales increased by 4.7 per cent. and 4.1 per cent., respectively, compared to the previous year. The volume of domestic manufacturing sales and the volume of export sales increased by 12.4 per cent. and 1.2 per cent., respectively, compared to the previous year.

Manufacture of Food Products, Beverages and Tobacco Products

According to preliminary volume indices compiled by HCSO, in 2021, gross production in the manufacture of food products, beverages and tobacco products subsector and total sales increased by 8.9 per cent. and 8.6 per cent., respectively, compared to the same period of the previous year. The volume of domestic sales and the volume of export sales increased by 7.5 per cent. and 10.2 per cent., respectively, compared to the same period of the previous year.

According to preliminary volume indices compiled by HCSO, during the three-month period ended 31 March 2022, gross production in the manufacture of food products, beverages and tobacco products subsector and total sales increased by 11.6 per cent. and 11.2 per cent., respectively, compared to the previous year. The volume of domestic sales and the volume of export sales increased by 5.9 per cent. and 18.4 per cent., respectively, compared to the previous year.

Manufacture of Computer, Electronic and Optical Products

According to preliminary volume indices compiled by HCSO, in 2021, gross production in the manufacture of computer, electronic and optical products subsector and total sales increased by 5.9 per cent. and 5.8 per cent., respectively, compared to the previous year. The volume of domestic sales and the volume of export sales increased by 23.0 per cent. and 5.1 per cent., respectively.

According to preliminary volume indices compiled by HCSO, during the three-month period ended 31 March 2022, gross production in the manufacture of computer, electronic and optical products subsector and total sales increased by 2.4 per cent. and 1.9 per cent., respectively, compared to the same period of the previous year. The volume of domestic sales and the volume of export sales increased by 25.6 per cent. and 0.9 per cent., respectively, compared to the same period of the previous year.

Manufacture of Transport Equipment

According to preliminary volume indices compiled by HCSO, in 2021, gross production in the manufacture transport equipment subsector and total sales decreased by 1.9 per cent. and 2.1 per cent., respectively, compared to the previous year. The volume of domestic sales and the volume of export sales decreased by 1.2 per cent. and 2.2 per cent., respectively, compared to the previous year.

According to preliminary volume indices compiled by HCSO, during the three-month period ended 31 March 2022, gross production in the manufacture transport equipment subsector and total sales decreased by 3.4 per cent and 4.4 per cent., respectively, compared to the same period of the previous year. The volume of domestic sales and the volume of export sales decreased by 3.6 per cent. and 4.5 per cent., respectively, compared to the same period of the previous year.

Energy

Hungary's primary external source of energy is gas and oil imported from Russia. Hungary currently maintains a reserve of at least a 12-week supply of oil, in compliance with OECD requirements.

In 2021, total primary energy consumption amounted to 1,132.9 petajoules, exceeding the 1,103.1 petajoules consumed in 2020. The two most important energy products in Hungary are oil and gas, which accounted for 29.3 per cent. and 34.3 per cent. of energy consumption in 2021, respectively.

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

Table 23: Composition of Consumption of Energy Resources

	For the year ended 31 December				
Source of Energy[1]	**2017**	**2018**	**2019**	**2020**	**2021 (provisional)**
			(%)		
Coal and coal products[2]	8.3	7.9	6.8	6.4	5.1
Crude oil and crude oil products	28.1	30.0	30.4	28.4	29.3
Natural gas	31.8	30.8	31.4	33.2	34.3
Combustible renewables and wastes[3]	10.9	10.3	10.1	10.2	9.6
Nuclear[4]	15.7	15.3	15.8	15.9	15.4
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[5]	0.7	0.8	1.1	1.7	1.9
Electricity net import[6]	4.1	4.6	4.0	3.8	4.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Import dependency	62.2	57.8	69.1	56.3	54.0

Source: Hungarian Energy and Public Utility Regulatory Authority

(1) Electricity and heat produced from tail gas and waste heat are included in these figures.
(2) Coal briquette and coke oven coke included.
(3) Biogas, biomass, municipal waste, industrial waste, biofuel.
(4) Nuclear regarded as inland production (included nuclear electricity and heat).
(5) Geothermal, solar thermal and photovoltaics.
(6) Share of net import in primary energy consumption.

According to data compiled by the Hungarian Energy Office, in 2021, 46.0 per cent. of Hungary's total energy demand was supplied by domestic energy sources, and 54.0 per cent. was supplied by imported energy sources. Of the total energy consumed, 5.1 per cent. was produced from coal, 29.3 per cent. was produced from crude oil and oil products, 34.3 per cent. was produced from natural gas (imported primarily from Russia) and the rest was produced from other resources.

According to data compiled by HCSO, the total value of imported coal, petroleum and natural gas amounted to EUR228.4 million, EUR4,320.3 million and EUR3,008.8 million, respectively, in 2021. The value of coal, petroleum and natural gas imported from Russia amounted to EUR34.7 million, EUR1,463.7 million and EUR1,568.3 million, respectively in 2021.

On 14 January 2014, Prime Minister Viktor Orbán announced that Hungary would construct two new nuclear plant blocks at Paks. According to the announcement, the Government of the Russian Federation was expected to cooperate in the construction and financing of the blocks and to provide a loan to Hungary of EUR10 billion, which would cover 80 per cent. of construction costs. Hungary was expected to begin repaying the loan, over a period of 21 years, after the project is completed and once the plant is operating. The international treaty between the Government of Hungary and the Government of the Russian Federation relating to the nuclear plant project was approved by the Hungarian Parliament on February 6, 2014. Drawdowns on the loan began in 2017.

On 9 February 2018, the MNE announced that Hungary would pre-pay EUR78.2 million, the amount the country had drawn from the credit line provided by Russia for the construction of the Paks nuclear reactor units. On 30 April 2021, the Government announced that under a new modification to the financing contract for the upgrade of the Paks nuclear power plant, Hungary would start repaying the Russian loan for the project in 2031 rather than from 2026 as originally planned. The amendment of the financing contract was approved by the Hungarian Parliament in June 2021.

On 21 December 2021, the deputy head of Atomstroyexport engineering announced that construction of buildings at the Paks nuclear power plant, such as facilities to make concrete and assemble steel parts, warehouses, utilities, and ground works, was underway. The plant is awaiting receipt of an implementation permit and is expected to begin operating between 2029 and 2030.

On 7 April 2022, Prime Minister Viktor Orbán announced that then-current EU sanctions did not affect any component of nuclear energy, and therefore, the Paks project could continue in accordance with the governing agreements.

Construction

In 2021, the volume index of construction production increased by 13.3 per cent. compared to 2020. In 2021, the volume index of construction production for buildings and for civil engineering works increased by 17.1 per cent., and 9.1 per cent., respectively, compared to the same period of 2020.

During the three-month period ended 31 March 2022, the volume index of construction production increased by 15.7 per cent. compared to the corresponding period of 2021. During the three-month period ended 31 March 2022, the volume index of construction production for buildings and for civil engineering works increased by 17.3 per cent., and 13.9 per cent., respectively, compared to the same period of 2021.

Service Industries

In 2021, the volume index of the service sector increased by 6.2 per cent. compared to the previous year.

In 2021, the volume index of the eight service subsectors of (i) wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities, (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 defense; compulsory social security; education; human health and social work activities and (viii) arts, entertainment and recreation, repair of household goods and other services increased by 7.6 per cent., 9.4 per cent., 13.9 per cent., 5.0 per cent., 2.5 per cent., 6.8 per cent., 4.1 per cent. and 6.3 per cent., respectively, compared to the previous year.

The following table sets forth the composition of the service industry per individual subsector for the periods indicated:

Table 24: Value Added of Service Industry per Subsector

	For the year ended 31 December			
	2017	**2018**	**2019**	**2020**
	(HUF billions)			
Wholesale and retail trade; repair of motor vehicles and motorcycles	3,428.0	3,862.6	4,167.8	4,412.4
Transportation and storage	2,053.2	2,230.9	2,424.9	2,291.6
Accommodation and food service activities	599.9	698.2	786.8	517.7
Information and communication	1,634.9	1,792.8	1,985.7	2,121.9
Financial and insurance activities	1,203.2	1,293.0	1,519.0	1,615.2
Real estate activities	2,999.9	3,437.2	4,014.3	4,211.6
Professional, scientific and technical activities	2,002.0	2,256.1	2,509.4	2,605.2
Administrative and support service activities	1,307.2	1,419.3	1,548.9	1,380.5
Public administration and defense; compulsory social security	2,726.5	2,894.6	3,164.1	3,301.9
Education	1,524.5	1,637.0	1,773.0	1,846.2
Human health and social work activities	1,497.6	1,665.1	1,777.9	1,974.3
Arts, entertainment and recreation	482.8	532.2	590.5	539.7
Other service activities	489.7	521.1	589.2	506.2
Activities of households	6.5	11.9	8.9	9.1

Source: HCSO

Table 25: Value Added of Service Industry per Subsector

	For the year ended 31 December
	2021(1)
	(HUF billions)
Services, total	30,501.4
Of which: wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	5,616.7
within it: wholesale and retail trade; repair of motor vehicles and motorcycles	5,016.9
within it: accommodation and food service activities	599.9
Of which: transportation and storage	2,521.5
Of which: information and communication	2,391.2
Of which: financial and insurance activities	1,758.0
Of which: real estate activities	4,753.2
Of which: professional, scientific and technical activities; administrative and support service activities	4,323.0
Of which: public administration and defense; compulsory social security; education; human health and social work activities	7,975.7
within it: public administration and defense; compulsory social security	3,602.1
within it: education	2,018.9
within it: human health and social work activities	2,354.8
Of which: arts, entertainment and recreation, repair of household goods and other services	1,161.9

Source: HCSO
(1) Preliminary data.

Value added by the service sector amounted to HU30,501.4 billion in 2021, of which value added by the public administration and defense; compulsory social security; education; human health and social work activities subsector amounted to HUF7,975.7 billion, value added by the wholesale and retail trade; repair of motor vehicles and motorcycle subsector amounted to HUF5,016.9 billion, value added by the real estate activities subsector amounted to HUF4,753.2 billion, and value added by the professional, scientific and technical activities; administrative and support service activities subsector amounted to HUF4,323.0 billion.

Agriculture

In 2021, compared to the previous year, the value of the output of the agricultural sector (including services and secondary activities) grew by an estimated 13.0 per cent. at current basic prices, prices of agricultural outputs increased by 16.0 per cent. and the volume of production declined by 2.3 per cent.

In 2021, compared to the previous year, the volume of crop production output declined by 6.5 per cent., according to preliminary data. The volume of production of cereal grains declined by 10.0 per cent. in total, among which, production of maize declined by 23 per cent., while production of merely barley and wheat grew by 14.0 per cent. and 4.1 per cent., respectively. The decline in the production of maize was primarily due to a decrease in the average yield from 8,580 kilograms per hectare in 2020 to 6,040 kilograms per hectare in 2021. The volume of production of industrial crops declined by 6.3 per cent. in total, among which production of rape declined by 20 per cent. due to a decrease in its productive area, production of sunflower was unchanged. The volume of production of forage plants, horticultural plants and potatoes decreased by 4.6 per cent., 3.7 per cent., and 18.0 per cent., respectively. The volume of production of fruits grew by 10.0 per cent., in part due to positive apple harvest results. Spring frosts made it difficult to produce apricot, peach and nectarine.

In 2021, compared to the previous year, the total volume of output of livestock production increased by 4.5 per cent., among which the production of live animals increased by 4.9 per cent., and the production of animal products increased by 3.5 per cent.

Infrastructure

The length of national public roads amounted to 32,006 kilometers in 2017, 32,070 kilometers in 2018, 32,204 kilometers in 2019 and 32,395 kilometers in 2020.

In 2021, Hungary had 13.3 million mobile phone subscriptions. By the end of 2021, the number of fixed broadband internet subscriptions amounted to 3.4 million.

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 26: Balance of Payments

	For the year ended 31 December				
	2017	2018	2019	2020	2021
			(EUR millions)		
1. Current Account, net (1.A+1.B+1.C)	**2,535.9**	**215.9**	**(1,018.0)**	**(1,558.4)**	**(4,735.8)**
1.A. Goods and Services, net	**8,658.6**	**5,799.9**	**3,403.0**	**2,869.1**	**1,170.4**
Exports	109,101.7	113,939.1	119,442.0	108,626.2	125,314.0
Imports	100,443.1	108,139.2	116,039.0	105,757.2	124,143.5
1.A.a. Goods, net	1,712.0	(2,280.0)	(3,686.9)	(1,198.4)	(3,810.7)
Exports	85,285.1	88,543.6	92,524.6	88,709.8	103,245.0
Imports	83,573.1	90,823.6	96,211.5	89,908.3	107,055.6
1.A.b. Services, net	6,946.6	8,079.9	7,089.9	4,067.5	4,981.1
Exports	23,816.6	25,395.6	26,917.4	19,916.4	22,069.0
Imports	16,870.1	17,315.6	19,827.5	15,848.9	17,087.9
1.B. Primary Income, net	**(5,020.5)**	**(5,037.2)**	**(3,686.5)**	**(3,598.4)**	**(4,933.9)**
1.B.1. Compensation of employees, net	2,627.2	2,437.2	2,656.1	1,941.9	1,329.9
1.B.2. Investment income, net	(8,869.1)	(8,674.4)	(7,484.9)	(6,763.3)	(7,401.2)
1.B.2.1. Direct investment income, net	(7,343.6)	(7,349.0)	(6,278.7)	(6,000.2)	(6,555.3)
1.B.2.2. Portfolio investment income, net	(1,468.9)	(1,314.5)	(1,248.8)	(771.5)	(804.8)
1.B.2.3. Other investment income, net	(243.9)	(203.3)	(201.1)	(211.7)	(194.1)
1.B.2.4. Reserve assets, net	187.3	192.5	243.7	220.0	153.1
1.B.3. Other primary income, net	1,221.4	1,200.0	1,142.3	1,222.9	1,137.4
-of which: EU transfers	1,221.4	1,200.0	1,142.3	1,222.9	1,137.4
1.C. Secondary Income, net	**(1,102.1)**	**(546.8)**	**(734.5)**	**(829.1)**	**(972.2)**
-of which: EU transfers	103.2	588.9	293.1	119.6	(170.7)
2. Capital Account, net	**1,075.4**	**3,062.9**	**2,700.6**	**2,792.9**	**3,882.4**
-of which: EU transfers	1,353.3	2,234.7	2,787.3	3,135.2	3,944.5
3. Financial Account (net assets) (3.1+3.2+3.3+3.4+3.5)	**1,865.6**	**1,318.7**	**7.5**	**(2,539.7)**	**(4,643.2)**
3.1. Direct Investment (net assets)	**(2,036.8)**	**(2,611.8)**	**(993.9)**	**(2,311.0)**	**(2,142.6)**
3.1.k. Abroad (net assets)	1,096.8	2,811.0	2,816.5	3,615.3	2,444.6
3.1.1.k Equity (net assets)	216.4	3,346.9	2,684.6	3,668.8	1,592.5
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	(854.2)	2,501.1	1,607.6	2,873.2	765.6
3.1.1.2.ki Reinvestment of earnings (net assets)	1,070.6	845.8	1,077.1	795.7	826.9
3.1.2.ki Debt instruments (net assets)	880.4	(535.9)	131.8	(53.6)	852.0
3.1.2.1.ki Assets	885.8	38.6	275.6	(160.5)	157.6
3.1.2.2.ki Liabilities	5.4	574.5	143.8	(106.9)	(694.4)
3.1.t In Hungary (net liabilities)	3,133.6	5,422.9	3,810.4	5,926.3	4,587.2
3.1.1.t Equity (net liabilities)	8,410.1	4,713.2	5,666.9	2,333.0	(560.4)
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	2,322.4	(907.7)	1,215.3	(1,222.2)	(4,953.6)
3.1.1.2.be Reinvestment of earnings (net liabilities)	6,087.7	5,620.9	4,451.6	3,555.2	4,393.2
3.1.2.be Debt instruments (net liabilities)	(5,276.5)	709.7	(1,856.5)	3,593.3	5,147.6
3.1.2.1.be Assets	3,890.0	673.6	(1,072.6)	(2,940.3)	1,263.4
3.1.2.2.be Liabilities	(1,386.5)	1,383.3	(2,929.1)	653.0	6,411.0
3.2. Portfolio investment (net assets)	**3,761.4**	**(184.6)**	**1,544.5**	**(2,481.2)**	**278.2**
3.2.k Assets	1,916.5	(140.2)	258.3	623.8	2,620.6
3.2.t Liabilities	(1,844.9)	44.4	(1,286.3)	3,105.0	2,342.4
3.3. Financial derivatives (other than reserves), net assets	**(1,049.6)**	**(932.7)**	**21.8**	**(443.7)**	**(1,429.6)**
3.3.k Assets	(4,616.5)	(4,432.1)	(3,601.2)	(6,492.9)	(6,953.3)
3.3.t Liabilities	(3,566.9)	(3,499.4)	(3,623.0)	(6,049.2)	(5,523.6)
3.4. Other investment (net assets)	**1,162.6**	**1,450.3**	**(890.2)**	**(3,234.7)**	**(5,137.0)**
3.4.k Assets	1,750.5	2,666.3	498.8	942.3	3,659.9
3.4.t Liabilities	587.9	1,216.0	1,389.1	4,177.0	8,796.9
3.5. Reserve assets	**27.9**	**3,597.5**	**325.4**	**5,930.9**	**3,787.8**
Net external financing capacity					

	For the year ended 31 December				
	2017	2018	2019	2020	2021
			(EUR millions)		
Net external financing capacity (CA and Capital account)	3,611.3	3,278.8	1,682.5	1,234.4	(853.4)
Financial account balance	1,865.6	1,318.7	7.5	(2,539.7)	(4,643.2)
Difference (Net errors and omissions)	(1,745.8)	(1,960.1)	(1,675.0)	(3,774.2)	(3,789.9)
Reserve assets (stock)	**23,367.9**	**27,402.5**	**28,385.2**	**33,677.3**	**38,376.9**
Gross external debt denominated in foreign currencies (excl. direct investment debt instruments)	**54,354.3**	**51,627.2**	**51,320.3**	**56,375.1**	**67,502.9**
-o/w: General government and Central bank	22,923.7	20,848.4	19,855.7	26,658.5	34,982.9
Net external debt denominated in foreign currencies (excl. direct investment debt instruments)	**(333.9)**	**(8,077.3)**	**(9,092.3)**	**(8,627.6)**	**(2,276.4)**
-o/w: General government and Central bank	(571.7)	(5,680.3)	(7,468.1)	(6,312.6)	128.1

Source: NBH

The current account deficit amounted to EUR4,736 million in 2021, mainly due to a large deficit in primary income in the amount of EUR4,934 million. The deficit in primary income was primarily due to a net deficit of EUR7,401 million in investment income. Of the net deficit of investment income in the amount of EUR7,401 million, direct investment income related to equities amounted to EUR6,307 million. Dividends posted a net deficit of EUR2,741 million and reinvested earnings amounted to EUR3,566 million. The surplus in goods and services amounted to EUR1,170 million. During 2021, net direct investment posted an inflow, reaching EUR2,143 million compared to a net inflow of EUR2,311 million in 2020.

The following table sets forth balance of payments data for the years indicated:

Table 27: Historic Balance of Payments

	Goods Balance	Services Balance	Trade Balance	Primary Income (net)	Secondary Income (net)	Income Balance	Capital Account	Net External Financing Capacity	GDP
				(HUF billions)					
2009	719.2	347.3	1,066.6	(1,159.1)	(100.9)	(1,260.0)	460.2	266.8	26,529.9
2010	693.9	750.4	1,444.3	(1,246.3)	(122.9)	(1,369.2)	496.8	571.9	27,496.7
2011	793.9	941.6	1,735.5	(1,377.4)	(196.7)	(1,574.1)	673.5	834.9	28,549.8
2012	844.0	1,110.2	1,954.2	(1,228.9)	(273.2)	(1,502.1)	733.5	1,185.6	29,006.3
2013	991.6	1,126.2	2,117.8	(865.1)	(189.1)	(1,054.2)	1,145.3	2,208.9	30,362.7
2014	657.7	1,417.1	2,074.8	(1,427.4)	(254.1)	(1,681.5)	1,207.3	1,600.7	32,815.2
2015	1,258.7	1,519.8	2,778.5	(1,592.8)	(365.1)	(1,957.9)	1,599.2	2,419.8	34,975.3
2016	1,232.4	1,907.8	3,140.2	(975.0)	(542.6)	(1,517.7)	(6.0)	1,616.6	36,214.1
2017	530.7	2,147.0	2,677.7	(1,553.2)	(340.8)	(1,894.0)	333.2	1,116.8	39,281.4
2018	(735.6)	2,579.6	1,844.0	(1,609.4)	(174.5)	(1,783.9)	981.0	1,041.1	43,392.4
2019	(1,206.3)	2,306.9	1,100.6	(1,200.6)	(236.8)	(1,437.5)	886.5	549.7	47,530.6
2020	(417.1)	1,420.9	1,003.8	(1,264.9)	(287.8)	(1,552.7)	982.4	433.5	48,276.4
2021	(1,363.1)	1,781.1	418.0	(1,768.4)	(348.7)	(2,117.1)	1,397.3	(301.8)	55,256.7

Source: NBH

In 2009, the trade balance amounted to HUF1,066.6 billion, net external financing capacity amounted to HUF266.8 billion and GDP amounted to HUF26,529.9 billion; consequently, the trade balance amounted to 4.0 per cent. of GDP and net external financing capacity amounted to 1.0 per cent. of GDP in 2009.

In 2010, the trade balance amounted to HUF1,444.3 billion, net external financing capacity amounted to HUF571.9 billion and GDP amounted to HUF27,496.7 billion; consequently, the trade balance amounted to 5.3 per cent. of GDP and net external financing capacity amounted to 2.1 per cent. of GDP in 2010.

In 2011, the trade balance amounted to HUF1,735.5 billion, net external financing capacity amounted to HUF834.9 billion and GDP amounted to HUF28,549.8 billion; consequently, the trade balance amounted to 6.1 per cent. of GDP and net external financing capacity amounted to 2.9 per cent. of GDP in 2011.

In 2012, the trade balance amounted to HUF1,954.2 billion, net external financing capacity amounted to HUF1,185.6 billion and GDP amounted to HUF29,006.3 billion; consequently, the trade balance amounted to 6.7 per cent. of GDP and net external financing capacity amounted to 4.1 per cent. of GDP in 2012.

In 2013, the trade balance amounted to HUF2,117.8 billion, net external financing capacity amounted to HUF2,208.9 billion and GDP amounted to HUF30,362.7 billion; consequently, the trade balance amounted to 7.0 per cent. of GDP and net external financing capacity amounted to 7.3 per cent. of GDP in 2013.

In 2014, the trade balance amounted to HUF2,074.8 billion, net external financing capacity amounted to HUF1,600.7 billion and GDP amounted to HUF32,815.2 billion; consequently, the trade balance amounted to 6.3 per cent. of GDP and net external financing capacity amounted to 4.9 per cent. of GDP in 2014.

In 2015, the trade balance amounted to HUF2,778.5 billion, net external financing capacity amounted to HUF2,419.8 billion and GDP amounted to HUF34,975.3 billion; consequently, the trade balance amounted to 7.9 per cent. of GDP and net external financing capacity amounted to 6.9 per cent. of GDP in 2015.

In 2016, the trade balance amounted to HUF3,140.2 billion, net external financing capacity amounted to HUF1,616.6 billion and GDP amounted to HUF36,214.1 billion; consequently, the trade balance amounted to 8.7 per cent. of GDP and net external financing capacity amounted to 4.5 per cent. of GDP in 2016.

In 2017, the trade balance amounted to HUF2,677.7 billion, net external financing capacity amounted to HUF1,116.8 billion and GDP amounted to HUF39,281.4 billion; consequently, the trade balance amounted to 6.8 per cent. of GDP and net external financing capacity amounted to 2.8 per cent. of GDP in 2017.

In 2018, the trade balance amounted to HUF1,844.0 billion, net external financing capacity amounted to HUF1,041.1 billion and GDP amounted to HUF43,392.4 billion; consequently, the trade balance amounted to 4.2 per cent. of GDP and net external financing capacity amounted to 2.4 per cent. of GDP in 2018.

In 2019, the trade balance amounted to HUF1,100.6 billion, net external financing capacity amounted to HUF549.7 billion and GDP amounted to HUF47,530.6 billion; consequently, the trade balance amounted to 2.3 per cent. of GDP and net external financing capacity amounted to 1.2 per cent. of GDP in 2019.

In 2020, the trade balance amounted to HUF1,003.8 billion, net external financing capacity amounted to HUF433.5 billion and GDP amounted to HUF48,276.4 billion; consequently, the trade balance amounted to 2.1 per cent. of GDP in 2020 and net external financing capacity amounted to 0.9 per cent. of GDP in 2020.

In 2021, the goods balance (net exports of goods) was negative and amounted to HUF1,363.1 billion and the services balance (net exports of services) was positive and amounted to HUF1,781.1 billion; consequently, the trade balance (the sum of the goods and services balance) was positive and amounted to HUF418.0 billion. Net primary income and net secondary income were both negative and amounted to HUF1,768.4 billion and HUF348.7 billion, respectively; consequently the income balance (the sum of primary and secondary income balances) was negative and amounted to HUF2,117.1 billion. As a result, the current account balance (the sum of trade balance and income balance) amounted to a deficit of HUF1,699.1 billion (3.1 per cent. of GDP) for 2021.

In 2021, the capital account was positive, amounting to HUF1,397.3 billion, and net external financing capacity (the sum of the current account balance and the capital account) was negative, amounting to HUF301.8 billion.

Foreign Trade

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

Table 28: Exports by Destination

	European Union countries	Non-EU Countries	Total	Non-EU (Asian countries)	Non-EU (American countries)
			(EUR millions)		
2017	80,107[1]	20,573[2]	100,680	5,868	4,539
2018	84,690[1]	20,165[2]	104,855	5,329	4,546

	European Union countries	Non-EU Countries	Total	Non-EU (Asian countries)	Non-EU (American countries)
			(EUR millions)		
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	91,378[2][3]	27,931[1][3]	119,309[3]	6,149[3]	5,192[3]
Three-month period ended 31 March 2022	26,296[2][3]	7,750[1][3]	34,045[3]	1,519[3]	1,419[3]

Source: HCSO
[1] Including United Kingdom.
[2] Excluding United Kingdom.
[3] Preliminary data.

Table 29: Exports by Commodity Group

	Food, beverages, tobacco	Crude materials	Fuels, electric energy	Manufactured goods	Machinery and transport equipment	Total
			(EUR millions)			
2017	7,244	2,368	2,511	32,337	56,220	100,680
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	8,518[1]	3,157[1]	3,840[1]	37,956[1]	65,838[1]	119,309[1]
Three-month period ended 31 March 2022	2,355[1]	988[1]	1,980[1]	11,010[1]	17,713[1]	34,045[1]

Source: HCSO
[1] Preliminary data.

Table 30: Imports by Origin

	European Union countries	Non-EU Countries	Total	Non-EU (Asian countries)	Non-EU (American countries)
			(EUR millions)		
2017	70,997[1]	21,605[2]	92,602	11,273	2,443
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	84,217[2][3]	33,195[1][3]	117,413[3]	19,089[3]	3,013[3]
Three-month period ended 31 March 2022	24,970[2][3]	10,144[1][3]	35,114[3]	5,400[3]	694[3]

Source: HCSO
[1] Including United Kingdom.
[2] Excluding United Kingdom.
[3] Preliminary data.

Table 31: Imports by Commodity Group

	Food, beverages, tobacco	Crude materials	Fuels, electric energy	Manufactured goods	Machinery and transport equipment	Total
			(EUR millions)			
2017	4,893	2,070	7,191	33,558	44,891	92,602
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	6,089[1]	2,687[1]	10,658[1]	43,650[1]	54,328[1]	117,413[1]
Three-month period ended 31 March 2022	1,735[1]	846[1]	5,200[1]	13,126[1]	14,207[1]	35,114[1]

Source: HCSO
[1] Preliminary data.

Hungary's foreign trade in goods with industrialized countries (in particular, EU countries) has increased in recent years. EU countries accounted for EUR91.4 billion of Hungary's total exports of EUR119.3 billion and for EUR84.2 billion of Hungary's total imports of EUR117.4 billion in 2021.

During the three-month period ended 31 March 2022, EU countries accounted for EUR26.3 billion of Hungary's total exports of EUR34.0 billion and for EUR25.0 billion of Hungary's total imports of EUR35.1 billion.

China is Hungary's largest trade partner outside the EU, with imports from China worth HUF2,963.6 billion and exports to China worth HUF746.7 billion in 2021.

According to data compiled by HCSO, total goods exports amounted to HUF42,781.5 billion in 2021. Exports of (i) food, beverages and tobacco, (ii) crude materials, (iii) fuels and electric energy, (iv) manufactured goods and (v) machinery and transport equipment amounted to HUF3,054.5 billion, HUF1,132.1 billion HUF1,376.7 billion, HUF13,607.9 billion and HUF23,610.3 billion, respectively. Consequently, the share of total goods exports represented by (i) food, beverages and tobacco, (ii) crude materials, (iii) fuels and electric energy, (iv) manufactured goods and (v) machinery and transport equipment amounted to 7.1 per cent., 2.6 per cent., 3.2 per cent., 31.8 per cent. and 55.2 per cent., respectively. Of manufactured goods, exports of medical and pharmaceutical products amounted to HUF2,198.5 billion constituting 5.1% of total exports; consequently, exports of other manufactured products amounted to HUF11,409.4 billion constituting 26.7% of total exports. Exports of road vehicles amounted to HUF6,602.1 billion and exports of other transport equipment amounted to HUF216.8 billion; consequently, exports of transport equipment amounted to HUF6,818.9 billion. Of machinery and transport equipment, exports of transport equipment amounted to HUF6,818.9 billion, constituting 15.9% of total exports; consequently, exports of machinery amounted to HUF16,791.4 billion constituting 39.2% of total exports.

According to data compiled by HCSO, total services exports amounted to HUF7,944.4 billion in 2021. 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 HUF563.3 billion, HUF188.9 billion, HUF1,243.7 billion, HUF2,029.7 billion, HUF3,875.1 billion and HUF43.8 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 7.1 per cent., 2.4 per cent., 15.7 per cent., 25.5 per cent., 48.8 per cent. and 0.6 per cent., respectively.

According to HCSO, total exports amounted to HUF42,781.5 billion in 2021. Exports to Belarus, Russia and Ukraine amounted to HUF41.5 billion, HUF623.9 billion and HUF994.1 billion, representing 0.1 per cent., 1.5 per cent. and 2.3 per cent. of total exports, respectively. Total imports amounted to HUF42,100.2 billion in 2021. Imports from Belarus, Russia and Ukraine amounted to HUF36.3 billion, HUF1,285.8 billion and HUF652.7 billion, representing 0.1 per cent., 3.1 per cent. and 1.6 per cent. of total imports, respectively.

According to HCSO, Hungary's total imports calculated according to value at frontier parity amounted to EUR117,412.6 million in 2021. Imports of coal, petroleum and natural gas amounted to EUR228.4 million, EUR4,320.3 million and EUR3,008.8 million representing 0.2 per cent., 3.7 per cent. and 2.6 per cent. of total imports in 2021. Imports of coal, petroleum and natural gas from Russia amounted to EUR34.7 million, EUR1,463.7 million and EUR1,568.3 million, representing 15 per cent., 34 per cent. and 52 per cent. of total imported coal, petroleum and natural gas, respectively in 2021. Total imported energy products amounted to EUR7,557.6 million in 2021 and imported energy products from Russia amounted to EUR3,066.7 million in 2021; consequently, energy products imported from Russia constituted 40.6 per cent. of total imported energy products in 2021. Total imports from Russia amounted to EUR3,597.7 million, and imported energy products from Russia constituted 85 per cent. of total imports from Russia in 2021. Imports of coal, petroleum and natural gas from Russia amounted to EUR34.7 million, EUR1,463.7 million and EUR1,568.3 million, representing 1.0%, 40.7% and 43.6% of total imports from Russia; consequently imports of other products from Russia amounts to EUR531.0 million equalling 14.8% of total imports from Russia.

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 32: Foreign Direct Investment Flows

	For the year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
			(EUR millions)		
Direct investment (net assets)	**(2,036.8)**	**(2,611.8)**	**(993.9)**	**(2,311.0)**	**(2,142.6)**
Abroad (net assets)	1,096.8	2,811.0	2,816.5	3,615.3	2,444.6
Equity (net assets)	216.4	3,346.9	2,684.6	3,668.8	1,592.5
Equity other than reinvestment of earnings (net assets)	(854.2)	2,501.1	1,607.6	2,873.2	765.6
Reinvestment of earnings (net assets)	1,070.6	845.8	1,077.1	795.7	826.9
Debt instruments (net assets)	880.4	(535.9)	131.8	(53.6)	852.0
Assets	885.8	38.6	275.6	(160.5)	157.6
Liabilities	5.4	574.5	143.8	(106.9)	(694.4)
In Hungary (net liabilities)	3,133.6	5,422.9	3,810.4	5,926.3	4,587.2
Equity (net liabilities)	8,410.1	4,713.2	5,666.9	2,333.0	(560.4)
Equity other than reinvestment of earnings (net liabilities)	2,322.4	(907.7)	1,215.3	(1,222.2)	(4,953.6)
Reinvestment of earnings (net liabilities)	6,087.7	5,620.9	4,451.6	3,555.2	4,393.2
Debt instruments (net liabilities)	(5,276.5)	709.7	(1,856.5)	3,593.3	5,147.6
Assets	3,890.0	673.6	(1,072.6)	(2,940.3)	1,263.4
Liabilities	(1,386.5)	1,383.3	(2,929.1)	653.0	6,411.0

Source: NBH

In 2017, net FDI amounted to an inflow of EUR2,037 million. In 2018, net FDI inflow increased, reaching EUR2,612 million. In 2019, net FDI inflow decreased, reaching EUR994 million. In 2020, net FDI inflow increased, reaching EUR2,311 million. In 2021, net FDI inflow decreased, reaching EUR2,143 million.

Net foreign direct investment abroad generated a net capital outflow of EUR2,445 million in 2021, compared to a net capital outflow of EUR3,615 million in 2020. Net foreign direct investment abroad in the form of debt instruments amounted to a net capital outflow of EUR852 million in 2021, compared to a net capital inflow of EUR54 million during 2020. Net foreign direct investment abroad in the form of equity capital (including reinvestment of earnings and equity) amounted to a net capital outflow of EUR1,593 million in 2021, compared to a net capital outflow of EUR3,669 million in 2020. Net foreign direct investment abroad in the form of reinvestment of earnings amounted to a net capital outflow of EUR827 million in 2021, compared to a net capital outflow of EUR796 million in 2020. Net foreign direct investment abroad in the form of equity capital (excluding reinvestment of earnings) amounted to a net capital outflow of EUR766 million in 2021, compared to a net capital outflow of EUR2,873 million in 2020.

Net foreign direct investment in Hungary generated a net capital inflow of EUR4,587 million in 2021, compared to a net capital inflow of EUR5,926 million in 2020. Net foreign direct investment in Hungary in the form of debt instruments amounted to a net capital inflow of EUR5,148 million in 2021, compared to a net capital inflow of EUR3,593 million in 2020. Net foreign direct investment in Hungary in the form of equity capital (including reinvestment of earnings and equity) amounted to a net capital outflow of EUR560 million in 2021, compared to a net capital inflow of EUR2,333 million in 2020. Net foreign direct investment in Hungary in the form of reinvestment of earnings amounted to a net capital inflow of EUR4,393 million in 2021, compared to a net capital inflow of EUR3,555 million in 2020. Net foreign direct investment in Hungary in the form of equity capital (excluding reinvestment of earnings) amounted to a net capital outflow of EUR4,954 in 2021, compared to a net capital outflow of EUR1,222 million in 2020.

As of 31 December 2021, the cumulative FDI in Hungary amounted to EUR116.7 billion.

The following table sets forth selected investment projects announced prior to 2020:

Table 33: Selected Investment Projects announced prior to 2020

Investor/Company	**(HUF billions)**
Mercedes-Benz	490
Mol	396
Samsung SDI	390
BMW	320
SK Innovation	239
Budapest Airport	225
Audi	173

Investor/Company	(HUF billions)
Toray Industries	128
Doosan	106
Hankook	89
Procter&Gamble	55
Wanhua	48
Rehau	47
Lufthansa	43
Richter	40
Hanon Systems	37
Arconic-Köfém	35
Becton Dickinson	34
Infineon	32
CMC	32
B. Braun Medical	31
Continental	31
Hell	30
Pepco	27
NHK Spring	26
Linamar	25
Schaeffler Savaria	24
Flex Films	23
GMD Europe	20
Valeo	19
Glaxosmithkline	18
Linamar	18
Joyson Safety Systems	16
Giant	15
Master Good	15
Dana	15
Krones AG	15
Inzi Controls	15
Conagen	15
Unilever	15
Other projects under HUF15 billion	357

Source: Ministry of Finance

Prior to 2020, a number of announcements were made by companies planning to invest in Hungary including Mercedes-Benz's announcement of planned investments in the amount of HUF490 billion, the Hungarian Oil and Gas Public Limited Company (MOL's) announcement of planned investments in the amount of HUF396 billion, and Samsung SDI's announcement of planned investments in the amount of HUF390 billion. Other companies announced investments each exceeding the amount of HUF15 billion. Additionally, several other planned investment projects, each under HUF15 billion, amounted to HUF357 billion in total.

The following table sets forth selected investment projects announced in 2020-2022:

Table 34: Selected Investments Projects announced 2020-2022

Investor/Company	(HUF billions)
SK Innovation (battery factory)	680
Samsung SDI (battery factory)	273
LG Chem – Toray (battery raw materials)	267
EcoPro BM – (battery raw materials)	264
Mercedes (press plant, electric vehicle factory)	100
Sisecam (glass industry packaging plant)	85
Vitesco (automotive electronics)	79
Doosan (electric battery foil factory)	75
Becton Dickinson (syringe factory)	71
JYSK (logistics base)	71
Semcorp (lithium-ion battery foil factory)	66
MOL (propylene plant)	65
Nymwag (railway vehicle factory)	60
Rheinmetall (combat vehicle factory)	60
Lego (capacity expansion)	53
Bosch Automotive (new technologies)	53
Rehau (bumper manufacturing)	50
Nestlé (pet food factory)	50
Lotte Aluminum (battery parts factory)	44
Astra Filmland (movie park)	40
Pick Szeged (new salami factory)	40

Investor/Company	**(HUF billions)**
eMag (logistics center)	37
Dynamit Nobel Defense (military industry)	36
Nestlé (pet food factory)	35
Lidl (logistics center)	35
Hydro Extrusion (foundry)	32
Kometa 99 (meat processing)	31
Coca-Cola (capacity expansion)	30
Rosenberger (electronics supplier)	30
Continental (vehicle electronics prod. lines)	29
Schott (syringe factory)	28
TDK (sensor factory for electric cars)	26
Schaeffler Savaria (electromobility)	24
Glencore (vegetable oil refinery)	22
Zalakerámia (cladding material factory)	22
Hanon Systems (car air conditioning system)	18
Unilever (packaging plant)	18
Arnest (metal bottle factory)	18
Chervon-Auto (car parts factory)	18
Swiss Krono (wood industry capacity expansion)	17
Metrans (rail-road logistics terminal)	16
Seiren (car seat cover)	15
Mars (pet food factory)	15
Lipóti (bread factory)	15
Other projects under HUF15 billion	628

Source: Ministry of Finance

Between 2020 and 2022, SK Innovation announced planned investments in the amount of HUF680 billion, Samsung (SDI) announced planned investments in the amount of HUF273 billion, LG Chem announced planned investments in the amount of HUF267 billion and EcoPro BM announced investments in the amount of HUF264 billion. Other companies announced planned investments, each exceeding the amount of HUF15 billion. Additionally, several other planned investment projects, each under HUF15 billion, amounted to HUF628 billion in total.

Foreign Exchange

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

Table 35: Forint/USD Exchange Rate

	2017	**2018**	**2019**	**2020**	**2021**
			(HUF per USD)		
Year end	258.82	280.94	294.74	297.36	325.71
Average for year	274.27	270.25	290.65	307.93	303.29

*Source: National Bank of Hungary ("**NBH**")*

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

Table 36: Forint/EUR Exchange Rate

	2017	**2018**	**2019**	**2020**	**2021**
			(HUF per EUR)		
Year end	310.14	321.51	330.52	365.13	369.00
Average for year	309.21	318.87	325.35	351.17	358.52

Source: NBH

On 30 April 2022, the official middle exchange rates were HUF356.78 = USD1.00, HUF377.12 = EUR1.00.

Foreign Exchange Reserves

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

Table 37: Gold and Foreign Exchange Reserves

	Foreign Exchange Reserves	
As of December 31,	**Total**	**of which: International Net Gold Reserves**
	(EUR millions)	
2012	33,881.3	124.5
2013	33,782.5	86.3
2014	34,578.3	97.5
2015	30,322.1	96.2
2016	24,384.0	0.0
2017	23,368.3	107.0
2018	27,403.1	1,129.9
2019	28,385.6	1,376.2
2020	33,677.4	1,562.6
2021	38,377.1	4,875.9
As of 30 April,		
2022	34,311.9	5,501.6

Source: NBH

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

Foreign exchange reserves amounted to EUR38,377.1 million as of 31 December 2021 and EUR34,311.9 million as of 30 April 2022. International net gold reserves amounted to EUR4,875.9 million as of 31 December 2021 and EUR5,501.6 million as of 30 April 2022.

Monetary and Financial System

Monetary Policy

The NBH'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. The Monetary Council is the highest monetary policy decision-making body of the NBH. The Monetary Council holds meetings at least once every month and makes the most important decisions concerning the general activities of the NBH, including the setting of the official interest rate.

The following table sets forth the amount of one-week deposits as of the end of the periods indicated:

Table 38: Stock of One-Week Deposits

	Stock as of end of the month
	HUF billions
April 2020	671.50
May 2020	1,066.30
June 2020	1,646.40
July 2020	2,321.70
August 2020	2,049.40
September 2020	1,925.00
October 2020	2,340.10
November 2020	2,907.70
December 2020	3,049.00
January 2021	4,132.00
February 2021	5,132.80
March 2021	3,784.30
April 2021	4,738.50
May 2021	4,938.60
June 2021	4,372.40
July 2021	5,628.19
August 2021	5,937.59
September 2021	5,157.20
October 2021	6,755.98
November 2021	7,723.28
December 2021	6,447.28
January 2022	9,761.48
February 2022	10,201.22
March 2022	7,894.18
April 2022	10,070.48

	Stock as of end of the month
	HUF billions
May 2021	9,474.10

Source: NBH

As of 31 December 2021, the stock of one-week deposits amounted to HUF6,447.28 billion, exceeding the amount of HUF3,049.00 billion as of 31 December 2020. Subsequently, the stock of one-week deposits increased to HUF9,474.10 as of 31 May 2022.

According to the Quarterly Report on Inflation (the "**Report on Inflation**") published on 24 March 2022, there is a high probability of overshooting Hungary's 2022 and 2023 inflation target, mainly due to the conflict between Russia and Ukraine, Hungary's geographic proximity and large share of trade with both countries, and rises in energy and commodity prices. The conflict, and the economic sanctions introduced in response to it, have raised inflation across Europe and are having a negative impact on economic growth. In the Report on Inflation, the NBH estimated that the average annual inflation for 2022 would be between 7.5 per cent. and 9.8 per cent., exceeding the 3 per cent. long-term inflation target rate. The inflation rate is projected to decrease to the range of 3.3 per cent. - 5.0 per cent. in 2023 and decrease further to the range of 2.5 per cent. - 3.5 per cent. in 2024, which is in line with the 3 per cent. long-term inflation target rate.

Interest Rate Policy

The following table sets forth changes of the central bank base rate, the interest rate on the overnight deposit facility and the overnight interest rate on collateralized loans:

Table 39: Selected Interest Rates

Date	Central bank base rate	Interest rate on overnight collateralized loans	Interest rate on overnight deposits
		(%)	
25 September 2015	1.35	2.10	0.10
23 March 2016	1.20	1.45	(0.05)
27 April 2016	1.05	1.30	(0.05)
25 May 2016	0.90	1.15	(0.05)
26 October 2016	0.90	1.05	(0.05)
23 November 2016	0.90	0.90	(0.05)
20 September 2017	0.90	0.90	(0.15)
19 December 2018	0.90	0.90	(0.15)
27 March 2019	0.90	0.90	(0.05)
8 April 2020	0.90	1.85	(0.05)
24 June 2020	0.75	1.85	(0.05)
22 July 2020	0.60	1.85	(0.05)
23 June 2021	0.90	1.85	(0.05)
28 July 2021	1.20	2.15	0.25
25 August 2021	1.50	2.45	0.55
22 September 2021	1.65	2.60	0.70
20 October 2021	1.80	2.75	0.85
17 November 2021	2.10	3.05	1.15
1 December 2021	2.10	4.10	1.60
15 December 2021	2.40	4.40	2.40
26 January 2022	2.90	4.90	2.90
23 February 2022	3.40	5.40	3.40
9 March 2022	3.40	6.40	3.40
23 March 2022	4.40	7.40	4.40
27 April 2022	5.40	8.40	5.40
1 June 2022	5.90	8.90	5.90

Source: NBH

The following table sets forth indicative interest rates of the NBH as of the dates shown:

Table 40: Selected Interest Rates

	As of 31 December				
	2017	2018	2019	2020	2021
			(%)		
Central bank base rate	0.90	0.90	0.90	0.60	2.40
Real rate(1)...	(1.2)	(1.8)	(3.0)	(2.0)	(4.7)

Sources: HCSO, NBH

(1) The real rate is calculated as follows: (1 + central bank base rate)/(1 + year-on-year inflation rate as of year-end) – 1, where interest rates are expressed as decimal numbers.

Money Supply

Since June 2014, one of the potential instruments that the NBH uses to influence the money supply is a floating-rate long-term collateralized forint loan facility, designed to improve access to forint liquidity. However, the NBH does not use money supply targets as an instrument of monetary policy. The money supply flexibly adjusts to the money demand, which is indirectly influenced by monetary policy.

The following table provides information about the composition of the money supply as of the dates indicated:

Table 41: Money Supply

	As of 31 December					As of 30 April
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
M1(1)	19,360	21,971	24,531	30,264	34,915	34,082
M2(2)	22,405	25,212	27,610	33,496	38,870	39,874
M3(3)	22,928	25,637	27,724	33,563	39,018	39,981

Source: NBH

(1) Consists of currency in circulation outside monetary financial institutions plus overnight deposits.

(2) Consists of M1 plus deposits with fixed terms of up to two years.

(3) Consists of M2 plus repos, money market funds and debt securities with maturities of up to two years.

The stock of M1 (a monetary aggregate consisting of currency in circulation outside monetary financial institutions plus overnight deposits) amounted to HUF34,915 billion as of 31 December 2021, and decreased to HUF34,082 billion as of 30 April 2022. The stock of M2 (a monetary aggregate consisting of currency in circulation outside monetary financial institutions plus overnight deposits plus deposits with fixed terms of up to two years) amounted to HUF38,870 billion as of 31 December 2021, and increased to HUF39,874 billion as of 30 April 2022. The stock of M3 (a monetary aggregate consisting of currency in circulation outside monetary financial institutions plus overnight deposits plus deposits with fixed terms of up to two years plus repos, money market funds and debt securities with maturities of up to two years) amounted to HUF39,018 billion as of 31 December 2021 and increased to HUF39,981 billion as of 30 April 2022.

Recent Developments in Monetary Policy

On 27 July 2021, the Monetary Council announced that it intended to tighten monetary conditions in order to ensure price stability, prevent second-round inflationary effects and anchor inflation expectations. The central bank base rate was increased by 30 basis points to 1.20 per cent. In addition, the NBH announced that it would discontinue the use of the long-term collateralized lending facility.

On 24 August 2021, the Monetary Council announced that it would raise the central bank base rate by 30 basis points to 1.50 per cent. In addition, the Monetary Council decided to begin gradually withdrawing the government securities purchase program while considering aspects of maintaining market stability. During the COVID-19 pandemic, the government securities purchase program contributed to maintaining a stable liquidity position in the government securities market and strengthening the effectiveness of monetary policy transmission in a volatile international financial environment. The Monetary Council will not set a revision limit applicable to the entire stock purchased under the government securities purchase program going forward; instead, the Monetary Council will set a target amount for weekly purchases. As a first step in withdrawing the program, the NBH's purchase target decreased from a weekly amount of HUF60 billion to HUF50 billion starting on 23 August 2021, but the NBH will maintain flexibility to change its purchase target amounts depending on the supply and other market conditions.

Also on 24 August 2021, the Monetary Council decided to increase the available amount under the Bond Funding for Growth Scheme by HUF400 billion to HUF1,550 billion.

On 21 September 2021, the Monetary Council announced that it would raise the central bank base rate by 15 basis points to 1.65 per cent. In addition, the target amount of the NBH's weekly purchases under the government securities purchase program was decreased from HUF50 billion to HUF40 billion beginning the week of 27 September 2021.

On 19 October 2021, the Monetary Council announced that it would raise the central bank base rate by 15 basis points to 1.80 per cent.

On 16 November 2021, the Monetary Council announced that it would raise the central bank base rate by 30 basis points to 2.10 per cent. The Monetary Council also declared that the NBH must be able to respond quickly and flexibly to risks in the financial and commodity markets by setting the interest rate on one-week central bank deposits above the central bank base rate. In addition, the NBH announced that it would cease to use the FX swap facility providing forint liquidity in order to reduce the liquidity in the banking system.

On 30 November 2021, the Monetary Council decided that it would widen the interest rate corridor by increasing the overnight deposit rate to 1.60 per cent. and the overnight and the one-week collateralized lending rates to 4.10 per cent., effective 1 December 2021.

On 14 December 2021, the Monetary Council announced that it would raise the central bank base rate by 30 basis points to 2.40 per cent. The Monetary Council also decided to end the Bond Funding for Growth Scheme and cease purchasing additional corporate bonds under such program. In addition, the Monetary Council announced that the NBH would cease purchasing bonds under the government securities purchase program but would continue to closely monitor liquidity developments in the government securities market and would be ready to intervene in order to maintain the stability of the government securities market with occasional and targeted government securities purchases, if necessary.

On 25 January 2022, the Monetary Council announced that it would raise the central bank base rate by 50 basis points to 2.90 per cent.

On 22 February 2022, the Monetary Council announced that it would raise the central bank base rate by 50 basis points to 3.40 per cent. In addition, the NBH announced that it would phase out the preferential deposit facility, a supplementary instrument under which banks were able to place part of their liquidity in excess of the amount of required reserves on their current accounts at the NBH's central bank base rate, effective 1 April 2022.

On 8 March 2022, the Monetary Council raised each of the overnight and one-week collateralized lending rates by 100 basis points to 6.40 per cent.

On 22 March 2022, the Monetary Council announced that it would raise the central bank base rate by 100 basis points to 4.40 per cent. In addition, the NBH announced that it had been actively using its swap instrument since the beginning of March 2022 to provide foreign currency liquidity.

On 26 April 2022, the Monetary Council announced that it would raise the central bank base rate by 100 basis points to 5.40 per cent. In addition, the NBH announced that the maximum amount allocated to the Bond Funding for Growth Scheme had been utilized and, thus, the program was discontinued.

On 31 May 2022, the Monetary Council announced that it would raise the central bank base rate by 50 basis points to 5.90 per cent.

The following table sets forth the one-week deposit rates of the NBH as of the dates shown:

Table 42: One-week Deposit Rates

Date	Central bank base rate
	(percent)
11 November 2021	1.80
18 November 2021	2.50
25 November 2021	2.90
2 December 2021	3.10
9 December 2021	3.30
16 December 2021	3.60
23 December 2021	3.80
30 December 2021	4.00
6 January 2022	4.00
13 January 2022	4.00
20 January 2022	4.00
27 January 2022	4.30
3 February 2022	4.30
10 February 2022	4.30
17 February 2022	4.30
24 February 2022	4.60
3 March 2022	5.35
10 March 2022	5.85
17 March 2022	5.85
24 March 2022	6.15
31 March 2022	6.15
7 April 2022	6.15
14 April 2022	6.15
21 April 2022	6.15
28 April 2022	6.45
26 May 2022	6.45
2 June 2022	6.75

Source: NBH

Exchange Rate Development

According to the National Bank Act, the NBH and the Government jointly determine the framework of the exchange rate regime. The NBH then decides on the exchange rate policy within that framework. Since 25 February 2008, a floating exchange rate regime has been applied.

In 2021, the foreign exchange rate of the forint versus the euro weakened significantly, mainly as a result of weak global investor sentiment. The ongoing COVID-19 pandemic played a significant role in the weakness of the global investor sentiment. On 31 December 2021, the HUF/EUR exchange rate was HUF369.00/EUR.

During the four-month period ended 30 April 2022, the foreign exchange rate of the forint weakened versus the euro. The ongoing war between Russia and Ukraine weakened global investor sentiment significantly. By 30 April 2022, the HUF/EUR exchange rate was HUF377.12/EUR.

Banking Sector

Structure of the Hungarian Banking System

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

Table 43: Banking System—Selected Indicators

	As of 31 December					As of 30 April
	2017	2018	2019	2020	2021	2022
	(HUF billions)					
Loans to non-financial corporations	6,496	7,448	8,286	9,352	10,377	10,444
Loans to other financial intermediaries	1,068	1,236	1,409	1,619	1,734	1,850
Loans to insurance corporations and pension funds	0	0	0	0	4	4
Loans to government	455	519	736	1,300	526	677
Loans to households	5,812	6,150	7,109	8,114	9,329	9,320

	As of 31 December					As of 30 April
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
Loans to non-profit institutions	19	18	15	18	20	16

Source: NBH

Loans to non-financial corporations amounted to HUF10,377 billion as of 31 December 2021, and increased to HUF10,444 billion as of 30 April 2022. Loans to other financial intermediaries amounted to HUF1,734 billion as of 31 December 2021, and increased to HUF1,850 billion as of 30 April 2022. Loans to insurance and pension funds amounted to HUF4 billion as of 31 December 2021, which amount remained unchanged as of 30 April 2022. Loans to the government amounted to HUF526 billion as of 31 December 2021 and increased to HUF677 billion as of 30 April 2022. Loans to households amounted to HUF9,329 billion as of 31 December 2021, and decreased to HUF9,320 billion as of 30 April 2022. Loans to non-profit institutions amounted to HUF20 billion as of 31 December 2021 and decreased to HUF16 billion as of 30 April 2022.

The following table illustrates certain indicators of the Hungarian banking sector for the periods indicated:

Table 44: Selected Hungarian Banking Sector Indicators

	As of 31 December				
	2017	2018	2019	2020	2021
			(HUF billions)		
Non-performing loans	2,035	1,619	1,460	1,573	1,690
Total loans...	27,067	29,799	35,916	44,354	51,558
(per cent.)					
NPL ratio...	7.5	5.4	4.1	3.5	3.3
CAR ratio..	19.2	19.1	18.4	19.4	18.6
LTD ratio	85.4	84.6	89.2	81.6	79.6

Source: NBH

Total loans amounted to HUF51,558 billion as of 31 December 2021, and HUF44,354 billion as of 31 December 2020, indicating a 16.2 per cent. increase compared to the end of 2020. The amount of non-performing loans amounted to HUF1,690 billion as of 31 December 2021. The ratio of non-performing loans ("**NPL ratio**") amounted to 3.3 per cent. as of 31 December 2021.

As of 31 December 2016, the Total Capital Ratio ("**CAR**") amounted to 19.3 per cent and the NPL ratio amounted to 10.7 per cent.

As of 31 December 2021, the amounted to 18.6 per cent. As of 31 December 2021, the loans-to-deposit ratio ("**LTD**") amounted to 79.6 per cent.

According to audited data, credit institutions accumulated a net profit of HUF592 billion in 2017, a net profit of HUF644 billion in 2018, a net profit of HUF694 billion in 2019 and a net profit of HUF385 billion in 2020. According to unaudited data, credit institutions accumulated a net profit of HUF820 billion in 2021.

On 31 March 2022, Budapest Bank was merged into MKB Bank. Magyar Takarék Bank, another member of Magyar Bankholding Zrt., is also planning to merge into MKB Bank by May 2023. Following the planned merger, the successor MKB Bank is expected to become the second largest commercial bank in Hungary in terms of balance sheet totals.

Capital Markets

Stock Exchange

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

Table 45: Selected Budapest Stock Exchange Indicators

	For the year ended 31 December				
	2017	2018	2019	2020	2021
	Number of Trades (Thousands)				
Cash market	**1,956**	**1,900**	**1,829**	**2,391**	**1,871**
of which, Hungarian equities	1,744	1,676	1,635	2,104	1,656
Derivatives	**7,021**	**6,704**	**6,519**	**6,378**	**8,072**
of which, index futures	308	424	339	732	439
of which, single stock futures	215	173	143	135	95
of which, currency futures	6,477	6,037	5,964	5,495	7,524
	Turnover (EUR millions)				
Cash market	**9,001**	**9,280**	**8,172**	**10,071**	**9,401**
of which, Hungarian equities	8,694	8,765	7,922	9,609	9,087
Derivatives	**7,653**	**7,344**	**7,128**	**6,857**	**8,692**
of which, index futures	353	498	429	788	587
of which, single stock futures	1,092	994	832	721	612
of which, currency futures	6,178	5,782	5,793	5,334	7,458

Source: Budapest Stock Exchange

In 2021, turnover on the BSE cash market amounted to EUR9,401 million, a decrease compared to turnover of EUR10,071 million in 2020. In 2021, turnover of Hungarian equities amounted to EUR9,087 million, a decrease compared to turnover of EUR9,609 million in 2020.

In 2021, turnover on the BSE derivatives market amounted to EUR8,692 million, an increase compared to turnover of EUR6,857 million in 2020. In 2021, turnover of index futures and single stock futures amounted to EUR587 million and EUR612 million, respectively, compared to turnover of EUR788 million and EUR721 million, respectively, in 2020. Turnover of currency futures amounted to EUR7,458 million in 2021, an increase compared to EUR5,334 million in 2020.

Public Finance

Budget Trends

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

Table 46: General Budget Balance, consolidated[(1)]

	For the year ended 31 December					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
	(HUF billions)					
GFS method						
Revenues	17,348.1	18,462.6	20,273.6	20,685.8	21,544.9	22,339.8
Expenditures	18,662.6	19,664.7	21,477.9	26,108.3	26,608.6	25,648.8
Balance	(1,314.5)	(1,202.1)	(1,204.2)	(5,422.5)	(5,063.8)	(3,309.1)
Balance in per cent. of GDP	(3.4)	(2.8)	(2.5)	(11.3)	(9.2)	(5.9)
ESA method						
Revenues	17,382.5	19,107.1	20,856.4	20,955.8	22,695.1	23,832.1
Expenditures	18,348.3	20,023.5	21,847.9	24,716.5	26,431.2	27,157.4
Balance	(965.8)	(916.5)	(991.5)	(3,760.7)	(3,736.1)	(3,325.3)
Balance in per cent. of GDP	(2.5)	(2.1)	(2.1)	(7.8)	(6.8)	(5.9)

Sources: MoF

According to data available in April 2022, the general government deficit (local governments included) amounted to HUF5,063.8 billion (9.2 per cent. of GDP) for the year 2021, according to the GFS methodology. The general government deficit (local governments included) amounted to HUF3,736.1 billion (6.8 per cent. of GDP) for the year 2021, according to the ESA methodology.

According to the approved budget, the 2022 planned general government deficit (local governments included) was originally planned to be HUF3,309.1 billion (5.9 per cent. of GDP), according to the GFS methodology. The 2022 planned general government deficit (local governments included) was originally planned to be HUF3,325.3 billion (5.9 per cent. of GDP) according to the ESA methodology.

Central Government Budget

The following table sets forth information concerning central government revenues and expenditures for the final budget for the years 2017, 2018, 2019 and 2020, the preliminary budget for 2021, and the approved and planned budget for 2022:

Table 47: Central Government Revenues and Expenditures(1)

	For the Year ended 31 December					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
	(HUF Billions)					
Revenues						
Payments of Economic Units						
Corporate taxes (including financial institutions)	680.0	440.1	329.9	470.1	635.3	643.5
Mining tax (DPTT)	28.8	43.7	45.6	30.7	60.2	38.0
Company car tax	33.3	35.3	36.4	37.8	39.4	39.3
Gambling tax	27.5	29.3	28.2	35.0	28.5	33.9
Eco tax	23.9	25.8	5.6	5.6	5.2	5.5
Simplified business tax	63.6	54.1	43.4	1.7	0.0	0.0
Tax of small enterprises	22.4	41.7	70.5	83.4	111.2	121.2
Itemized tax of small taxpayers	98.2	124.9	158.5	158.2	195.8	236.8
Tax on utility systems	55.0	54.3	54.5	52.5	54.1	53.4
Advertising tax	0.0	12.3	6.3	0.0	9.2	0.0
Other central payments	456.1	507.1	560.7	552.3	602.3	636.1
Other payments	18.0	9.5	18.1	15.8	-25.3	15.0
Tax of financial institutions	64.2	53.3	56.7	120.5	61.5	60.9
Extra tax of certain sectors	1.1	0.7	0.1	47.6	78.6	76.3
Total (Economic Units)	**1,572.1**	**1,431.9**	**1,414.4**	**1,611.3**	**1,856.0**	**1,959.9**
Taxes on Consumption						
Value added tax	3,525.3	3,928.7	4,532.4	4,669.0	5,397.2	5,487.1
Excises	1,047.1	1,137.2	1,201.5	1,215.6	1,260.4	1,321.0
Financial transaction tax	217.3	233.2	243.4	217.8	233.1	232.5
Public health production tax	0.0	0.0	0.0	0.0	0.0	0.0
Insurance tax	35.7	39.7	82.5	98.5	104.3	115.4
Telecom levy	53.6	53.8	53.5	56.7	58.7	53.3
Tourism development contribution	0.0	19.0	26.9	9.9	0.4	33.5
Total (Consumption Taxes)	**4,878.9**	**5,411.7**	**6,140.1**	**6,267.5**	**7,054.0**	**7,242.8**
Payments of Households						
Gross PIT revenues	1,920.0	2,177.4	2,424.6	2,527.7	2,888.6	2,866.5
PIT revenues of central budget	1,920.0	2,177.4	2,424.6	2,527.7	2,888.6	2,866.5
Private persons' special tax	0.0	0.0	0.0	0.0	0.0	0.0
98 per cent. extraordinary tax of private persons	1.0	0.4	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
Tax payments	6.9	8.6	7.8	6.8	3.2	0.0
Fees	173.6	191.0	215.6	207.2	224.0	198.7
Vehicle tax	45.8	47.9	50.4	85.3	95.0	90.5
Other Revenues						
Total (Payments of Households)	**2,147.3**	**2,425.3**	**2,698.3**	**2,827.1**	**3,210.8**	**3,155.7**
Central Budgetary Institutions and Chapter Administered Appropriations						
Own revenues of the institutions	2,389.9	2,228.9	2,002.7	2,354.6	2,178.5	1,510.6
Own revenues of chapter administered professional appropriations	433.8	122.0	140.8	337.8	485.0	235.0
EU support of chapter administered professional appropriations and central investments	1,124.2	85.4	107.6	105.9	0.0	0.0
Total	**3,947.8**	**2,436.3**	**2,251.1**	**2,798.3**	**2,663.5**	**1,745.6**
Payments of Central Budgetary Institutions	42.9	30.4	137.4	34.4	26.4	26.2

	For the Year ended 31 December					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
			(HUF Billions)			
Payments to Central Carry-Over Fund	199.8	286.6	339.1	362.8	0.0	
Contribution to National Social Fund	0.0	0.0	0.0	0.0	0.0	0.0
Payments of Local Governments	36.4	41.7	55.2	67.8	168.8	129.8
Payments of Extrabudgetary and Social Security Funds	29.8	13.3	91.5	38.9	21.2	21.2
Revenues of International Transactions	0.0	0.0	1.6	0.0	0.0	0.0
Payments Related to State Property	265.5	184.6	217.5	293.6	210.1	275.8
Other Revenues	40.8	19.6	37.2	48.8	99.5	19.1
Revenues Related to Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Revenues from EU programs	1,053.8	1,251.4	1,681.1	1,550.8	2,363.3	
Reimbursement of EU financial supports	100.4	260.9	211.4	1.9	0.0	0.0
Customs and import duties	12.2	15.7	16.0	15.9	23.4	22.4
Pension Reform and Debt Reduction Fund	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues[1]	*13,074.2*	*13,525.1*	*14,809.9*	*16,025.7*	*17,247.4*	*16,961.8*
Interest Revenues	104.3	120.5	258.4	247.2	130.2	105.0
Total Revenues[2]	**13,178.4**	**13,645.6**	**15,068.2**	**16,272.9**	**17,377.6**	**17,066.8**
Expenditures						
Subsidies to Economic Units	326.3	383.1	421.2	663.4	642.9	479.4
Support to the Media	70.2	71.3	80.1	84.8	97.2	110.7
Consumer Price Subsidy	94.5	90.4	89.1	65.0	86.0	120.0
Housing Grants	184.7	193.2	191.2	251.5	376.5	381.8
Family Benefits Social Subsidies						
Family benefits	407.1	402.7	399.2	399.4	398.2	401.1
Income supplement benefits	124.4	122.2	137.4	142.0	151.9	162.3
Benefits under retirement age	94.7	92.9	92.5	92.9	99.1	97.1
Other specific subsidies	26.8	25.1	25.2	24.5	24.0	24.8
Total	**653.0**	**642.8**	**654.3**	**658.9**	**673.1**	**685.3**
Central Budgetary Institutions and Chapter Administered Appropriations						
Expenditures of central budgetary institutions	5,141.5	5,726.8	6,228.0	7,285.8	7,308.5	5,386.3
Chapter administered professional appropriations	5,116.6	4,691.7	4,896.2	7,072.8	4,374.1	3,322.4
Central investment	0.0	0.0	0.0	0.0	0.0	0.0
Chapter balance reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total	**10,258.1**	**10,418.5**	**11,124.2**	**14,358.5**	**11,682.7**	**8,708.7**
Support to Political Parties and Other Civil Organizations	3.8	9.8	5.6	4.5	5.6	11.8
Transfer to Social Security Funds	623.9	591.6	467.6	652.0	1,409.2	1,785.3
Transfer to Local Governments						
Direct transfer from the budget	700.5	746.8	778.5	821.0	1,013.8	873.4
Yielded PIT revenues	0.0	0.0	0.0	0.0	0.0	0.0
Total	**700.5**	**746.8**	**778.5**	**821.0**	**1,013.8**	**873.4**
Transfer to Extrabudgetary Funds	85.0	92.5	76.9	248.5	115.4	150.0
EU Programs Expenditures					2,241.3	3,001.2
Expenditures of International Transactions	4.0	2.8	6.1	10.8	11.9	16.8
Debt Service Related Expenditures	50.3	32.4	38.7	44.5	52.3	43.4
Other Expenditures	63.6	60.3	67.2	120.3	160.3	708.1
Reserves	0.0	0.0	0.0	0.0	0.0	338.7
Extraordinary Expenditures	3.1	2.8	2.5	2.2	1.9	1.8

	For the Year ended 31 December					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
	(HUF Billions)					
Government Guarantees Redeemed	17.9	12.5	14.8	14.0	16.8	47.0
Contribution to EU Budget	260.4	316.5	365.3	449.8	610.5	564.9
Expenditures Related to State Property	451.0	305.6	517.1	1,311.7	1,462.0	800.1
Interest Payments	1,091.3	1,048.4	1,100.5	1,227.7	1,404.5	1,369.6
Total Expenditures	**14,941.5**	**15,021.2**	**16,000.8**	**20,988.9**	**22,063.9**	**20,198.1**

Source: MoF
(1) Excluding interest revenues
(2) Including interest revenues

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 each of the social security and certain extra-budgetary funds:

Table 48: Social Security and Extra-Budgetary Funds, Revenues and Expenditures

	For the Year ended 31 December					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
	(HUF billions)					
Social Security Fund						
Revenues	5,325.2	5,702.9	5,815.8	5,889.7	6,951.5	7,623.7
Expenditures	5,468.1	5,786.5	6,050.7	6,541.8	7,370.9	7,770.5
Surplus (deficit)	(142.9)	(83.7)	(234.9)	(642.1)	(419.5)	(146.8)
Extra Budgetary Funds(1)						
Revenues	719.6	574.0	658.2	848.1	690.0	703.3
Expenditures	647.1	566.4	618.7	801.4	709.8	577.9
Surplus (deficit)	72.5	7.6	39.5	46.7	(19.8)	125.4

Source: MoF
(1) 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.

The contribution of the central government to the social security funds was HUF623.9 billion in 2017, HUF591.6 billion in 2018, HUF467.6 billion in 2019, HUF652.0 billion in 2020, and HUF1,409.2 billion in 2021. The contribution of the central government to the social security funds is planned to be HUF1,785.3 billion in 2022 according to the approved budget.

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 49: Local Government Revenues and Expenditures

	For the Year ended December 31.					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
	(HUF billions)					
Revenues						
Own revenues	1,170.7	1,298.7	1,405.1	1,251.0	1,309.9	1,422.7
Subsidies	700.5	746.8	778.5	821.0	1,017.5	873.4
Other revenues	1,139.0	924.1	894.5	873.2	953.9	921.2
Total revenues, GFS (excluding privatization)	**3,010.2**	**2,976.8**	**3,078.1**	**2,945.2**	**3,281.3**	**3,217.3**
Privatization revenues	2.9	3.4	3.5	13.9	3.1	3.5
Total revenues (including privatization)	**3,013.1**	**2,980.2**	**3,081.6**	**2,959.1**	**3,284.4**	**3,220.8**
Expenditures						
Wages	861.0	900.0	959.4	971.1	997.8	986.2
Investments	559.6	696.8	913.3	865.2	832.5	1,040.1

	For the Year ended December 31.					
	2017	2018	2019	2020	2021	2022
	Final	Final	Final	Final	Preliminary	Approved
			(HUF billions)			
Other expenditures	1,073.6	1,133.9	1,285.2	1,234.0	1,392.4	1,350.9
Total expenditures	**2,494.2**	**2,730.7**	**3,157.9**	**3,070.3**	**3,222.7**	**3,377.2**
Surplus (deficit), GFS (excluding privatization)	**516.0**	**246.1**	**(79.8)**	**(125.1)**	**58.6**	**(159.9)**
Surplus (deficit) (including privatization)	**518.9**	**249.5**	**(76.3)**	**(111.2)**	**61.7**	**(156.4)**

Source: MoF

During 2021, the combined revenues of all the local governments amounted to HUF3,284.4 billion, the combined expenditures amounted to HUF3,222.7 billion, and the combined fiscal balance of the local governments, excluding proceeds from privatizations, amounted to a surplus of HUF58.6 billion for 2021.

EU Net Position

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

Table 50: Budgeted Financial Flows between Hungary and the EU Budget between 2017 and 2021

	For the year ended 31 December				
	2017	2018	2019	2020	2021
			(HUF millions, current prices)		
EU resources appearing in the Hungarian budget	1,032,013.8	1,330,456.6	1,254,769.6	1,534,589.9	1,464,418.5
National contribution (co-financing of projects)	1,447,147.2	475,908.2	184,463.3	245,643.9	700,952.4
EU resources out of the Hungarian budget (mainly agricultural subsidies)	362,415.1	391,283.9	492,351.0	515,770.8	478,092.0
National contribution to the EU Budget	260,395.4	316,469.5	365,306.5	449,764.8	610,467.8

Source: MoF

Medium-Term Fiscal Convergence Report

Hungary's economic policy targets are set out in a Convergence Report submitted annually to the European Commission. The report discusses Hungary's policy goals for achieving the criteria set by the European Commission to attain membership in the Eurozone. The European Commission regularly evaluates the Convergence Reports, including the economic targets and the achievement of such targets.

The Ministry of Finance compiled the latest version of Hungary's Convergence Report with information as of 30 April 2022. According to the Convergence Report, the Government expected the budget deficit to GDP ratio (according to Excessive Deficit Procedure methodology) to reach 4.9 per cent. in 2022, 3.5 per cent. in 2023, 2.5 per cent. in 2024, 1.5 per cent. in 2025, and 1.0 per cent. in 2026. The general government debt to GDP ratio (according to ESA methodology) was projected to reach 76.1 per cent. in 2022, 73.8 per cent. in 2023, 70.4 per cent. in 2024, 66.9 per cent. in 2025, and 63.1 per cent. in 2026. The Government plans to achieve total revenue-to-GDP ratio of 41.1 per cent. in 2021, 41.1 per cent. in 2022, 41.6 per cent. in 2023, 41.1 per cent. in 2024, 40.3 per cent. in 2025 and 39.4 per cent. in 2026. The Government plans to reduce the total expenditures-to-GDP ratio from 47.8 per cent. in 2021 to 46.0 per cent. in 2022, 45.1 per cent. in 2023, 43.6 per cent. in 2024, 41.8 per cent. in 2025 and 40.4 per cent. in 2026.

Recent Developments in Public Finance

On 14 September 2021, the Government announced that the debt payment moratorium for pensioners, parents raising children, public sector workers and people whose incomes declined compared to the previous year would be extended until 30 June 2022.

On 12 November 2021, the Government announced that it would cap the price of petrol and diesel fuel at HUF480 (EUR1.3) per liter to help reduce inflation.

On 7 December 2021, the Government announced that 13th month pensions would be paid out in February 2022.

On 10 December 2021, the Government announced that it had decided to delay some investments, increasing Hungary's financial reserves for the year 2021 by HUF350 billion while reducing public debt.

On 23 December 2021, Prime Minister Viktor Orbán announced that the Government would freeze retail mortgage interest rates at their 31 October 2021 levels for a six-month period beginning in January 2022.

On 4 January 2022, Minister of Finance Mihály Varga announced that the Government had saved HUF755 billion by postponing several public investments, allowing it to lower its 2022 budget deficit target to 4.9 per cent. of GDP from 5.9 per cent. and to continue reducing public debt. The Minister of Finance also announced that Hungary's budget had the resources to cover measures such as family tax rebates, the 13th month pension, personal income tax exemptions for those under 25, and wage increases.

On 13 January 2022, the Government announced that it would cap the prices of sugar, wheat flour, sunflower seed oil, pork leg, chicken breast and milk with 2.8 per cent. fat at their 15 October 2021 prices, effective 1 February 2022, in order to combat inflation.

Parents raising children were entitled to receive a family tax refund with respect to their personal income taxes paid for the year 2021. By 14 February 2022, parents raising children had received tax refunds in an aggregate amount of HUF610 billion, and by 20 March 2022, the aggregate amount of family tax refunds reached approximately HUF650 billion.

On 25 March 2022, the Government announced that it had purchased a 45 per cent. share in each of two Hungarian insurance companies: Aegon Biztosító and Union Biztosító. The combined share of the two insurance companies in the domestic insurance market is almost 20 per cent.

On 9 May 2022, the Ministry of Finance announced that the general government balance according to GFS methodology (excluding local governments) posted a HUF2,635.6 billion deficit during the four-month period ended 30 April 2022.

On 31 May 2022, the Government announced its intention to implement a series of measures aimed at strengthening Hungary's fiscal balance. The Government expects to achieve 60 per cent of the desired fiscal adjustment from expenditure cuts and 40 per cent from higher revenues, predominately from domestic sources. The Government is targeting a fiscal deficit of 4.9 per cent. of GDP in 2022 and 3.5 per cent. of GDP in 2023.

Revenue increases are expected to come from temporary taxation of windfall profits of companies, such as those derived from the current divergence between credit and deposit interest rates and between Brent and Urals crude oil prices. These taxes are targeted and impact a limited number of companies.

Expenditure-cutting measures are expected to produce a larger effect on the fiscal balance than revenue-side actions. Certain public investment and capital expenditure projects are expected to be postponed due to higher prices. The Government may then focus funds on private sector investments, with the aim of strengthening domestic growth potential and reducing the pressure on prices. The Government aims to reduce its operational expenditures by 1 per cent. of GDP starting from 2022. Reducing costs at various Government ministries, budgetary authorities and within Government programs is expected to contribute to fiscal efficiency.

Further, the Government intends to create the Homeland Defence Fund to support the financing of government expenditures required to strengthen Hungary's ability to take necessary protective measures for defense during and with respect to the current war environment. Hungary's defense expenditures for 2023 are forecast to constitute 2 per cent. of GDP, which would fulfill commitments made at the time of Hungary's accession to NATO.

The Government also intends to create the Utilities Protection Fund with the aim of maintaining the purchasing power of Hungarian households. The preservation of low utility costs is expected to incentivize high saving rates by individuals.

The following table sets forth the proposed measures and their expected budgetary impact as a per cent. of GDP:

Table 51: Expected Budgetary Impact of Proposed Fiscal Measures

	per cent. of 2022 GDP
Revenue-side Measures	
Special Taxes on Windfall Profits	1.14
Duties, Taxes on Company Cars and Public Health Taxes	0.15
Formal Sector Widening and Employability Simplifying Measures	0.05
Total Revenue-side Measures	***1.34***
Expenditure-side Measures	
Economising and Efficiency Increase at Ministries, Budgetary Authorities, and Government Programs	1.00
Rescheduling and Preplanning of Public Investment Projects	0.50
Utilisation of Revenues from Feed-in Tariffs (KÁT) in Universal Services	0.20
Total Revenue-side Measures	***1.70***
Total	**3.10**

Source: MoF

2023 Budget

On 7 June 2022, the Government presented to Parliament the proposed budget bill for the year 2023 (the "**2023 Draft Budget**"). The 2023 Draft Budget assumes a real GDP growth rate of 4.1 per cent. and inflation of 5.2 per cent. in 2023. The general government budget deficit is planned to reach 3.5 per cent. of GDP in 2023. According to the 2023 Draft Budget, the debt to GDP ratio is forecast to reach 73.8 per cent. as of the end of the year 2023.

Sectorial Taxes

On 4 June 2022, as part of the implementation of the fiscal consolidation plan announced on 31 May 2022 involving both expenditure cuts and revenue increases, the Government issued a decree establishing certain windfall profits taxes, in particular on banks, insurance companies, retail chains, energy companies, telecommunication companies and airlines, as well as on certain products and services (such as certain excise goods, pharmaceutical products and company cars). The Government aims to raise approximately HUF 800 billion in revenues from these taxes in 2022 and 2023. The Government expects to collect approximately HUF300 billion from the banking sector, including HUF50 billion by expanding the transactions duty, as well as HUF50 billion from insurance companies, HUF300 billion from energy companies, HUF60 billion from the retail sector, HUF 40 billion from telecommunication companies, HUF30 billion from airlines and HUF20 billion from pharmaceutical companies. The Government will also reintroduce the advertising tax in 2023, from which it aims to raise HUF15 billion.

Developments Related to EU Funding and the Rule of Law

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 is an initial step in the process of activating the conditionality mechanism. After receiving the notification, Hungary will have several (at least one to three) months to comment, provide relevant information and propose remedial measures in response to the Commission's findings. Then, the process involves a lengthy (at least approximately six to nine month) dialogue between the Commission and Hungary, during which the European Commission will assess whether a rule of law deficiency exists, and whether a direct link can be established between any rule of law deficiency and European budget interests. If, at the end of the procedure, the Commission determines that such deficiencies still exist, a proportionate part of the EUR5.85 billion from the EU's Recovery and Resilience Facility ("RRF") funding that Hungary expects to receive between 2022 and 2026 could be withheld to offset the budgetary effects of such deficiencies, if any. The exact proportion of the funds that may be withheld, if any, is uncertain. The objective of the process to remedy any identified deficiencies and its consultative nature gives ample opportunity to both parties to find the appropriate compromise remedial solutions.

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.

National Debt

Public Debt

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

Table 52: Public Debt of Hungary[1]

	As of and for the year ended 31 December				
	2017	2018	2019	2020	2021[2]
			(HUF billions)		
Internal Public Debt	20,689.4	22,796.0	24,357.1	29,237.3	32,121.2
External Public Debt	5,782.6	5,724.8	5,121.2	7,318.2	8,395.2
Other Liabilities	274.3	167.4	203.7	128.8	180.6
Total Public Debt	26,746.2	28,688.2	29,682.0	36,684.3	40,697.0
Nominal GDP	39,281.4	43,392.4	47,530.6	48,276.4	55,256.7

Source: GDMA Pte Ltd.

(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) Preliminary data.

The government debt amounted to HUF26,746 billion as of the end of 2017, HUF28,688 billion as of the end of 2018, HUF29,682 billion as of the end of 2019, HUF36,684 billion as of the end of 2020 and HUF40,697 billion as of the end of 2021.The GDP amounted to HUF39,281 billion in 2017, HUF43,392 billion in 2018, HUF47,531 billion in 2019, HUF48,276 billion in 2020 and HUF55,257 billion in 2021. Consequently, the government debt to GDP ratio amounted to 68.1 per cent. in 2017, 66.1 per cent. in 2018, 62.4 per cent. in 2019, 76.0 per cent. in 2020 and 73.7 per cent. in 2021.

The central government debt totaled HUF36,684.3 billion as of 31 December 2020, and HUF40,697.0 billion as of 31 December 2021, consequently showing an increase of 10.9 per cent. in nominal terms.

The following table sets forth the breakdown of the public debt of Hungary by categories as of the dates indicated:

Table 53: Public Debt of Hungary by Category of Debt

	As of 31 December					As of 30 April
	2017	2018	2019	2020	2021	2022
			(HUF Billions)			
1. Forint denominated debt	**20,689.4**	**22,796.0**	**24,357.1**	**29,237.3**	**32,121.2**	**33,760.4**
1.1. Loans	1,041.1	1,167.7	1,208.1	1,161.6	1,307.7	1,305.4
1.1.1. Foreign loans	1,041.1	1,167.7	1,208.1	1,161.6	1,307.7	1,305.4
1.1.2. Domestic loans	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2.1. Raised from NBH.	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2.2. Other loans	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Government securities	19,648.3	21,628.3	23,149.0	28,075.7	30,813.5	32,454.9
1.2.1. Public issues	19,609.2	21,589.1	23,109.8	28,036.5	30,813.5	32,454.9
1.2.1.1. Bonds	11,767.1	12,836.1	13,378.5	18,206.6	20,220.0	21,184.6
1.2.1.2. Discount T-bills	1,039.2	1,237.3	657.3	658.2	583.2	1,082.1
1.2.1.3. Retail securities	6,802.9	7,515.7	9,074.0	9,171.7	10,010.2	10,188.2
1.2.2. Private placements (bonds)	39.2	39.2	39.2	39.2	0.0	0.0
2. Foreign exchange denominated debt	**5,782.6**	**5,724.8**	**5,121.2**	**7,318.2**	**8,395.2**	**8,862.0**
2.1. Loans	929.1	795.0	825.4	1,291.1	1,345.2	1,431.9
2.1.1. Foreign loans	929.1	795.0	825.4	1,291.1	1,345.2	1,431.9
2.1.1.1. Loan from IMF and EU	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2. Other	929.1	795.0	825.4	1,291.1	1,345.2	1,431.9
2.1.2. Domestic loans	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.1. Raised from NBH.	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	4,853.5	4,929.8	4,295.8	6,027.2	7,049.9	7,430.2
2.2.1. Issued abroad	4,145.9	4,246.2	3,713.5	5,481.3	6,595.0	6,950.6

	As of 31 December					As of 30 April
	2017	2018	2019	2020	2021	2022
			(HUF Billions)			
2.2.2. Issued in Hungary....	707.6	683.6	582.3	545.9	455.0	479.6
Total..................................	26,472.0	28,520.7	29,478.3	36,555.5	40,516.4	42,622.4
Other debt..........................	274.3	167.4	203.7	128.8	180.6	256.8
Total central government debt	**26,746.2**	**28,688.2**	**29,682.0**	**36,684.3**	**40,697.0**	**42,879.2**
Memo items:						
Marketable HUF debt........	12,845.5	14,112.6	14,075.0	18,904.0	20,803.2	22,266.7
1.2.1.2. Discount T-bills at face value.......................	1,039.5	1,239.3	657.9	661.3	589.2	1,104.3

Source: GDMA Pte Ltd.

As of 31 December 2021, total central government debt amounted to HUF40,697.0 billion, of which local currency denominated debt amounted to HUF32,121.2 billion, foreign currency debt amounted to HUF8,395.2 billion and other debt instruments (mark-to-market deposits) amounted to HUF180.6 billion. Local currency denominated loans amounted to HUF1,307.7 billion and local currency denominated securities amounted to HUF30,813.5 billion. Foreign currency denominated loans amounted to HUF1,345.2 billion and foreign currency denominated securities amounted to HUF7,049.9 billion.

As of 30 April 2022, total central government debt amounted to HUF42,879.2 billion, of which local currency denominated debt amounted to HUF33,760.4 billion, foreign currency debt amounted to HUF8,862.0 billion and other debt instruments (mark-to-market deposits) amounted to HUF256.8 billion. Local currency denominated loans amounted to HUF1,305.4 billion and local currency denominated securities amounted to HUF32,454.9 billion. Foreign currency denominated loans amounted to HUF1,431.9 billion and foreign currency denominated securities amounted to HUF7,430.2 billion.

As of 30 April 2022, total central government debt amounted to HUF42,879.2 billion, and forint denominated loans, bonds, T-bills and retail securities amounted to HUF1,305.4 billion, HUF21,184.6 billion, HUF1,082.1 billion and HUF10,188.2 billion, respectively. Consequently, forint denominated loans, bonds, T-bills and retail securities represented 3.0 per cent., 49.4 per cent., 2.5 per cent. and 23.8 per cent. of total central government debt, respectively, as of 30 April 2022. As of 30 April 2022, foreign currency denominated loans and bonds amounted to HUF1,431.9 billion and 7,430.2 billion, respectively. Consequently, foreign currency denominated loans and bonds represented 3.3 per cent. and 17.3 per cent. of total central government debt, respectively, as of 30 April 2022. As of 30 April 2022, other debt amounted to HUF256.8 billion, representing 0.6 per cent. of total central government debt as of 30 April 2022.

As of 30 April 2022, total foreign currency denominated debt amounted to EUR 25.1 billion excluding cross-currency interest rate swaps. The share of EUR denominated, Japanese Yen denominated, US Dollar denominated and Chinese Yuan denominated debt amounted to 56.0%, 4.0%, 39.4% and less than 1%, respectively. Including cross-currency interest rate swaps total foreign currency denominated debt amounted to EUR23.5 billion as of 30 April 2022.

The following table sets forth the maturity profile of the public debt of Hungary as of 31 December 2021:

Table 54: 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)						
2022	3,738.5	1,261.3	583.2	1,774.0	120.0	331.0	38.0	0.0	0.0	293.0	4,069.5	180.6	4,250.1
2023	2,209.2	1,636.3	0.0	550.5	22.4	1,105.1	110.5	0.0	969.3	25.3	3,314.4	0.0	3,314.4
2024	5,408.2	2,016.4	0.0	3,364.2	27.6	619.1	59.1	0.0	533.8	26.2	6,027.3	0.0	6,027.3
2025	5,090.5	2,567.3	0.0	2,336.9	186.3	464.8	13.4	0.0	427.6	23.8	5,555.3	0.0	5,555.3
2026	4,806.1	2,980.6	0.0	1,810.5	15.0	557.2	109.2	0.0	369.0	79.0	5,363.3	0.0	5,363.3
2027	2,313.3	2,176.8	0.0	2.7	133.7	633.8	211.8	0.0	414.4	7.7	2,947.0	0.0	2,947.0
2028	747.6	659.2	0.0	22.6	65.8	573.3	204.3	0.0	369.0	0.0	1,320.9	0.0	1,320.9
2029	1,520.1	1,443.1	0.0	0.0	77.0	112.1	112.1	0.0	0.0	0.0	1,632.1	0.0	1,632.1
2030	1,436.8	1,165.6	0.0	0.0	271.2	611.8	137.4	0.0	474.4	0.0	2,048.6	0.0	2,048.6
2031	1,721.9	1,473.3	0.0	0.0	248.7	718.0	14.1	0.0	703.9	0.0	2,439.9	0.0	2,439.9
2032	118.3	0.0	0.0	98.3	20.1	381.8	12.8	0.0	369.0	0.0	500.2	0.0	500.2
2033	1,262.8	1,182.2	0.0	10.0	70.6	192.2	192.2	0.0	0.0	0.0	1,455.0	0.0	1,455.0
2034	372.1	363.9	0.0	8.1	0.0	4.6	4.6	0.0	0.0	0.0	376.6	0.0	376.6
2035	7.9	0.0	0.0	7.9	0.0	630.5	77.0	0.0	553.5	0.0	638.4	0.0	638.4
2036	7.2	0.0	0.0	7.2	0.0	2.8	2.8	0.0	0.0	0.0	10.0	0.0	10.0
2037	6.7	0.0	0.0	6.7	0.0	2.8	2.8	0.0	0.0	0.0	9.6	0.0	9.6
2038	839.7	784.8	0.0	5.4	49.5	1.4	1.4	0.0	0.0	0.0	841.1	0.0	841.1
2039	3.9	0.0	0.0	3.9	0.0	0.5	0.5	0.0	0.0	0.0	4.4	0.0	4.4
2040	1.4	0.0	0.0	1.4	0.0	0.6	0.6	0.0	0.0	0.0	2.0	0.0	2.0
2041	415.2	415.2	0.0	0.0	0.0	324.8	0.6	0.0	324.2	0.0	740.1	0.0	740.1
2042	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.6	0.0	0.6
2043	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.6	0.0	0.6
2044	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.6	0.0	0.6
2045	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.6	0.0	0.6
2046	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.6	0.0	0.6
2047	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2048	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2049	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050	0.0	0.0	0.0	0.0	0.0	498.2	36.9	0.0	461.3	0.0	498.2	0.0	498.2
2051	94.0	94.0	0.0	0.0	0.0	625.6	0.0	0.0	625.6	0.0	719.6	0.0	719.6

Source: GDMA Pte Ltd.

Of the Government's total public debt as of 31 December 2021, HUF4,250.1 billion is due in 2022, HUF3,314.4 billion is due in 2023, HUF6,027.3 is due in 2024, HUF5,555.3 billion is due in 2025 and HUF5,363.3 billion is due in 2026.

Of the Government's total local-currency denominated public debt as 31 December 2021, HUF3,738.5 billion is due in 2022, HUF2,209.2 billion is due in 2023, HUF5,408.2 is due in 2024, HUF5,090.5 billion is due in 2025 and HUF4,806.1 billion is due in 2026.

Of the Government's total foreign currency denominated public debt as of 31 December 2021, HUF331.0 billion is due in 2022, HUF1,105.1 billion is due in 2023, HUF619.1 is due in 2024, HUF464.8 billion is due in 2025 and HUF557.2 billion is due in 2026 as of 31 December 2021.

As of 31 December 2021, other debt instruments (mark-to-market deposits) in the amount of HUF180.6 billion were due in 2022.

The following table sets forth the maturity profile of the public debt of Hungary as of 30 April 2022:

Table 55: Hungary's Government Debt Redemption Profile[1]

	For the year ended 31 December												After 31 December
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2033**
	(HUF billion)												
HUF bonds.....	1,183	1,520	1,930	2,672	2,983	2,194	822	1,844	1,184	1,487	283	1,277	1,790
HUF T-Bills...	990	90	0	0	0	0	0	0	0	0	0	0	0
HUF retail......	1,297	967	2,990	2,218	1,535	522	490	0	0	0	109	12	50
HUF loans......	121	22	28	186	15	131	66	77	271	249	20	71	49
FX loans.........	33	113	60	14	112	217	210	115	141	15	14	197	189
Domestic FX bonds.............	252	25	26	32	80	42	21	0	0	0	0	0	0
International FX bonds........	0	1,186	703	476	377	548	377	13	484	803	399	0	2,197

Source: GDMA Pte Ltd.
(1) Central government debt, excluding mark-to-market deposits, swaps and repo deals.

The following table sets forth the maturity profile of the public foreign currency denominated debt of Hungary as of 30 April 2022:

Table 56: Maturity Profile of FX Debt[1]

	International Bonds	Loans	Domestic Bonds
		(EUR million)	
2022	0	87	668
2023	3,144	300	67
2024	1,864	160	70
2025	1,262	38	86
2026	1,000	298	213
2027	1,453	576	112
2028	1,000	556	31
2029	34	306	0
2030	1,283	375	0
2031	2,129	41	0
2032	1,057	37	0
2033	0	523	0
2034	0	12	0
2035	1,500	209	0
2036	0	8	0
2037	0	155	0
2038	0	4	0
2039	0	1	0
2040	0	2	0
2041	1,183	2	0
2042	0	2	0
2043	0	2	0
2044	0	2	0

	International Bonds	Loans	Domestic Bonds
		(EUR million)	
2045	0	2	0
2046	0	2	0
2047	0	0	0
After 2047	3,142	100	0

Source: GDMA Pte Ltd.
(1) Central government debt.

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 57: Investor Base of Hungarian Government Securities

	As of 31 December					As of 31 March
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
Nonfinancial corporations	335.1	354.8	294.1	214.7	404.1	341.4
Central Bank	74.0	39.2	39.2	1,141.9	2,818.2	2,564.3
Credit institutions	8,612.8	8,467.5	8,366.0	10,405.7	9,631.4	10,176.8
Money market funds	68.7	80.9	22.7	13.1	8.8	10.1
Other monetary financial institutions	8,681.5	8,548.4	8,388.7	10,418.8	9,640.2	10,186.9
Other financial intermediaries.	1,317.1	1,341.0	928.3	907.3	753.4	924.3
Financial auxiliaries	100.2	101.1	113.5	136.8	141.3	140.8
Insurance corporations and pension funds	2,291.9	2,371.7	2,428.3	2,626.3	2,384.9	2,246.7
Financial corporations	12,464.7	12,401.4	11,898.0	15,231.1	15,738.1	16,062.9
Central government	259.9	252.2	249.7	253.6	501.7	330.1
Local government	264.0	284.9	292.5	203.4	144.7	164.6
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	523.9	537.1	542.2	457.0	646.4	494.8
Households	5,024.9	5,778.7	8,047.1	9,135.6	10,110.1	10,046.5
Nonprofit institutions serving households	189.0	258.1	149.4	104.3	98.1	113.9
Rest of the world	9,220.3	9,336.8	9,458.5	10,994.9	10,598.6	10,124.7
Total	**27,757.9**	**28,666.9**	**30,389.3**	**36,137.7**	**37,595.4**	**37,182.6**

Source: NBH

As of 31 December 2021, the total amount outstanding of Hungarian government securities was HUF37,595.4 billion, of which HUF10,598.6 billion was owed to non-residents, HUF10,110.1 billion was owed to households, HUF9,631.4 billion was owed to the banking sector and HUF2,384.9 billion was owed to insurance corporations and pension funds.

As of 31 March 2022, the total amount outstanding of Hungarian government securities was HUF37,182.6 billion, of which HUF10,124.7 billion was owed to non-residents, HUF10,046.5 billion was owed to households, HUF10,176.8 billion was owed to the banking sector and HUF2,246.7 billion was owed to insurance corporations and pension funds.

Table 58: Investor Base of Hungarian Local-Currency Government Securities (original maturity not exceeding 1 year)

	As of 31 December					As of 31 March
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
Nonfinancial corporations	135.6	112.5	66.0	34.0	52.3	105.3
Central Bank	0.4	0.0	0.0	0.0	0.0	12.5
Credit institutions	895.5	706.5	614.3	218.6	264.1	540.8
Money market funds	38.8	51.1	17.8	10.6	8.7	8.2
Other monetary financial institutions	934.2	757.6	632.1	229.2	272.9	549.1
Other financial intermediaries.	391.4	422.0	167.8	148.8	78.4	239.5

	As of 31 December					As of 31 March
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
Financial auxiliaries	9.6	6.1	5.8	9.8	9.8	8.2
Insurance corporations and pension funds	149.0	161.1	147.0	196.9	178.2	154.0
Financial corporations	1,484.6	1,346.8	952.6	584.7	539.3	963.3
Central government	43.3	58.2	22.0	15.3	32.4	17.0
Local government	129.1	38.4	1.1	5.5	4.6	6.7
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	172.4	96.7	23.1	20.9	36.9	23.7
Households	2,908.7	3,130.9	2,070.8	1,303.8	1,121.7	1,046.1
Nonprofit institutions serving households	102.5	114.4	5.4	9.1	8.3	18.2
Rest of the world	74.5	251.0	35.1	17.8	4.8	37.3
Total	**4,878.2**	**5,052.2**	**3,153.0**	**1,970.3**	**1,763.3**	**2,193.9**

Source: NBH

As of 31 December 2021, the total amount outstanding of local-currency denominated Hungarian government securities with an original maturity not exceeding one year was HUF1,763.3 billion, of which HUF4.8 billion was owed to non-residents, HUF1,121.7 billion was owed to households, HUF264.1 billion was owed to the banking sector and HUF178.2 billion was owed to insurance corporations and pension funds. The NBH owned no such securities.

As of 31 March 2022, the total amount outstanding of local-currency denominated Hungarian government securities with an original maturity not exceeding one year was HUF2,193.9 billion, of which HUF37.3 billion was owed to non-residents, HUF1,046.1 billion was owed to households, HUF540.8 billion was owed to the banking sector and HUF154.0 billion was owed to insurance corporations and pension funds. The NBH owned HUF12.5 billion of such securities.

Table 59: Investor Base of Hungarian Local-Currency Government Securities (original maturity over 1 year)

	As of 31 December					As of 31 March
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
Nonfinancial corporations	167.1	215.9	215.0	166.2	332.7	206.2
Central Bank	46.8	39.2	39.2	1,141.9	2,818.2	2,551.8
Credit institutions	7,262.0	7,434.6	7,456.8	9,926.3	8,884.8	9,179.5
Money market funds	21.1	18.1	2.5	2.5	0.1	1.8
Other monetary financial institutions	7,283.1	7,452.6	7,459.3	9,928.8	8,884.9	9,181.3
Other financial intermediaries.	789.3	753.3	656.4	617.8	584.9	600.3
Financial auxiliaries	89.0	93.7	106.2	125.4	130.2	129.9
Insurance corporations and pension funds	2,117.4	2,189.5	2,264.0	2,395.0	2,173.5	2,058.0
Financial corporations	10,325.6	10,528.3	10,525.0	14,208.9	14,591.8	14,521.3
Central government	216.6	194.0	227.6	237.6	468.7	312.4
Local government	134.4	246.5	291.5	197.8	140.1	157.9
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	351.0	440.5	519.1	435.4	608.8	470.3
Households	1,962.2	2,473.3	5,777.6	7,604.7	8,719.2	8,675.3
Nonprofit institutions serving households	84.1	139.9	139.6	90.9	85.5	91.4
Rest of the world	3,782.7	3,930.1	4,587.6	4,684.8	3,602.3	3,479.0
Total	**16,672.7**	**17,728.0**	**21,763.9**	**27,190.9**	**27,940.3**	**27,442.0**

Source: NBH

As of 31 December 2021, the total amount outstanding of local-currency denominated Hungarian government securities with an original maturity exceeding one year was HUF27,940.3 billion, of which HUF3,602.3 billion was owed to non-residents, HUF8,719.2 billion was owed to households, HUF8,884.8 billion was owed to the banking sector and HUF2,173.5 billion was owed to insurance corporations and pension funds. The NBH owned HUF2,818.2 billion of such securities.

As of 31 March 2022, the total amount outstanding of local-currency denominated Hungarian government securities with an original maturity exceeding one year was HUF27,442.0 billion, of which HUF3,479.0 billion was owed to non-residents, HUF8,675.3 billion was owed to households, HUF9,179.5 billion was owed to the banking sector and HUF2,058.0 billion was owed to insurance corporations and pension funds. The NBH owned HUF2,551.8 billion of such securities.

Table 60: Investor Base of Hungarian Foreign-Currency Government Securities

	As of 31 December					As of 31 March
	2017	2018	2019	2020	2021	2022
	(HUF billions)					
Nonfinancial corporations	32.4	26.4	13.1	14.6	19.1	29.9
Central Bank	26.7	0.0	0.0	0.0	0.0	0.0
Credit institutions	455.3	326.4	294.9	260.8	482.4	456.6
Money market funds	8.9	11.8	2.5	0.0	0.0	0.0
Other monetary financial institutions	464.2	338.2	297.3	260.8	482.4	456.6
Other financial intermediaries.	136.5	165.7	104.1	140.7	90.1	84.5
Financial auxiliaries	1.6	1.3	1.4	1.6	1.3	2.6
Insurance corporations and pension funds	25.5	21.1	17.4	34.4	33.2	34.7
Financial corporations	654.5	526.3	420.3	437.5	607.0	578.3
Central government	0.0	0.0	0.0	0.7	0.7	0.7
Local government	0.5	0.0	0.0	0.0	0.0	0.0
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.5	0.0	0.0	0.7	0.7	0.7
Households	154.1	174.5	198.7	227.0	269.2	325.1
Nonprofit institutions serving households	2.4	3.9	4.4	4.2	4.3	4.2
Rest of the world	5,363.1	5,155.7	4,835.8	6,292.3	6,991.4	6,608.4
Total	**6,207.0**	**5,886.8**	**5,472.4**	**6,976.4**	**7,891.7**	**7,546.6**

Source: NBH

As of 31 December 2021, the total amount outstanding of foreign-currency denominated Hungarian government securities was HUF7,891.7 billion, of which HUF6,991.4 billion was owed to non-residents, HUF269.2 billion was owed to households, HUF482.4 billion was owed to the banking sector and HUF33.2 billion was owed to insurance corporations and pension funds. The NBH owned no such securities.

As of 31 March 2022, the total amount outstanding of foreign-currency denominated Hungarian government securities was HUF7,546.6 billion, of which HUF6,608.4 billion was owed to non-residents, HUF325.1 billion was owed to households, HUF456.6 billion was owed to the banking sector and HUF34.7 billion was owed to insurance corporations and pension funds. The NBH owned no such securities.

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 61: Maastricht Debt of Hungary(1)

	As of 31 December										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	(per cent. of GDP)										
Maastricht Debt	80.3	78.1	77.2	76.5	75.7	74.8	72.1	69.1	65.5	79.6	76.8

Source: NBH
(1) Gross debt, including Exim bank

According to data published by the NBH, general government consolidated gross debt at nominal value (Maastricht debt) including Eximbank as of 31 December 2021, amounted to HUF42,414.2 billion, equaling 76.8 per cent. of GDP.

According to the April 2022 Convergence Report, the Government expects the Maastricht debt rate to decrease to 76.1 per cent. in 2022, 73.8 per cent. in 2023, 70.4 per cent. in 2024, 66.9 per cent. in 2025 and 63.1 per cent. in 2026.

According to data compiled by Eurostat, the government debt to GDP ratio in the European Union amounted to 88.1 per cent. as of 31 December 2021.

Financing Plan

The following table sets forth the planned distribution of issuance of local currency denominated government bonds for 2022:

Table 62: Planned Issuance of Local Currency Denominated Bonds(1)

	Planned Issuance
	(per cent.)
Floating Rate Bonds	16
5-year Bond	21
Bonds at Switch Auctions	31
10-year Bond	16
10-year Green Bond	7
15-year Bond	4
20-year Bond	4
30-year Bond	1
Total	**100**

Source: GDMA Pte Ltd.
(1) According to the financing plan issued in December 2021.

According to the financing plan issued by GDMA Pte Ltd. in December 2021 ("2022 Financing Plan"), the net financing need for 2022 was expected to be HUF3,153 billion. The total amount of government debt redemptions and pre-financing in 2022 was expected to amount to HUF6,363 billion, of which local currency debt maturities were expected to amount to HUF4,388 billion (equaling EUR12.0 billion), foreign currency debt redemptions were expected to amount to HUF491 billion (equaling EUR1.3 billion), and pre-financing was expected to amount to HUF1,457 billion (EUR4.0 billion). For 2022, total gross issuances were expected to amount to HUF9,000 billion (EUR24.7 billion), of which total gross issuances in foreign currency were expected to amount to HUF1,551 billion (EUR4.3 billion). HUF2,225 billion (EUR6.1 billion) worth of government bonds denominated in local currency was expected to be offered at auctions, while another HUF1,000 billion (EUR2.7 billion) was expected to be sold at switch auctions, and another HUF100 billion (EUR0.3 billion) was expected to be sold to local authorities. Retail securities issuances were expected to amount to HUF3,302 billion (EUR9.1 billion), while discount treasury bills in the amount of HUF822 billion (EUR2.3 billion) were expected to be sold at auctions.

In April 2022, GDMA Pte Ltd. revised the 2022 Financing Plan compiled in December 2021.

According to the updated 2022 Financing Plan published by GDMA Pte Ltd. in May 2022 ("Updated 2022 Financing Plan"), the total net financing requirement of the central budget in 2022 was increased from HUF3,153 billion to HUF3,800 billion against an unchanged ESA deficit. The increase in net financing requirement was caused in part by the impact of higher bond yields, higher interest expense and the personal income tax rebate paid out in February 2022.

According to the Updated 2022 Financing Plan, institutional HUF bond issuances are expected to be HUF 100 billion higher than previously planned as a result of better-than-expected year-to-date issuances. There are no changes forecast to Hungarian Government Bond issuance plans for the rest of 2022. The switch auction programme is expected to continue with a target volume of HUF 1,000 billion for 2022, but with more flexibility to reduce switch issuance notional amounts in order to anticipate retail investors switching from bonds maturing in 2024 and 2025 into inflation-linked bonds maturing in 2027 and 2028. The new 10-year local currency denominated green Hungarian Government Bond is expected to be issued on a monthly basis, while the 30-year local currency denominated green Hungarian Government Bond may continue to be issued as needed.

With respect to the retail market, the Updated 2022 Financing Plan sets goals of (i) Hungarian households holding HUF 11 trillion in retail government securities by year-end 2023, and (ii) the development and adaptation of a new retail government securities strategy in 2022.

The Updated 2022 Financing Plan increased the target for gross foreign currency bond issuances by up to EUR 2.5 billion, resulting in a target for total gross foreign currency bond issuance of up to EUR 5.1 billion equivalent, with up to EUR 4.5 billion remaining to be issued. The Updated 2022 Financing Plan includes Green Panda bond issuances and private placements as part of the gross foreign currency bond issuance target. The Updated 2022 Financing Plan includes plans for foreign currency debt liability management through public tender and secondary market transactions of up to USD 2 billion in 2022 to pre-fund 2023 and 2024 foreign currency denominated bond maturities and further increase the average term-to-maturity of debt, in line with the original 2022 Financing Plan. The Updated 2022 Financing Plan further contemplates up to EUR 1 billion equivalent in foreign currency project loans (e.g. EIB, CEB, AIIB, etc.), which figure aligns with the previous years' practices, but is lower than contemplated in the original 2022 Financing Plan by approximately EUR 1 billion.

Additionally, according to the Updated 2022 Financing Plan, GDMA Pte Ltd. intends to (i) develop the Hungarian government securities market with the introduction of a new Primary Dealer Framework, which includes new market makers and is expected to launch on 1 July 2022 and (ii) incorporate sustainability considerations and ESG principles into the medium-term public debt management strategy.

The Updated 2022 Financing Plan also set forth the following key targets for 2022: (i) for the share of foreign currency denominated debt to be between 10 per cent. and 25 per cent.; (ii) for 100 per cent. of the foreign currency debt to be denominated in EUR after swaps; (iii) for the share of local currency denominated debt with a fixed coupon to be between 70 per cent. and 90 per cent.; (iv) for the share of foreign currency denominated debt with a fixed coupon to be between 70 per cent. and 90 per cent.; (v) for the average time to re-fixing of local currency denominated debt to be at least 4.0 years; and (vi) for the average time to maturity of local currency debt to be at least 4.5 years. As of 30 April 2022, (i) the share of foreign currency denominated debt was 20.8 per cent.; (ii) 100 per cent. of the foreign currency debt was denominated in EUR after swaps; (iii) the share of local currency denominated debt with a fixed coupon was 75.7 per cent.; (iv) the share of foreign currency denominated debt with a fixed coupon was 86.3 per cent.; (v) the average time to re-fixing of local currency denominated was 4.3 years; and (vi) the average time to maturity of local currency debt was 5.0 years.

The following table sets forth the foreign currency denominated redemptions, issuance and the net issuance for the periods indicated:

Table 63: FX Redemption, Issuance and Net Issuance

	For the year ended 31 December,					
	2017	2018	2019	2020	2021	2022[(1)]
			(EUR million)			
Redemptions						
Loans	628	529	139	238	400	561
International Bonds	2,628	1,644	1,957	2,719	1,883	1,484
Other FX Financing	132	279	657	409	608	801
Issuances						
Loans	79	0	165	1,277	510	1,330
International Bonds	1,136	1,497	0	6,498	4,742	5,075
Other FX Financing	689	122	283	142	346	357
Net issuance	**(1,484)**	**(832)**	**(2,305)**	**4,550**	**2,707**	**3,916**

Source: GDMA Pte Ltd.

(1) According to the updated financing plan issued in April 2022.

According to the Updated 2022 Financing Plan, total issuances are expected to amount to HUF 10,013 billion in 2022. Of this amount, HUF 3,189 billion (33 per cent. of the planned amount) was issued prior to 30 April 2022.

With respect to local currency denominated government bonds, the planned amount for the year 2022 is HUF 3,225 billion, of which HUF 1,000 is expected to be allocated to switch auctions. HUF 1,125 billion in local currency denominated government bonds (42 per cent. of the planned amount) was issued prior to 30 April 2022, of which HUF 185 billion was the result of switch auctions.

With respect to local currency denominated retail securities, the planned amount for the year 2022 is HUF 4,294 billion. HUF 1,734 billion in local currency denominated retail securities (40 per cent. of the planned amount) was issued prior to 30 April 2022.

With respect to foreign currency denominated financing, the total planned amount for the year 2022 is HUF 2,494 billion. HUF 330 billion in foreign currency denominated financing (13 per cent. of the planned amount) was issued prior to 30 April 2022.

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.

External Public Debt Service and Schedule of Payments

Neither Hungary nor the NBH 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 maturity breakdown of Hungary's medium and long-term external debt by sectors (excluding SPEs) as of 31 December 2021:

Table 64: Schedule of Payments on External Public Debt as of 31 December 2021

		Central Bank and General Government					Other MFIs and Other Sectors						Public Sector: Central bank and General Government and Central Government	
				General Government			Other MFIs			Other sectors				
	Total	Central Bank and General Government	Central bank	General Government	of which, HUF denominated bonds	Other MFIs and Other Sectors	Other MFIs	Of which, Deposit taking corporations except the central bank	Of which, Money market funds	Other Sectors	Of which, Financial corporations other than MFIs	Of which, Non-financial corporations, households, and non-profit institutions serving households	Controlled and local government controlled public corporations included in Other MFIs and Other sectors	Private sector: non-public corporations included in Other MFIs and Other sectors
							(EUR million)							
2022. Q1	474	144	0	144	8	331	53	53	0	278	67	211	162	312
2022. Q2	1,255	458	0	458	157	797	403	403	0	393	63	330	850	405
2022. Q3	981	401	0	401	280	580	128	128	0	452	205	247	425	556
2022. Q4	865	386	0	386	346	479	157	157	0	322	66	256	418	447
2022	3,575	1,389	0	1,389	791	2,186	741	741	0	1,445	401	1,044	1,855	1,719
2023. Q1	3,247	1,410	0	1,410	61	1,837	1,375	1,375	0	462	55	407	1,524	1,723
2023. Q2	5,129	2,707	2,702	5	1	2,422	1,496	1,496	0	926	113	813	2,870	2,259
2023. Q3	1,643	670	0	670	342	973	598	598	0	375	42	333	691	953
2023. Q4	4,185	1,917	0	1,917	328	2,268	1,649	1,649	0	619	377	241	2,197	1,988
2023	14,204	6,704	2,702	4,002	733	7,500	5,118	5,118	0	2,382	588	1,794	7,282	6,922
2024	6,201	3,579	0	3,579	1,574	2,622	803	803	0	1,819	160	1,659	3,944	2,257
2025	5,755	2,720	0	2,720	1,773	3,035	1,710	1,710	0	1,325	99	1,226	2,837	2,918
2026	5,059	2,940	0	2,940	1,674	2,119	1,068	1,068	0	1,051	57	994	3,186	1,873
2027	6,587	4,121	0	4,121	2,509	2,466	367	367	0	2,098	105	1,994	4,183	2,403
2028	2,954	2,018	0	2,018	597	936	261	261	0	675	18	657	2,057	897
2029	1,376	705	0	705	401	671	372	372	0	299	19	281	743	633
2030	3,785	3,059	0	3,059	1,559	726	461	461	0	265	11	255	3,322	463
2031	4,011	3,006	0	3,006	1,222	1,005	165	165	0	840	111	729	3,034	977
2032	1,674	987	0	987	69	687	40	40	0	647	7	640	1,009	665
2033	1,520	1,257	0	1,257	737	263	1	1	0	262	5	257	1,278	242
After............	11,758	11,221	3,521	7,699	1,072	537	124	124	0	413	9	404	11,253	505
Total	**68,460**	**43,707**	**6,224**	**37,483**	**14,712**	**24,753**	**11,230**	**11,230**	**0**	**13,523**	**1,589**	**11,934**	**45,984**	**22,476**

Source: NBH

As of 31 December 2021, EUR3,575 million in external debt was due in 2022, EUR14,204 million in external debt was due in 2023, EUR6,201 million in external debt was due in 2024, EUR5,755 million in external debt was due in 2025, EUR5,059 million in external debt was due in 2026 and EUR6,587 million in external debt was due in 2027.

The following table sets forth the aggregate amount of international debt issuances of Hungary for the periods indicated:

Table 65: International Debt Issuance

	For the year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
			(EUR millions)		
International Debt Issuance	1,127	1,483	0	6,498	TBU

Source: GDMA Pte Ltd.

National Debt Issuances

On 5 August 2020, the first Hungarian corporate green bond was issued. Subsequently, several Hungarian companies have issued corporate green bonds.

On 14 September 2021, the Government issued US Dollar denominated bonds in the amount of USD4.25 billion. The two-tranche transaction consisted of the issuance of a bond series maturing in 2031 in the amount of USD2.25 billion, and a bond series maturing in 2051 in the amount of USD2.0 billion.

On 15 September 2021, the Government issued Euro denominated debt in the amount of EUR1.0 billion maturing in 2028.

On 14 December 2021, the Government issued green Panda bonds in the amount of CNY1.0 billion maturing in 2024.

On 20 January 2022, the debut issue of green local currency denominated Hungarian Government bonds, with a tenor of 10 years, occurred.

On 18 February 2022, the Government announced the issuance of Japanese yen denominated bonds in the amount of JPY75.3 billion. The four-tranche transaction consisted of the issuance of a 3-year Samurai bond in the amount of JPY16.0 billion, the issuance of a 5-year Samurai bond in the amount of JPY46.8 billion, the issuance of a 7-year Samurai bond in the amount of JPY4.7 billion and the issuance of a 10-year Samurai bond in the amount of JPY7.8 billion. The shortest, 3-year maturity Samurai bond was a conventional bond and the 5-year, 7-year and 10-year Samurai bonds were green bonds.

According to the Green Bond Allocation Report of Hungary compiled in March 2021, total green bond proceeds amounted to HUF573.7 billion in 2020. Total eligible expenditures amounted to HUF1,204.5 billion between 2018 and 2020.

Green budget expenditures amounted to HUF372 billion in 2018 and HUF391 billion in 2019. Green budget expenditures were planned to reach HUF441 billion in 2020. In 2018, green budget expenditures related to (i) renewable energy, (ii) energy efficiency, (iii) land use and living natural resources, (iv) waste and water management, (v) clean transportation and (vi) adaptation, amounted to HUF5 billion, HUF2 billion, HUF33 billion, HUF4 billion, HUF327 billion and HUF1 billion, respectively. In 2019, green budget expenditures related to (i) renewable energy, (ii) energy efficiency, (iii) land use and living natural resources, (iv) waste and water management, (v) clean transportation and (vi) adaptation, amounted to HUF1 billion, HUF4 billion, HUF35 billion, HUF3 billion, HUF340 billion and HUF8 billion, respectively. In 2020, green budget expenditures related to (i) renewable energy, (ii) energy efficiency, (iii) land use and living natural resources, (iv) waste and water management, (v) clean transportation and (vi) adaptation were planned to reach HUF2 billion, HUF15 billion, HUF36 billion, HUF3 billion, HUF373 billion and HUF13 billion, respectively.

Of the HUF372 billion green budget expenditures for the year 2018, all HUF372 billion was allocated. Of the HUF391 billion green budget expenditures for the year 2019, a total of HUF202 billion was allocated. Of the HUF441 billion planned green budget expenditures for the year 2020, no amount was allocated.

The external review of the green budget allocation was conducted by a second party opinion provider, CICERO Shades of Green.

According to the Green Bond Impact Report of Hungary compiled in November 2021, the Government estimates that approximately 8.2 thousand tons of CO_2 equivalent greenhouse gas emissions were avoided due to projects related to renewable energy, approximately 49.5 thousand tons of CO_2 equivalent greenhouse gas emissions were avoided due to projects related to energy efficiency and approximately 1,106.3 thousand tons of CO_2 equivalent greenhouse gas emissions were avoided due to projects related to clean transportation. More than 120,000 projects related to land use and living natural resources resulted in sustainable agricultural areas covering 794,438 hectares. As a result of projects related to waste and water management, the length of the sewage system per kilometres of drinking water system increased to 761 meters. As a result of projects related to adaptation, air pollutant particular matter (PM10) is estimated to have decreased by approximately 1.8 per cent. between 2018 and 2019.

Internal Public Debt

Total internal short-term debt with an original maturity of one year or less consists of Interest-bearing T-bills with six-month and one-year maturities, Treasury Savings Bills with one-year maturities and Discount T-bills. The outstanding amount of Interest-bearing T-bills, Treasury Savings Bills with one-year maturity and Discount T-bills (excluding repos) was HUF1,001.6 billion, HUF173.4 billion and HUF580.3 billion, respectively as of 31 December 2021. The amount of repos on Discount T-bills amounted to HUF2.9 billion as of 31 December 2021.

As of 31 December 2021, Hungary's total internal public debt, including the social security and extra-budgetary funds, was HUF32,121.2 billion. As of 31 December 2021, HUF30,813.5 of the Government's internal debt consisted of government securities (with HUF1,307.4 billion of the Government's internal debt consisting of loans from the EIB and CEB).

Within the total HUF-denominated government debt, publicly issued government securities have been playing a predominant role. Raising public funds on the domestic market depends to a large degree upon the issuance of government bonds. Of the total amount of outstanding publicly issued HUF-denominated government securities, government bonds accounted for HUF20,220.0 billion as of 31 December 2021.

The Government has also guaranteed certain Hungarian indebtedness. As of 31 December 2021, these guarantees totaled USD19.9 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.

Government Obligations to the NBH

The following table shows the Government's obligations to the NBH, as of December 31 for the years indicated and as of 30 April 2022:

Table 66: Government Obligations to the NBH

	As of 31 December					As of 30 April
	2017	2018	2019	2020	2021	2022
			(HUF billions)			
Loans	0.0	0.0	0.0	0.0	0.0	147.0
Securities	39.2	39.2	39.2	1,113.6	3,302.8	3,327.9

Source: NBH

As of 31 December 2021, the Government's obligations to the NBH consisted of securities in the amount of HUF3,302.8 billion.

As of 31 March 2022, the Government's obligations to the NBH consisted of securities in the amount of HUF3,327.9 billion and loans in the amount of HUF147.0 billion.

Gross External Debt

The following table sets forth the distribution and maturity of gross external debt of Hungary as of 31 December 2021:

Table 67: Gross External Debt[(1)(2)]

	As of 31 December 2021	
	Amount of Debt	**of which short-term**
	(EUR millions)	
Obligor		
NBH	16,715.0	10,491.8
Banking Sector[(3)]	15,618.1	5,128.9
General Government	38,039.2	1,944.5
Other Sectors[(2)]	21,217.6	9,139.7
Total[(2)]	**91,589.9**	**26,704.8**
Direct Investment Debt Instruments	35,259.9	—

Source: NBH

(1) In this table, external debt refers to obligations owed to non-resident entities. External debt as defined in External Debt Statistics: Guide for Compilers and Users (IMF 2003).

(2) Direct investment debt instruments are not included.

As of 31 December 2021, Hungary's gross external debt (excluding direct investment debt instruments) amounted to EUR91,589.9 million, of which debt of the NBH amounted to EUR16,715.0 million, debt of the banking sector amounted to EUR15,618.1 million, debt of the general government amounted to EUR38,039.2 million and other sectors' debt amounted to EUR21,217.6 million.

As of 31 December 2021, Hungary's short-term gross external debt (excluding direct investment debt instruments) amounted to EUR26,704.8 million, of which debt of the NBH amounted to EUR10,491.8 million, debt of the banking sector amounted to EUR5,128.9 million, debt of the general government amounted to EUR1,944.5 million and other sectors' debt amounted to EUR9,139.7 million.

As of 31 December 2021, Hungary's direct investment debt instruments amounted to EUR35,259.9 million.

The following table sets forth the gross external debt of Hungary for the years indicated:

Table 68: Historic Gross External Debt

	As of 31 December,									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
					(HUF billions)					
Intercompany Loans	8,735.2	9,059.7	10,505.3	11,587.6	10,106.4	9,431.7	10,420.6	9,877.4	10,702.4	13,010.9
NBH	1,079.5	911.0	694.8	562.6	581.3	491.0	498.7	603.3	2,896.5	6,167.8
Banking Sector	6,769.6	5,778.3	5,750.7	5,302.1	4,918.2	5,499.1	5,575.6	6,147.4	5,393.1	5,763.1
General Government	14,976.7	14,259.4	15,386.2	14,377.2	13,070.2	11,599.8	12,051.4	12,302.6	14,218.9	14,036.5
Other Sectors	5,608.9	5,573.7	5,754.7	5,537.8	5,828.4	5,705.3	6,078.9	6,121.0	6,927.1	7,829.3
					(per cent. of GDP)					
Gross External Debt	98	87	84	74	67	59	56	53	61	61

Source: NBH

As of 31 December 2021, gross external debt in the form of intercompany loans amounted to HUF13,010.9 million. Gross external debt of the central bank, the banking sector, the general government and other sectors (including non-financial corporates and households) amounted to HUF6,167.8 million, HUF5,763.1 million, HUF14,036.5 million and HUF7,829.3 million. Consequently, total external debt excluding intercompany loans amounted to HUF33,796.7 billion (61 per cent. of GDP).

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

Table 69: Historic Net External Debt

	As of 31 December,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	(HUF billions)									
Net External Debt Including Intercompany Loans	16,801.3	14,304.2	14,776.9	6,889.1	8,362.0	5,177.9	4,072.2	3,478.7	5,147.1	8,488.1
Net External Debt Excluding Intercompany Loans	13,051.6	11,070.9	**10,859.6**	8,542.7	6,804.4	5,340.9	3,832.1	3,780.5	4,159.0	5,953.6
Net External Debt of the Government and the NBH	5,899.4	4,671.8	4,885.9	4,540.5	5,738.5	4,770.4	3,862.7	3,553.0	4,598.4	6,380.7
	(per cent. of GDP)									
Net External Debt............	58	47	45	20	23	13	9	7	11	15

Source: NBH

As of 31 December 2021, Hungary's net external debt including intercompany loans amounted to HUF8,488.1 billion (15 per cent. of GDP). Net external debt excluding intercompany loans amounted to HUF5,953.6 billion; consequently, net external debt in the form of intercompany loans amounted to HUF2,534.5 billion. Net external debt of the government and the NBH amounted to HUF6,380.7 billion, which exceeded net external debt excluding intercompany loans by HUF427.1 billion.

Table 70: Guarantees Provided by Hungary

(preliminary as of 31 December 2021)[(1)]		
Title	**Outstanding Principal Amount**	
	(Millions)	
Hungary Guaranteed Debt in Foreign Currency		
(expressed in USD equivalents)[(2)]	**currency**	**amount**
Loans raised from international financial institutions	USD	13.82
Guarantees for various purposes	USD	0.00
Guarantees based on law	USD	5,946.90
Total Guarantees in Foreign Currency	**USD**	**5,960.72**
Hungary Guaranteed Debt in HUF		
Guarantees for various purposes	HUF	51,432.28
Guarantees based on law	HUF	4,481,241.41
Total Guarantees in HUF	**HUF**	**4,532,673.69**
USD Equivalent[(2)]	**USD**	**13,916.29**
TOTAL HUNGARY FOREIGN CURRENCY AND HUF GUARANTEES[(2)]	**USD**	**19,877.01**

Source: Hungarian State Treasury

(1) The data are not audited.

(2) Calculated on the basis of exchange rate of the National Bank of Hungary as of 31 December 2021. The exchange rate was 325.71 HUF/USD on 31 December 2021.

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 exclusively 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 the country and to improve pandemic preparedness. The total cost of the project is expected to be USD267.2 million with Hungary providing the remaining USD51.1 million.

*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 end of 2021 was approximately EUR3.4 billion in 196 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 selected areas where transition gaps remain and where the EBRD can provide support, including the efforts to overcome the impact of COVID-19. The EBRD plans to engage in diversifying and deepening financial system products, including green financial products; finance and promote resource, energy efficiency investments and renewable energy.

*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 (2017-2021), the CEB financed projects by granting loans totaling approximately EUR710.6 million. In 2021, the CEB disbursed EUR163 million to Hungary. Additionally, the CEB and Hungary signed one loan facility in the amount of EUR152 million in 2021.

*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, healthcare and education projects. In the five-year period between 2017 and 2021 the EIB financed projects by granting loans totaling approximately EUR3.79 billion in the aggregate.

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.

*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 Bank to Budapest, Hungary. The relocation took place in 2019.

Between 2017 and 2021, 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 issued HUF denominated bonds worth HUF71 billion to institutional investors.

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.

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. In addition, such income can be subject to social contribution tax in Hungary at the rate of 13 per cent, subject to specific conditions laid down by the applicable laws.

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).

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 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 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 not be issued with more than de minimis "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.

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.

With respect to the EUR 2031 Notes, a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes, will be required to include in income the U.S. dollar value of the Euro interest, translated at the spot rate of exchange on the date of receipt, whether or not the Euro is converted into U.S. dollars.

With respect to the EUR 2031 Notes, a U.S. Holder that uses an accrual method of accounting for U.S. federal income tax purposes may determine the amount of income recognized with respect to an interest payment by using one of two methods. Under the first method, a U.S. Holder will accrue interest income on a Note in Euros and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period or, with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the portion of the period within the taxable year. Alternatively, such U.S. Holder may elect to translate all interest income on the notes at the spot rate in effect on the last day of the accrual period in the taxable year or, with respect to an interest accrual period that spans two taxable years, at the spot rate on the last day of the portion of the period within the taxable year. Additionally, under this second alternative, such U.S. Holder may translate the Euro interest accrued into U.S. dollars on the date the interest payment is received if that date is within five business days of the end of the accrual period. If made, this election must be applied consistently to all debt instruments held at the beginning of the first taxable year to which the election applies and to all debt instruments subsequently acquired. The election cannot be changed without the consent of the IRS. A U.S. Holder that uses the accrual method of accounting will recognize foreign currency gain or loss on the receipt of an interest payment (including, on the sale or other disposition of a Note, a payment attributable to accrued but unpaid interest) to the extent the spot rate of exchange on the date the payment is received differs from the rate applicable to a previous accrual of that income as determined above. Such foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on a Note.

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. Subject to the discussion below of foreign currency gain or loss, 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.

If a Note is sold or retired for an amount in foreign currency, the amount realized will be the U.S. dollar value of such amount on the date such Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market (within the meaning of the applicable Treasury Regulations), if the U.S. Holder is a cash basis taxpayer, or an accrual basis taxpayer that so elects, the U.S. Holder will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. With respect to the EUR 2031 Notes, a U.S. Holder's "adjusted tax basis" in the note will equal the U.S. dollar value of the Euro amount that it paid for the Note. The U.S. dollar value that is actually paid for a Note may differ from the adjusted tax basis determined under the preceding sentence, since the U.S. dollar purchase price will be determined using a currency exchange rate determined as of the pricing date, rather than the settlement date. A U.S. Holder may recognize U.S. source foreign currency gain or loss in an amount equal to such difference.

With respect to the EUR 2031 Notes, a U.S. Holder must treat any portion of the gain or loss recognized on the sale, exchange, retirement, redemption or other taxable disposition of a Note as ordinary income or loss to the extent that it is attributable to changes in the exchange rate between the U.S. dollar and the Euro. Gain or loss attributable to changes in such exchange rate will equal the difference between (i) the U.S. dollar value of the "principal amount" (as defined below) of the Note determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the "principal amount" of the note determined on the date the Note was acquired. Such gain or loss, however, will be taken into account only to the extent of the total gain or loss realized on the sale, exchange, retirement, redemption or other taxable disposition. For purposes of the foregoing, generally the "principal amount" of a Note is the purchase price in Euros. Foreign currency losses in excess of US$50,000 may result in a reporting requirement. U.S. Holders should consult their own tax advisors regarding foreign currency losses on the sale, exchange, retirement, redemption or other taxable disposition of the EUR 2031 Notes.

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 $125,000 and $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 the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in non-U.S. entities. The Notes may be treated as specified foreign financial assets and you may be subject to this information reporting regime. Failure to file information reports may subject you to penalties. 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 (assuming that the gain or income otherwise is exempt from U.S. federal income tax), 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, Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, ING Bank N.V. and J.P. Morgan SE (together the "**Joint Lead Managers**") have, in a subscription agreement dated 10 June 2022 (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: (i) the USD 2029 Notes at their issue price of 98.792 per cent. of their principal amount; (ii) the USD 2034 Notes at their issue price of 97.188 per cent. of their principal amount; and (iii) the EUR 2031 Notes at their issue price of 98.161 per cent. of their principal amount, in each case 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) (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 (the "**Prospectus Regulation**").

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, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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 and in the documents incorporated by reference 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 XC of 2021 on the central budget of Hungary for the year 2022, 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, or in the documents incorporated by reference herein, 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, or in the documents incorporated by reference herein, 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 2021 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.

USD 2029 Notes
The ISIN of the Unrestricted Global Certificate is XS2010026305 and the Common Code for the Unrestricted Global Certificate is 201002630.

The ISIN of the Restricted Global Certificate is US445545AP18, the Common Code for the Restricted Global Certificate is 249204102 and the CUSIP for the Restricted Global Certificate is 445545AP1.

USD 2034 Notes
The ISIN of the Unrestricted Global Certificate is XS2010026487 and the Common Code for the Unrestricted Global Certificate is 201002648.

The ISIN of the Restricted Global Certificate is US445545AQ90, the Common Code of the Restricted Global Certificate is 249204153 and the CUSIP for the Restricted Global Certificate is 445545AQ9.

EUR 2031 Notes
The ISIN of the Unrestricted Global Certificate is XS2010026214 and the Common Code for the Unrestricted Global Certificate is 201002621.

The ISIN of the Restricted Global Certificate is XS2010026131 and the Common Code for the Restricted Global Certificate is 201002613.

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
Private Company Limited by Shares
Krisztina tér 2.
1013 Budapest
Hungary

JOINT LEAD MANAGERS

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

Deutsche Bank Aktiengesellschaft
Mainzer Landstr. 11-17
60329 Frankfurt am Main
Germany

Goldman Sachs Bank Europe SE
Marienturm
Taunusanlage 9-10
60329 Frankfurt am Main
Germany

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

J.P. Morgan SE
Taunustor 1 (TaunusTurm)
60310 Frankfurt am Main
Germany

FISCAL AGENT

Bank of New York Mellon, London Branch
One Canada Square
London, E15 5AL
United Kingdom

LEGAL ADVISERS

To the Issuer as to English law:

Arnold & Porter Kaye Scholer (UK) LLP
Tower 42
25 Old Broad Street
London EC2N 1HQ
United Kingdom

To the Issuer as to United States law:

Arnold & Porter Kaye Scholer LLP
601 Massachusetts Ave, NW
Washington, District of Columbia 20001
United States

To the Issuer as to Hungarian law:

Dr. Zsolt Szita Law Office
H-1011 Budapest Markovits I. u. 4.
Hungary

To the Joint Lead Managers as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Joint Lead Managers as to United States law:

Clifford Chance US LLP
31 West 52nd Street
New York, NY 100019-6131
United States

To the Joint Lead Managers as to Hungarian law:

Lakatos, Köves and Partners Law Firm
Madách Trade Center
Madách Imre út 13-14
H-1075 Budapest
Hungary