ÁLLAMADÓSSÁG KEZELŐ KÖZPONT ZRT.

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ANNUAL REPORT ON GOVERNMENT DEBT MANAGEMENT

2024

Executive Summary

In 2024, the stabilisation process of the Hungarian economy continued. Inflation, which has a significant impact on government debt management, moderated following high levels in 2022–2023, whilst the account balance also improved. At the same time, external factors affecting the economy, particularly the economic consequences of the Russia–Ukraine war and the weaker European economic growth, continued to pose challenges. Although the fall in yields created more favourable conditions, the budget continued to operate with a relatively high deficit, which posed challenges for financing government debt.

Calculated according to OECD methodology, the ÁKK carried out issuances amounting to HUF 12,140 billion in total during 2024, of which it raised HUF 9,693 billion (80%) in forint funds and issued foreign-currency debt in the amount of HUF 2,446 billion (20%). Net forint financing amounted to HUF 1,844 billion, while net foreign-currency issuance totalled HUF 1,767 billion, i.e. total net issuance in 2024 was HUF 3,611 billion.

The central budget's gross debt stood at HUF 55,479 billion at the end of 2024, of which HUF 38,702 billion was forint debt (69.8% of total debt), HUF 16,558 billion was foreign currency debt (29.8% of total debt), and HUF 220 billion was other liabilities (0.4% of total debt). Within the forint debt, green forint debt stood at HUF 527 billion, while green foreign currency debt stood at HUF 1,950 billion.

Growth of the outstanding amount of HUF retail government securities continued compared to 2023, reaching HUF 11,263 billion at the end of 2024, excluding repo transactions and other deposits. Premium Hungarian Government Securities accounted for more than half (61.8%) of this outstanding amount. The outstanding amount of government securities held by households increased by HUF 1,186 billion in 2024 compared with the previous year. Within this, the stock of retail government securities rose by HUF 1,287 billion, while the nominal value of institutional government securities held by households fell by HUF 101 billion.

The outstanding amount of HUF institutional government debt stood at HUF 27,423 billion at the end of 2024, excluding repo transactions and other deposits, 87.5% of which consisted of Hungarian Government Bonds. Compared with the previous year, the outstanding amount increased by HUF 659 billion.

The central government's gross foreign-currency debt increased by a total of HUF 2,879 billion in 2024, excluding mark-to-market and other deposits, amounting to HUF 16,558 billion by the end of the year.

The outstanding amount of green government securities at the end of 2024 amounted to HUF 2,477 billion, which is HUF 769 billion higher than in the previous year. Based on the currency breakdown of these bonds, the euro accounted for the highest share (66.2%), followed by the forint (21.3%), the Japanese yen (8.2%) and, finally, the Chinese yuan (4.3%) for the year.

HOFFMANN Mihály
Chairman and Chief Executive Officer

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I. Government Debt Management Strategy and Underlying Principles

Government debt management strategy

The ÁKK plans and carries out its financing operations on the basis of a medium-term debt management strategy approved by the Minister responsible for Public Finances, which is updated annually.

The task of government debt management is to secure the budget's financing requirement over the long term at minimum cost while assuming acceptable risks. The ÁKK fulfils this core task in line with economic policy objectives by defining the following strategic goals:

1. In accordance with the requirement set out in the Fundamental Law, the public debt ratio must remain below 50% of GDP. If the ratio exceeds 50% of GDP, the rule requires that the debt ratio be reduced. In this context, the primary objective of debt management is to support the process of reducing the debt ratio.
2. The second objective of debt management is to ensure that the debt portfolio is sufficiently diversified, as broadening and diversifying the investor base can significantly improve the stability of the investor base and, thereby, the security of government debt financing. The instruments applied to achieve the strategic objective are:
    - The development of the institutional forint government bond market, through a flexible issuance policy, the maintenance of a transparent primary dealer system, and the development of the domestic institutional investor base.
    - Expanding the domestic investor base for government debt, increasing the number of clients, and supporting the sales of retail government securities.
    - Active management of the foreign currency share of government debt within the defined limits, while also maintaining the necessary market presence.
3. The third objective of debt management is to lengthen the remaining maturity of government debt, provided that market conditions allow it.
4. The fourth objective of debt management is to maintain and develop ESG (Environmental, Social, Governance) market presence and to diversify funding sources.

The above strategic objectives aim to establish a debt structure in which the cost–risk ratio is most favourable in the long term (Table 1).

Table 1: The most important market risk factors arising in debt management

Risk Type	Description
Financing risk	It arises from the need to refinance maturing debt and to meet the net financing requirement. In extreme cases, this involves liquidity risk (insolvency); otherwise, it involves interest rate risk.
Liquidity risk	Liquidity risk arises in connection with fluctuations in the budget's cash flows as well as with the money market operations of debt management.
Interest rate risk	It arises from changes in government securities yield levels.
Exchange rate risk	It arises from changes in the exchange rates between the forint and various foreign currencies.
Counterparty risk	The risk of counterparties failing to perform or performing in a manner inconsistent with the contract. It arises in the case of hedging transactions entered into directly with foreign exchange market counterparties, as well as in the case of liquidity management operations in the forint market.
Value risk	The market value of government debt changes as a result of shifts in the yield curve. From a debt management perspective, this risk arises primarily in the case of buybacks and bond swaps. (Government securities are recorded and redeemed at maturity at face value, so no value risk arises in these cases.)

The long-term perspective implies that no operation may be undertaken which, in exchange for short-term (cost) benefits, would result in higher costs or greater risks in the future. There are trade-offs between certain risks, meaning that they can be increased or reduced at each other's expense. Between certain elements, however, there is co-movement.

To jointly assess risks and costs, the ÁKK has developed so-called benchmarks (reference indicators) reflecting its strategic objectives, which are typically calculated on the basis of 90-day moving averages in order to filter out short-term effects. The benchmarks serve to quantify the strategic objectives. Their target values and bands serve as a compass for achieving the optimal cost–risk structure (Table 2).

Table 2: Benchmark indicators for 2024

Benchmark indicators	Description
Foreign currency debt ratio	The 2024 debt management strategy set an upper limit of 30% on the proportion of total debt denominated in foreign currency, with a view to reducing the risks arising from exchange rate fluctuations. At the end of 2024, the value of the indicator (90-day moving average) was 29.4%.
Currency composition of foreign currency debt	In order to reduce the cross-currency risk of foreign currency debt, as in previous years, the ÁKK continued to set the currency composition of foreign currency debt at 100% euro. (This involved a maximum permitted deviation of 5%.) If funds are raised in a currency other than the euro, the ÁKK converts them into euro-denominated liabilities by entering into currency swap transactions. At the end of 2024, the composition of foreign currency debt complied with the benchmark, with the share of foreign currency debt denominated in euros standing at 100%.
Proportion of fixed-rate debt instruments	The purpose of the fixed/variable interest rate composition indicator is to limit the rapid refixing of government debt, i.e. to prevent an interest rate rise from immediately causing a significant increase in the budget's interest expenditure. The ÁKK can influence compliance with this benchmark primarily by adjusting the weighting of fixed- and floating-rate instruments, or, in the case of foreign currency debt, through interest rate swap transactions. (Government securities with maturities of less than one year are classified as floating-rate instruments for the purposes of this indicator.) In 2024, the target range for the proportion of fixed-rate instruments in the total debt portfolio was 60–80%. By the end of 2024, the indicator stood at 67.8% (90-day moving average), thus remaining within the target range.
Average time to refixing	The average time to refixing (ATR) of government debt represents the average length of time remaining until the next refixing of debt instruments, i.e. it captures the degree of exposure to interest rate changes. With variable interest rates and short interest rate periods, larger yield movements are reflected in interest expenses sooner; thus, in an environment of higher interest rate volatility, interest expenditures also fluctuate significantly. However, with a longer time to refixing, interest rate changes are reflected in interest expenses only in a dampened manner over several years, which also plays a significant stabilising role in fiscal processes, making interest expenditures more predictable. The target value for the ATR set for 2024 was a minimum of 4 years. The 90-day moving average measured at the end of the year (4.7 years) was in line with this.
Average term-to-maturity	The average term-to-maturity (ATM) of government debt quantifies the financing (refinancing) risk of maturing debt. The 2024 strategy targeted an ATM value of at least 5.5 years. The year-end figure (5.8 years, 90-day moving average) was in line with this.
Retail share	The ÁKK monitors the benchmark for the share of retail government securities held by households as part of its monitoring of domestic financing trends. The benchmark range set for this share of total debt was 20–25% in 2024; the year-end figure of 21.0% (90-day moving average) was in line with this.
Minimum Balance of the Treasury Single Account (TSA)	In order to manage liquidity risk, the strategy set the objective of maintaining a safe level of cash balances held in the Treasury Single Account (TSA) and smoothing the daily balance. The necessary steps to achieve this are ensured by the liquidity management activities carried out by the ÁKK. In 2024, the TSA balance developed in line with the set benchmark every day.

Underlying Principles

Similarly to most foreign government debt management institutions, ÁKK determines the financing instruments applied and their sales methods on the basis of the three fundamental principles of simplicity, transparency and liquidity, which in recent years has been complemented by flexibility.

In the context of simplicity and transparency, the ÁKK issues a relatively limited number of instruments that are well known to investors and easy to manage in a market-conforming, transparent manner; that is, it sells institutional forint bonds and discount Treasury bills at auctions, based on an issuance calendar published one year in advance.

In the area of liquidity, the ÁKK strives to ensure that government securities have a sufficiently liquid secondary market, as this also affects subsequent issuances. It is of paramount importance to investors that they are able to sell the government securities they hold before maturity, where necessary. A liquid secondary market has two essential elements: continuous, two-way quoting that reflects actual market prices, and the existence of sufficiently large-volume (so-called benchmark) government securities series. The re-opening of these series at auctions (via tap issuances) serves to build the latter.

With regard to the first strategic objective, it is important to highlight that the size of government debt is primarily determined by economic policy and represents an external condition that the ÁKK must accommodate. The ÁKK cannot directly influence these factors; its role is to optimize the debt's cost-risk profile, which can indirectly impact these indicators.

II. Developments in public debt financing requirements

Components of the financing requirements

The Treasury circle constitutes the central subsector of the general government, comprising the central budget, the social security funds and the separate state funds. It is the responsibility of the ÁKK to finance the deficit of this subsector and maintain its solvency. Local governments belong to the local government subsector of the general government, and are therefore responsible for their own budgets, financial management and debt management.

From a financing perspective, the cash-based balance reflects the actual net financing requirement for the given year. It has a direct impact on the development of government debt, although changes in it are also influenced by other technical factors (such as exchange rate and revaluation effects). Due to Hungary's EU membership, balance figures calculated on an accrual basis in accordance with the ESA2010 methodology are also presented.

The role of financing is to ensure the coverage of the Treasury's cash transactions. Funding the Treasury circle essentially means ensuring that the balance of the Treasury Single Account (TSA) held at the Magyar Nemzeti Bank (MNB) remains at or above a level that ensures the smooth execution of Treasury payments, the repayment of maturing government debt, and the availability of adequate liquidity reserves to manage unforeseen financing risks (such as disruptions in the government securities market or unsuccessful government securities auctions). According to the principle laid down in the Maastricht Treaty of the European Union, the central bank may not extend credit to the budget, and the balance of general government accounts held with the central bank may not be negative.[1]

Act LV of 2023 on the Central Budget of Hungary for 2024 (the 2024 Budget Act) projected a deficit of HUF 2,515 billion for the cash-based balance of the central subsector in 2024. In April 2024, the ÁKK revised its financing plan on the basis of a net financing requirement increased to HUF 3,982 billion.

According to data from the Ministry of Finance, the total cash-flow-based deficit of the central subsector of general government for 2024 amounted to HUF 4,096 billion (5.0% of GDP), whilst the total net financing requirement was reduced overall to HUF 4,023 billion (4.9% of GDP) by net EU transfers and other items (Table 3).

Table 3: Development of the financing requirement from a cash flow perspective

	2024 (HUF billion)
Balance of the Treasury circle	**-4 096**
Other net financing requirements (EU settlements, changes in the stock of other accounts)	72
Net financing requirement	**-4 023**
Redemption of short-term debt instruments (Treasury bills)	-2 956
Repayment of debt instruments with a maturity of more than one year	-5 572
Gross financing requirement	**-12 552**

Source: Hungarian State Treasury, Ministry of Finance, ÁKK

Redemptions

The gross amount of redemptions in a given year is, on the one hand, the consequence of debt operations in previous periods, and is also influenced by bond buybacks and switch auctions, as well as by the early repurchase or redemption of retail government securities and other government securities sold through the Treasury network. In the case of the latter two, ÁKK follows a passive, accommodating approach, i.e. both the amounts sold and the amounts repaid are determined by investors' intentions to sell or redeem (Table 4).

[1] See in detail: Section 15 of Act CCVIII of 2011 on the Magyar Nemzeti Bank.

Table 4: Trends in gross repayments[2]

	2024 planned (HUF billion)	2024 actual (HUF billion)
Redemption of forint-denominated debt	**6 097**	**7 126**
Government bonds	2 031	3 121
Retail government securities	2 170	2 077
Discount Treasury bills	1 825	1 873
Loans	72	56
Redemption of foreign currency debt	**792**	**661**
International bond	704	539
Domestic bond	26	58
IFI and other loan	62	64
Total maturities	**6 888**	**7 787**
Exchange auction	442	499
Buyback of forint-denominated government bonds	300	224
Buyback of foreign currency bonds	0	19
Total pre-financing	**742**	**741**
Redemptions including pre-financing	**7 630**	**8 528**

Note: According to OECD methodology.
Source: ÁKK

Total gross redemptions – including pre-financing operations – exceeded the planned amount by 12% in 2024, primarily as a result of two factors. At the end of 2024, the ÁKK repurchased forint bonds from the MNB with a nominal value of HUF 1,077 billion, which increased forint redemptions whilst reducing foreign currency repayments, as the ÁKK issued fewer short-term ECPs (Euro Commercial Papers) maturing in 2024 than planned in 2023.

Total redemptions in 2024 included debt pre-financing amounting to approximately HUF 741 billion, which is broadly in line with the planned amount. Within the pre-financing, forint bond switch auctions accounted for HUF 499 billion, whilst forint bond buybacks maturing beyond one year amounted to HUF 224 billion; in addition, foreign-currency bond buybacks worth HUF 19 billion (USD 50 million) were also carried out in 2024.

Switch auctions and forint bond buybacks

Large bond series maturing in a single lump sum pose refinancing risk. In order to reduce refinancing risk, ÁKK typically holds government bond buyback auctions in months when there are otherwise no bond maturities, at which it repurchases bonds with a remaining maturity of between half a year and two years prior to maturity. In 2024, ÁKK repurchased a total of HUF 867 billion of forint government bonds from the market, of which HUF 644 billion represented the pre-maturity buyback of bond series maturing in that year, i.e. it did not affect annual financing, only liquidity management, whilst HUF 224 billion was the buyback of government bond series maturing in 2025.

Within the framework of bond switch auctions, investors can swap bonds with short remaining maturities for longer-dated ones, which improves investment opportunities while also providing debt management with the opportunity to lengthen maturities and pre-finance them. In 2024, switch auctions were held bi-weekly, in the weeks when there were no buyback auctions. Thus, switch auctions were held on a total of 25 occasions, during which investors primarily purchased bonds with maturities of 6–10 years, whilst typically being able to choose from government bonds with 1–2 years remaining to maturity as consideration. Thus, in total, ÁKK-issued government bonds with a nominal value of HUF 603 billion

[2] In the publication, for government securities with a maturity of less than one year (discount Treasury bills), ÁKK presents maturities and gross issuance in accordance with the OECD methodology. On this basis, gross maturities are defined as the short-term debt outstanding at the beginning of the year, while gross issuance is defined as the sum of these maturities and the net issuance carried out during the year, which is equal to the stock outstanding at the end of the year.

were issued through switch auctions, and, as consideration, government bonds with a total nominal value of HUF 499 billion were accepted.

Foreign currency maturities

In 2024, as planned, a 10-year USD bond with an original value of USD 2 billion and a 3-year CNY bond with a value of CNY 1 billion were due to mature. Thanks to foreign currency bond buybacks carried out in previous years to reduce refinancing risk, the amounts actually maturing in 2024 were significantly below the originally issued amounts: in the case of the USD bonds, only marginally more than half of the original amount, USD 1.01 billion, had to be redeemed. In addition, short-term ECPs amounting to USD 500 million matured in 2024.

In addition, in 2024, a total of approximately EUR 65 million matured from the twelfth series of the Premium Euro Hungarian Government Bond. In order to reduce short remaining-maturity foreign-currency debt, ÁKK additionally repurchased foreign-currency bonds in the amounts of USD 50 million. Furthermore, contractual foreign currency loan repayments totalling EUR 160 million (HUF 64 billion) were made in 2024.

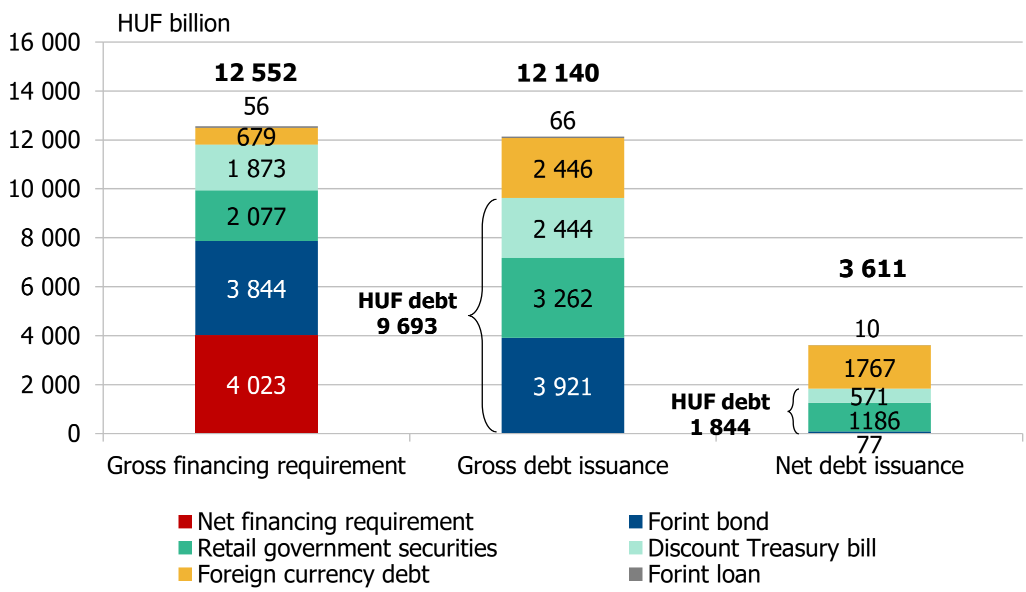
III. Developments in public debt financing

In 2024, ÁKK carried out total issuances amounting to HUF 12,140 billion, of which it raised forint funds in gross of HUF 9,693 billion (80%) and issued foreign-currency debt in the amount of HUF 2,446 billion (20%).

Of the gross issuance, the largest share was accounted for by forint government bonds, which significantly exceeded the plan, followed by forint retail government securities, which fell short of the plan, amounting to HUF 3,921 billion and HUF 3,262 billion, respectively. Gross foreign currency borrowing and issuance, which fell moderately short of the target, amounted to HUF 2,446 billion, of which HUF 1,721 billion comprised international bonds, HUF 116 billion domestic foreign currency bonds and HUF 610 billion in loans. Discount Treasury bill issuance, which significantly exceeded the plan, amounted to HUF 2,444 billion. Of gross forint bond issuance, HUF 2,928 billion was from auction issuance, HUF 603 billion from switch auction issuance, whilst HUF 390 billion was from the issuance of Municipal Hungarian Government Bonds and the sale of other institutional bonds by the Treasury network.

Net forint financing amounted to HUF 1,844 billion, while net foreign-currency issuance totalled HUF 1,767 billion; thus, total net issuance in 2024 was HUF 3,611 billion (Chart 1).

Chart 1: Developments in gross financing requirement, gross and net issuance, 2024



Note: forint loans accounted for HUF 66 billion of gross issuance and HUF 10 billion of net issuance.
Source: ÁKK, Ministry of Finance, Hungarian State Treasury

Within net forint issuance, the largest share was accounted for by the net issuance of retail government securities, even though actual net retail government securities issuance fell short of the planned figure partly due to changes in the structure of retail purchases.

Net issuance of institutional forint bonds amounted to HUF 77 billion in 2024, which exceeded the planned figure by nearly HUF 400 billion. At the end of 2024, the ÁKK redeemed forint government bonds from the MNB with a nominal value of HUF 1,077 billion, which significantly reduced net forint bond issuance.

In the case of discount Treasury bills, net issuance amounted to HUF 571 billion, representing significantly more funding than the planned substantial decrease. The significant stock of discount Treasury bills held by households declined to a lesser extent than planned, whilst the stock of discount Treasury bills held by institutions rose significantly during the year, compared to the planned reduction.

In view of the expected relative cost advantage of foreign currency financing, the ÁKK planned to draw down project financing loans in foreign currency; however, having assessed the specific terms, it drew down part of the amount in forint, totalling a net HUF 10 billion (gross HUF 66 billion).

The ÁKK planned to issue a total of EUR 3.8 billion in international foreign currency bonds and ECPs by 2024. In January, the ÁKK issued a 12-year USD bond worth USD 2.5 billion and a 5-year green EUR bond worth EUR 1.5 billion, followed in the autumn by a JPY bond issue worth JPY 39.6 billion, of which JPY 1.3 billion was a 10-year green bond. As a result of the international foreign currency bond issuance totalling 1,721 billion forints and shorter maturity, net foreign currency bond issuance ultimately exceeded the planned figure by HUF 378 billion, reaching HUF 1,163 billion. In addition, net issuance of domestic foreign currency bonds fell short of the target by HUF 58 billion, whilst net foreign currency loan borrowing also fell short of the target, amounting to HUF 546 billion.

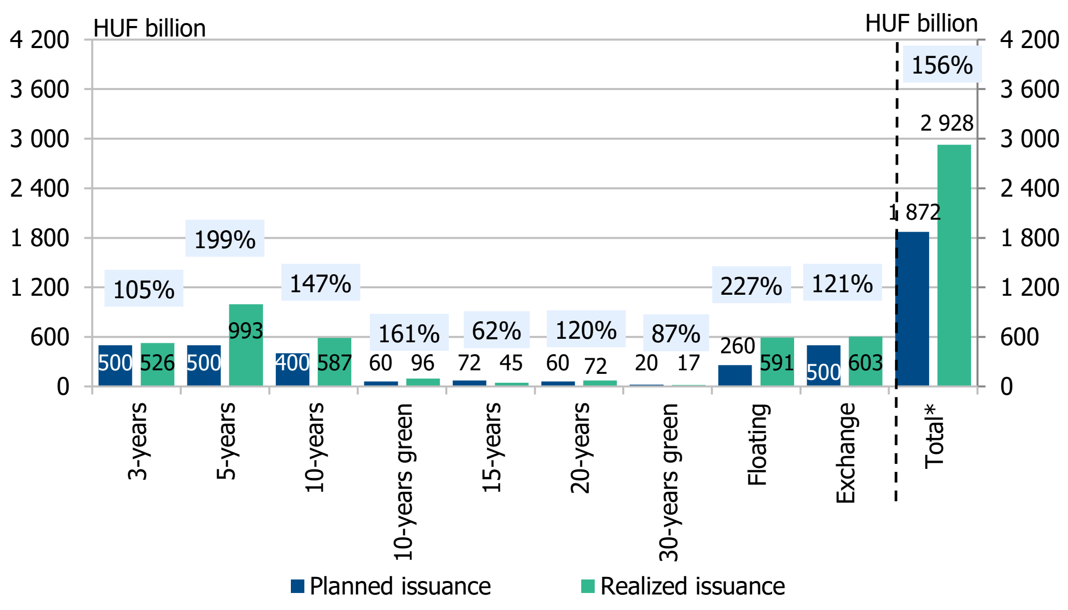
In 2024, the average cost of gross issuance (the yield to maturity, weighted by the amount issued and maturity, of government securities issued and loans drawn in the given year, including commissions related to sales) decreased by 0.9 percentage points compared to the previous year and amounted to 5.7%. The decline was caused by the fall in yields observed across all markets from the summer of 2023.

Government bonds

The 2024 auction schedule followed the pattern of the previous year. Fixed-rate bond auctions were held on a bi-weekly basis, when the 3-, 5- and 10-year bond series were issued, while in the weeks when there were no 3-, 5- and 10-year fixed-rate bond auctions, floating-rate bonds and the 15- and 20-year bonds, as well as green bonds, were sold. Floating-rate bonds generally had one auction per month, while longer-maturity bonds and green bonds had one auction per quarter.

Consequently, in 2024, there were a total of 25 auctions of fixed-rate bonds with maturities of 3, 5 and 10 years for the benchmark series; in addition, the ÁKK auctioned non-benchmark bonds on four further occasions in response to market demand, of which two involved the issuance of 30-year green bonds. Auctions were held four times each for 15- and 20-year maturities, whilst green bonds were auctioned four times (six times in total, including the auctions of 30-year green bonds). A total of 13 floating-rate bond auctions took place in 2024, at which floating-rate bonds with multiple maturities were issued. The average term-to-maturity of government bonds issued at bond auctions was 7 years in 2024, representing an increase compared with the 2023 auctions. Average demand at the auctions was 4.6 times the announced volume. A total of HUF 2,335 billion worth of government bonds were sold at the auctions, and a further HUF 593 billion worth of bonds were sold in the non-competitive tenders following the auctions. Total bond sales at auctions thus reached HUF 2,928 billion in 2024, which was 56% higher than the planned auction bond sales. The higher-than-planned bond issuance was required due to the higher-than-planned net financing requirement (Chart 2).

Chart 2: Trends in forint bond auction issuance and fulfilment of the annual auction issuance plan



Note: excluding switch auction issuance.
Source: ÁKK

Bond sales in 2024 were further increased by the HUF 603 billion issued within the framework of bond switch auctions (in bond switch auctions, the nominal value of the government securities withdrawn and issued generally differs, but their gross value is the same), which exceeded the planned amount by HUF 103 billion. In addition, market and municipal government bonds worth HUF 390 billion sold through the Hungarian State Treasury network (excluding retail bonds) also increased gross issuance, which totalled HUF 3,921 billion in 2024, excluding repo transactions. As a result of government bond redemptions totalling HUF 3,844 billion—including switch auctions, redemptions and significant government bond buybacks from the MNB—net forint market government bond issuance stood at HUF 77 billion, which significantly exceeded the planned figure by HUF 378 billion.

In the case of the 3-year fixed-rate bond, the ÁKK continued to auction the series sold in 2023 during the first half of the year, switching to previously issued series maturing in 2027 and 2028 from the second half of the year onwards. For the 5-year maturity, the ÁKK sold previously issued series during 2024 (maturing in 2028 and later in 2029). For the 10-year maturity, the ÁKK issued the new benchmark series at auctions, which had been issued in autumn 2023 and had previously only been offered at switch auctions in 2023, whilst for longer maturities and in the case of green bonds, series issued in the previous year were sold. In the case of floating-rate bonds, the ÁKK sold bonds maturing in 2029 and 2032 that had been issued previously (Table 5).

Table 5: Bond series issued during 2024

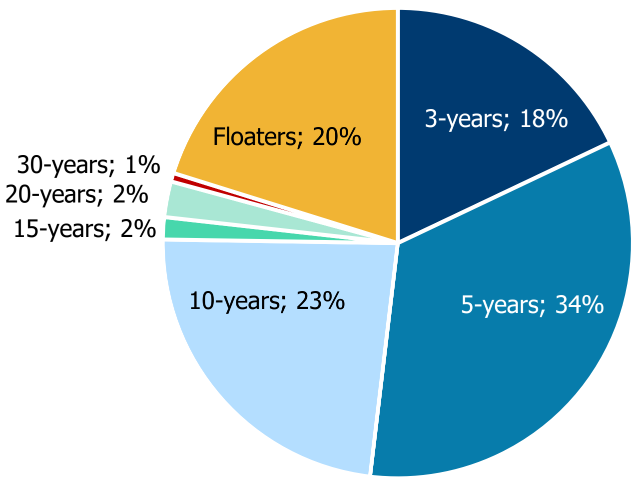
	Maturity	Number of auctions	Auction issuance during the year (HUF billion)	Non-competitive sales (HUF billion)	End-of-year series size (HUF billion)
2026/H	3	12	266	52	1007
2027/A	3	10	141	37	1494
2028/B	3	3	27	2	678
2028/A	5	6	219	59	2011
2029/A	5	20	522	146	1659
2029/B*	5	7	85	26	1458
2031/A	7	1	34	13	1694
2032/B*	10	13	367	112	914
2032/G	10	4	75	21	358
2033/A	10	1	22	4	1102
2035/A	10	25	460	101	711
2038/A	15	4	41	3	626
2041/A	20	4	57	14	450
2051/G	30	2	15	2	169

Note: *floating-rate bond.

Source: ÁKK

Within the maturity structure of gross bond issuance, the share of 3-year bonds fell from 22% to 18%, whilst the share of 5-year bonds rose from 30% to 34%. The share of 10-year bonds fell from 25% to 23%, and that of 15-year bonds from 3% to 2%, whilst the shares of 20- and 30-year bonds remained unchanged at 2% and 1%, respectively, in 2024. The proportion of floating-rate bonds rose from 17% to 20% (Chart 3).

Chart 3: Distribution of auction issuance by maturity, 2024



Source: ÁKK

Discount Treasury bills

The 3-, 6-, and 12-month Discount Treasury Bills (DKJ) are primarily short-term instruments for liquidity management; by adjusting their issuance volumes, ÁKK can smooth liquidity fluctuations caused by intra-year variations in financing needs. In addition, discount Treasury bills may contribute to longer-term financing through their permanently maintained outstanding stock and may also provide an alternative source of financing.

In 2024, the ÁKK sold discount Treasury bills totalling HUF 2,444 billion, which is HUF 571 billion higher than the 2023 issuance and significantly exceeds the originally planned volume by more than HUF 1,500 billion. During 2024, the stock of discount Treasury bills held by households declined to a lesser extent than expected, whilst the issuance of discount Treasury bills to institutions increased significantly compared to the planned reduction.

From the start of 2024, the ÁKK significantly restructured its discount Treasury bill issuances, reducing the number of outstanding series whilst increasing the volume and liquidity of individual series. The ÁKK has been offering a given series as a 3-month instrument at auctions not just once, but typically 4–5 times over a period of 4–5 weeks, and also offered the DKJ series – originally issued with a 12-month maturity – at multiple auctions with remaining maturities of 6 months and 3 months. As a result, the number of outstanding DKJ series fell from 18–20 to an average of 8, whilst the stock per series increased. To manage the refinancing risk associated with the higher stock per series, the ÁKK introduced the option of switch auctions for discount Treasury bills from May 2024, under which, in the weeks prior to maturity, investors have the opportunity to exchange Treasury bills approaching maturity for longer-term ones without any cash flows. In 2024, the ÁKK issued Treasury bills with an average remaining maturity of 9 months at DKJ switch auctions, totalling HUF 316 billion.

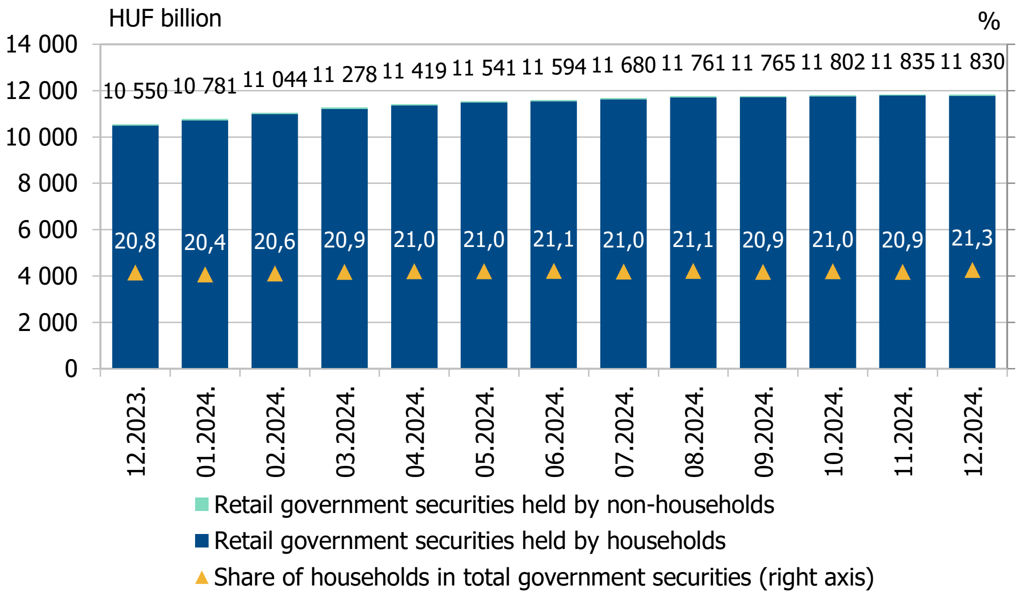
Retail government securities

The sale of government securities specifically designed for retail investors is one of ÁKK’s key strategic objectives. Within sales, however, key objectives in 2024 remained the reduction of wealth concentration, the restructuring of the retail product range to encourage the purchase of longer-term government securities, and an increase in the number of clients and the share of digital sales channels. Retail government securities, through which household savings can be directly mobilised for financing, are easily accessible nationwide via their extensive distribution network.

Through these special instruments, ÁKK accesses a reliable alternative market whose behaviour effectively complements the sales performance of other markets. From a strategic perspective, the role of retail government securities is significant because, based on ÁKK's many years of experience, demand for them tends to move in the opposite direction to demand for capital market government securities. Another characteristic is that, over the longer term, retail interest rates fluctuate to a lesser extent than the yields of wholesale market government securities. The combined use of the two different types of government securities, therefore, makes financing more balanced and reduces financing risk.

Following the significant increase in the stock of retail government securities held by households in 2023, amounting to HUF 1,923 billion, households increased their holdings of retail government securities by a further HUF 1,287 billion in 2024. In addition, the stock of retail government securities held by other entities decreased by HUF 7 billion; the total stock of the retail government securities portfolio increased by HUF 1,280 billion in 2024, whilst net forint and foreign currency retail government securities issuance amounted to HUF 1,244 billion (the difference between net issuance and the increase in the stock is due to the revaluation of the foreign currency portfolio) (Chart 4).

Chart 4: Trends in the stock of retail government securities by holder



Source: ÁKK, MNB

At the beginning of 2024, the ÁKK introduced a new three-year fixed-rate retail government security called the Fixed Hungarian Government Security (Fix MÁP), and, in addition to the existing floating-rate Bonus Hungarian Government Security (BMÁP), issued a 5-year BMÁP series alongside the existing 3-year series, which pays a loyalty premium in the final two years. From June 2024, the ÁKK discontinued the distribution of the one-year 1MÁP and restructured the sale of MÁP Plus. Instead of the previous weekly listings, the ÁKK issued a new series of MÁP Plus monthly, which investors could purchase continuously for one month. To reduce wealth concentration, the ÁKK actively applied sales limits to retail government securities in 2024. From December 2023, a new MobilKincstár app and WebKincstár interface became available, featuring a completely renewed user interface and a significantly improved customer experience.

In terms of both gross and net sales, the Fix MÁP, introduced at the start of 2024, was the most successful retail government security in 2024. Sales of the Fix MÁP accounted for 31% of gross sales of retail government securities, whilst the BMÁP represented the second-largest share. Following the overwhelming sales of previous years, gross sales of the inflation-linked Premium Hungarian Government Security (PMÁP) consolidated, accounting for 13% of total retail government securities issuance, making it the third most successful retail product in 2024. In terms of net issuance, following the Fixed MÁP, the BMÁP and the Babybond had the highest net issuance. In addition, the stock of Treasury Savings Bills and euro-denominated retail government securities (EMÁP) also increased. Alongside the 1MÁP, which ceased to be sold from June 2024, and the P€MÁP, which was discontinued in 2023, the stock of PMÁP and MÁP Plus also declined in 2024 (Table 6).

Table 6: Development of gross issuance of retail government securities

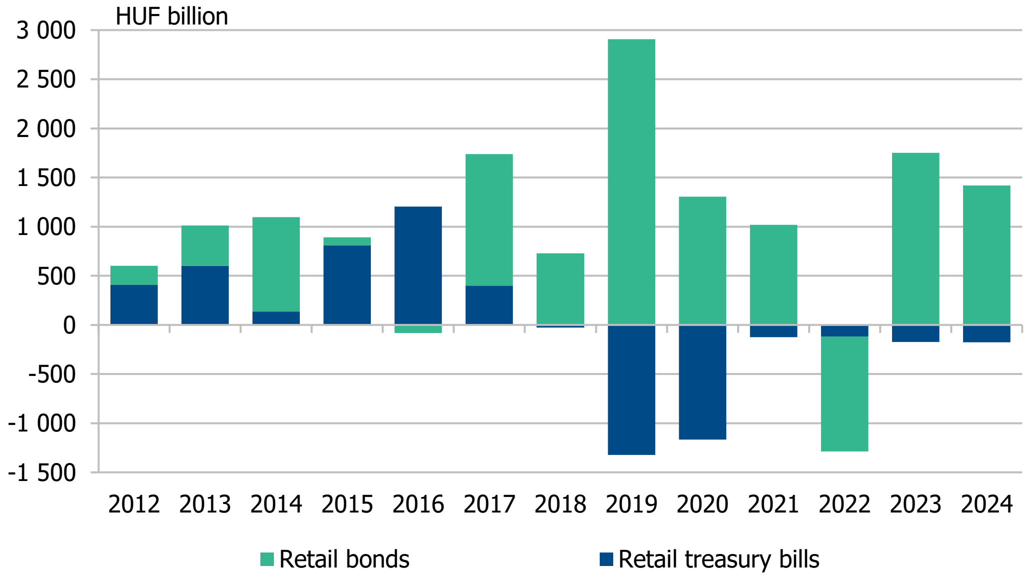
	2021 (HUF billion)	**2022** (HUF billion)	**2023** (HUF billion)	**2024** (HUF billion)
Fixed Hungarian Government Security				1 049
Hungarian Government Bond Plus (dematerialized)	1 572	472	73	314
Hungarian Government Bond Plus (printed)	195	62	1	13
Premium Hungarian Government Security	660	3 784	3 362	441
Premium Euro Hungarian Government Security	125	181	84	
Euro Hungarian Government Security			92	116
Bonus Hungarian Government Security		501	555	491
Babybond	39	53	80	124
Treasury Savings Bill (2-year)	169	100	112	109
Treasury Savings Bill (1-year)	27	301	312	323
One-Year Hungarian Government Security	1 200	829	593	400
Retail government securities, total	**3 987**	**6 283**	**5 264**	**3 378**

Source: ÁKK

In 2024, 99.5% of retail government securities were held by households, 0.1% by credit institutions and other financial intermediaries (primarily the distributors of retail government securities) and 0.3% by foreign investors. Compared to the average for the period between 2020 and 2023, the share held by households was 2.7% higher in 2024, whilst the share held by credit institutions and other financial intermediaries was 1.4%, the share of other domestic participants was 1.1% lower, and that of foreign participants 0.2% lower.

In total, the gross issuance of direct forint and foreign currency retail government securities amounted to HUF 3,378 billion, resulting in a net issuance of HUF 1,244 billion, as a result of maturities and redemptions. Of net issuance, HUF 1,186 billion was attributable to net issuance of forint-denominated retail government securities, whilst HUF 58 billion was the net sale of euro-denominated retail government securities (Chart 5).

Chart 5: Changes in the stock of retail government securities



Source: ÁKK

The structure of retail financing continued to improve during 2024, with the outstanding amount of short-term retail Treasury bills falling by HUF 175 billion, whilst the outstanding amount of retail government securities with maturities of over one year rose by HUF 1,419 billion. At the end of 2024, 99.5% of the total stock of retail government securities was held by households.

In addition to retail government securities, the stock of institutional government securities (bonds and discount Treasury bills) held by households fell by HUF 102 billion in 2024, which was less than planned.

Municipal Hungarian Government Bond

In 2024, ÁKK continued to sell of the fixed-rate government bond available for purchase by municipalities. Throughout the year, local government investors were able to purchase the series issued at the end of 2023 and maturing in 2027. Owing to its favourable early redemption terms and flexibility, the Municipal Hungarian Government Bond (ÖMÁK) offers an attractive investment alternative for this investor segment. Investors purchased a total of HUF 122 billion worth of the sixth series of ÖMÁK during 2024. In addition, investors redeemed ÖMÁK bonds worth HUF 42 billion, meaning that the total ÖMÁK portfolio increased by HUF 80 billion to HUF 116 billion by the end of 2024.

Planned and actual gross and net foreign currency financing

The ÁKK planned to issue USD bonds worth USD 2 billion, green eurobonds worth EUR 1 billion, and a total of EUR 500 million in issuances on Asian markets by 2024. In the case of the dollar and euro issuances carried out at the start of the year, the significant demand resulted in a larger-than-planned amount of funds being raised. The ÁKK issued foreign currency bonds amounting to USD 2.5 billion in the case of dollar bonds and EUR 1.5 billion in the case of green eurobonds. During the year, the ÁKK raised less funding than planned from Asian markets overall. In September, it issued Samurai bonds in Japan, denominated in Japanese yen: one three-year and one ten-year green bond, totalling 39.6 billion yen. (Table 7).

Table 7: Characteristics of foreign currency bonds issued by the Hungarian State, 2024

Currency	Original issue amount	Issue date	Maturity date	Maturity (Year)	Coupon rate %
USD	2 500 000 000	11.01.2024	26.03.2036	12	5.5
EUR	1 500 000 000	25.01.2024	25.07.2029	5	4.0
JPY	38 300 000 000	12.09.2024	10.09.2027	3	1.6
JPY	1 300 000 000	12.09.2024	12.09.2034	10	2.4

Source: ÁKK

In addition to the above, as in 2023, the ÁKK issued Euro Commercial Paper (ECP) with a maturity of less than one year, worth USD 500 million, under the dual-currency ECP programme. Taking maturities into account, the year-end stock of ECPs remained unchanged from 2023, standing at USD 500 million.

Domestic foreign currency bond issuance fell slightly short of the target, amounting to EUR 291 million. At the start of the year, investors were able to purchase the first series of the Euro Hungarian Government Securities (EMÁP) introduced in 2023, followed from March by the second series, maturing in 2027. EMÁP pays interest quarterly based on the European interbank offered rate (EURIBOR) (Table 8).

Table 8: Characteristics of domestic foreign currency bonds issued by the Hungarian State, 2024

Name	Currency	Issue date	Maturity date	Maturity	Coupon rate
2026/U	EUR	20.03.2023	23.09.2026	3 years	Floating (EURIBOR)
2027/U	EUR	19.03.2024	22.09.2027	3 years	Floating (EURIBOR)

Source: ÁKK

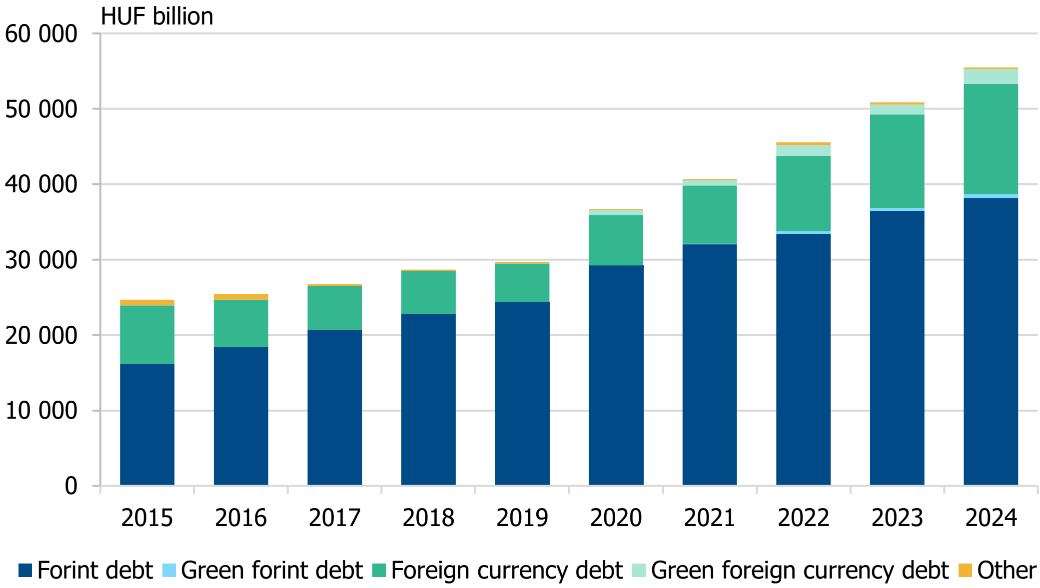
In view of the relative cost advantage of foreign-currency issuance—and taking into account the foreign-currency share benchmark—the ÁKK planned to draw down project financing loans from financial institutions in foreign currency; however, a small portion of the actual drawdown was made in forint. In 2024, the Hungarian State drew down loans in foreign currency to finance expenditure in the areas of infrastructure development, cutting-edge technology and energy, military development, and the Budapest–Belgrade railway line, whilst it also drew down loans in forint, albeit in smaller amounts, to finance rural development and home renovation subsidies. The total amount of foreign-currency loans drawn down and converted in 2024 was HUF 610 billion, which was HUF 351 billion less than the planned drawdown.

Total gross foreign currency issuance amounted to HUF 2,446 billion in 2024, whilst foreign currency debt repayments, including bond buybacks, amounted to 679 billion forints; thus, net foreign currency issuance stood at HUF 1,767 billion, which was only HUF 20 billion short of the planned figure. However, the structure of net foreign currency issuance and borrowing differed from the plan: compared to the plan, net foreign currency bond issuance was higher, whilst net foreign currency loan borrowing was lower. As a result of significant net issuance and the depreciation of the exchange rate, the share of foreign-currency debt rose to 29.8% by the end of 2024, which remains below the upper limit set out in the strategy.

IV. Developments in public debt

The central budget's gross debt stood at HUF 55,479 billion at the end of 2024, of which HUF 38,702 billion was forint debt (69.8% of total debt), HUF 16,558 billion was foreign currency debt (29.8% of total debt), and HUF 220 billion was other liabilities (0.4% of total debt). Within the forint debt, green forint debt stood at HUF 527 billion, while green foreign currency debt stood at HUF 1,950 billion (Chart 6).

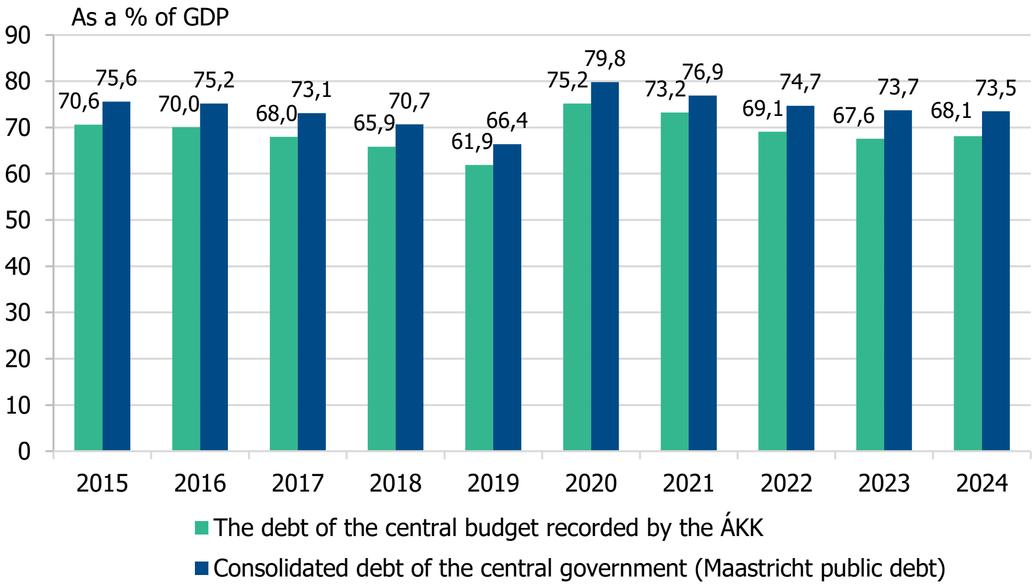
Chart 6: Developments in the stock of government debt



Note: the gross debt of the central budget, including repo transactions, foreign currency swap transactions, mark-to-market and other deposits.
Source: ÁKK

The debt-to-GDP ratio of the central subsector of the general government managed by the ÁKK rose from 67.6% at the end of 2023 to 68.1% by the end of 2024, whilst the Maastricht debt fell by 0.2 percentage points to 73.5% in 2024 on an annual basis (Chart 7).

Chart 7: Developments in public debt as a percentage of GDP

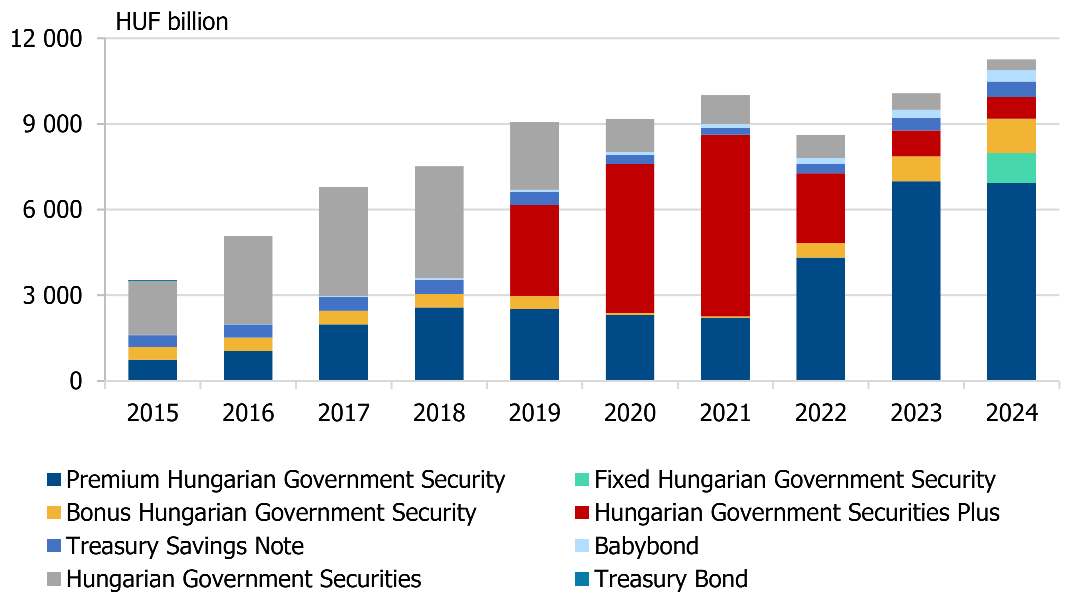


Source: ÁKK, MNB

Characteristics of forint debt

Growth of the outstanding amount of HUF retail government securities continued compared to 2023, reaching HUF 11,263 billion at the end of 2024, excluding repo transactions and other deposits. Premium Hungarian Government Securities accounted for more than half (61.8%) of this outstanding amount (Chart 8).

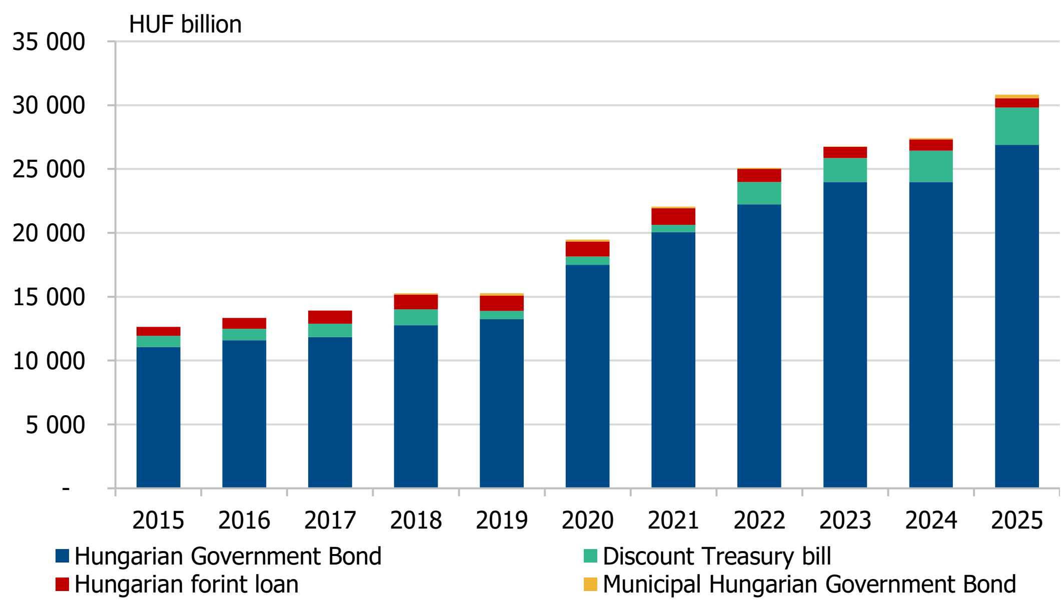
Chart 8: The stock of HUF retail government debt



Note: excluding repo transactions and other deposits
Source: ÁKK

The stock of forint institutional government debt stood at HUF 27,423 billion at the end of 2024, excluding repo transactions and other deposits, of which 87.5% consisted of Hungarian Government Bonds (Chart 9).

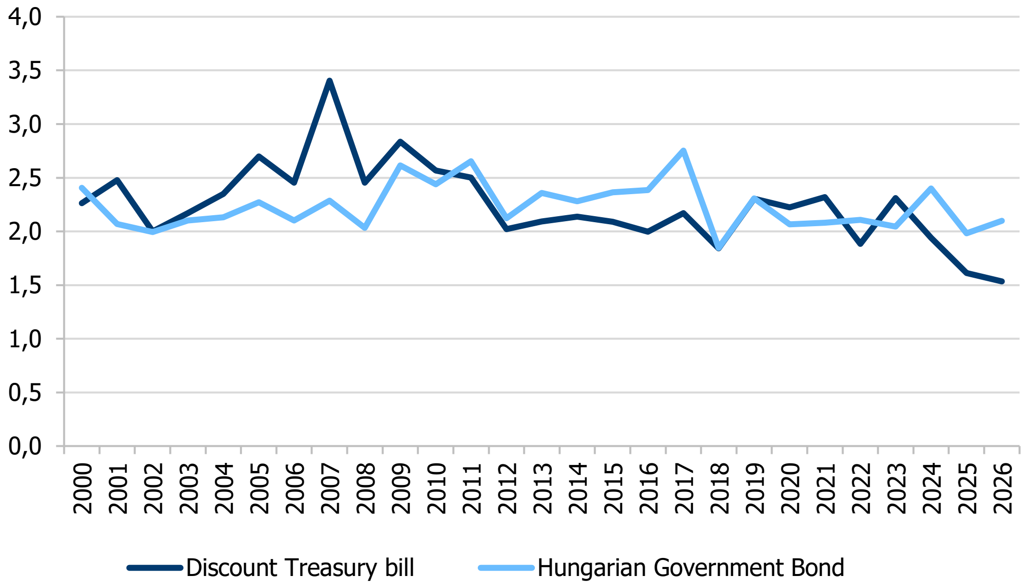
Chart 9: The stock of forint institutional government debt



Note: excluding repo transactions and other deposits
Source: ÁKK

In 2024, at forint institutional bond auctions, there was twice the demand for discount Treasury bills and 2.4 times the demand for Hungarian government bonds, based on the ratio of submitted to accepted volumes (Chart 10).

Chart 10: Developments in the bid-to-cover ratio of forint institutional bond auctions

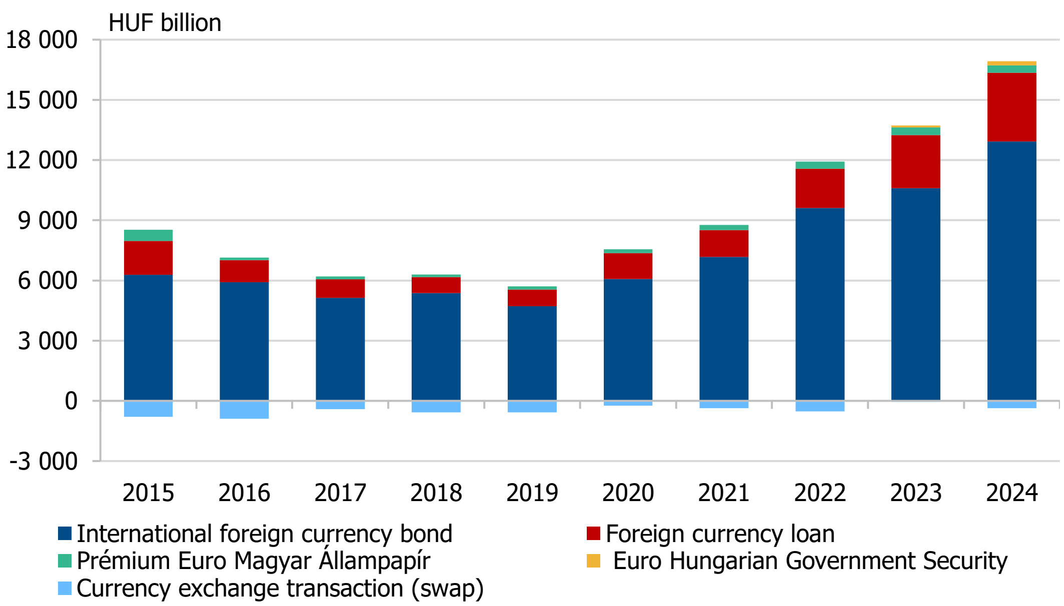


Source: ÁKK

Characteristics of foreign currency debt

The central government's gross foreign-currency debt increased by a total of HUF 2,879 billion in 2024, reaching HUF 16,558 billion by the end of the year (Chart 11).

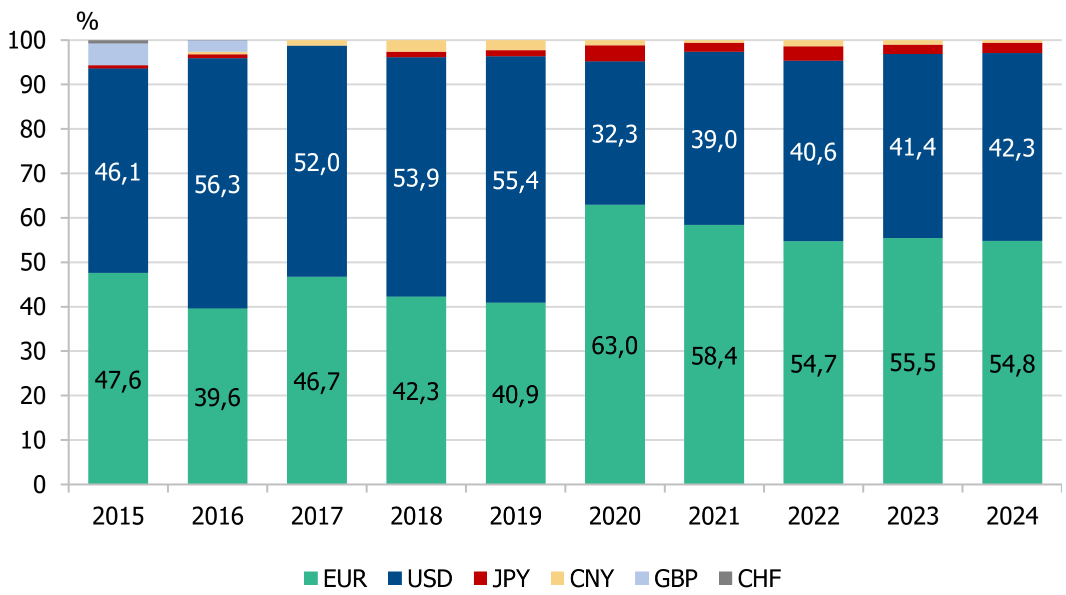
Chart 11: The stock of foreign currency government debt



Note: excluding mark-to-market and other deposits.
Source: ÁKK

In 2024, 54.8% of foreign currency debt was denominated in euros (EUR) and 42.3% in US dollars (USD) (Chart 12). The ÁKK converted all its foreign currency bonds issued in currencies other than the euro into euro-denominated liabilities through swap transactions, in line with its strategy and benchmark, so that the euro's share within the foreign currency composition was 100% at the end of the reporting period.

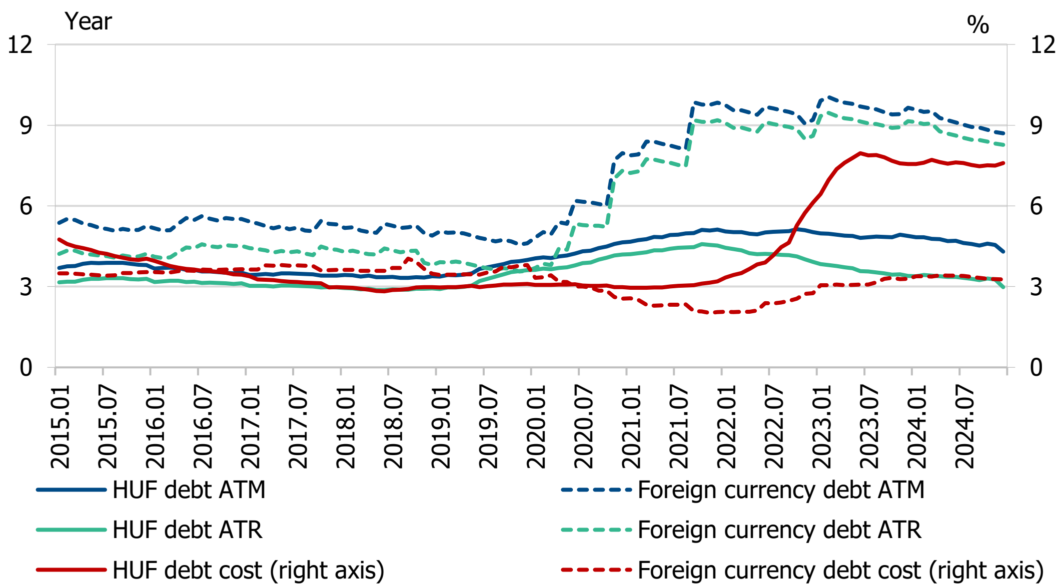
Chart 12: Distribution of foreign currency debt by currency



Source: ÁKK

At the end of 2024, the average refixing period for forint debt was 3.0 years, whilst that for foreign currency debt was 8.3 years. The average term-to-maturity of forint debt was 4.3 years, whilst that of foreign currency debt was 8.7 years (Chart 13).

Chart 13: Developments in the average time to refixing (ATR) and average time to maturity (ATM) of total forint and foreign-currency debt, and their average annual cost



Note: Debt stock-weighted indicators.
Source: ÁKK

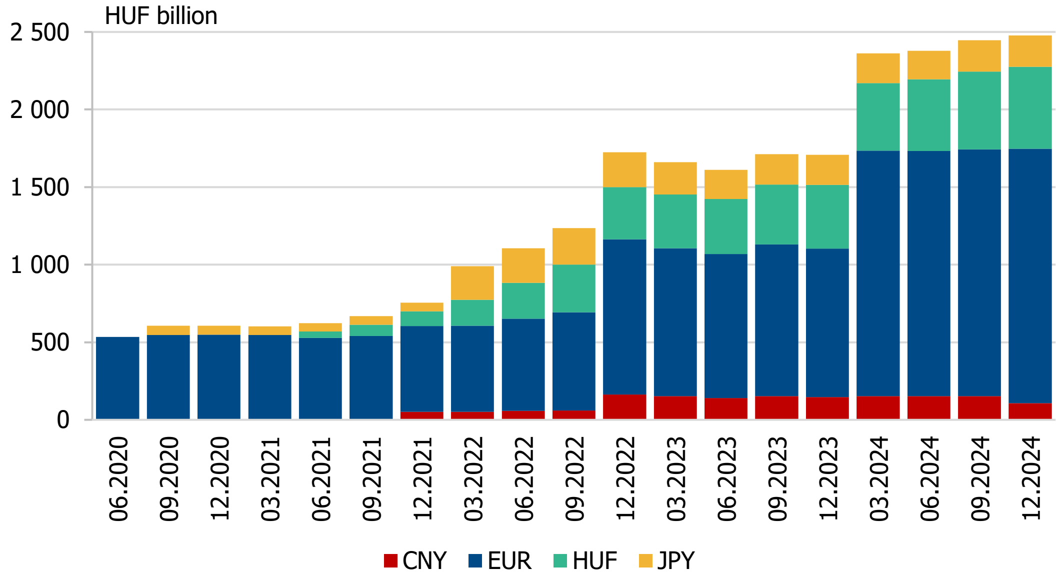
Green bonds

In line with international efforts, Hungary, and through it ÁKK Zrt., intends to actively contribute to sustainable financing at the international level and in the domestic capital market by issuing green bonds. Green bonds can be specifically used to finance or refinance projects with environmental benefits. Hungary published its Green Bond Framework in May 2020, followed by the issuance of its first green bond. The framework was updated by the ÁKK in 2023 in line with market expectations.

Between 2020 and 2024, the ÁKK issued 13 green bonds on the domestic (forint) and international (euro, Japanese yen, Chinese yuan) markets. As a result of these issuances, the outstanding stock of green bonds stood at HUF 2,477 billion at the end of 2024 (Chart 14), representing 4.5% of total government debt, with an average term-to-maturity of 7.25 years.

Based on the breakdown of the outstanding green government securities stock at the end of 2024 by currency, the euro accounted for the highest share (66.2%), followed by the forint (21.3%), the Japanese yen (8.2%) and, finally, the Chinese yuan (4.3%).

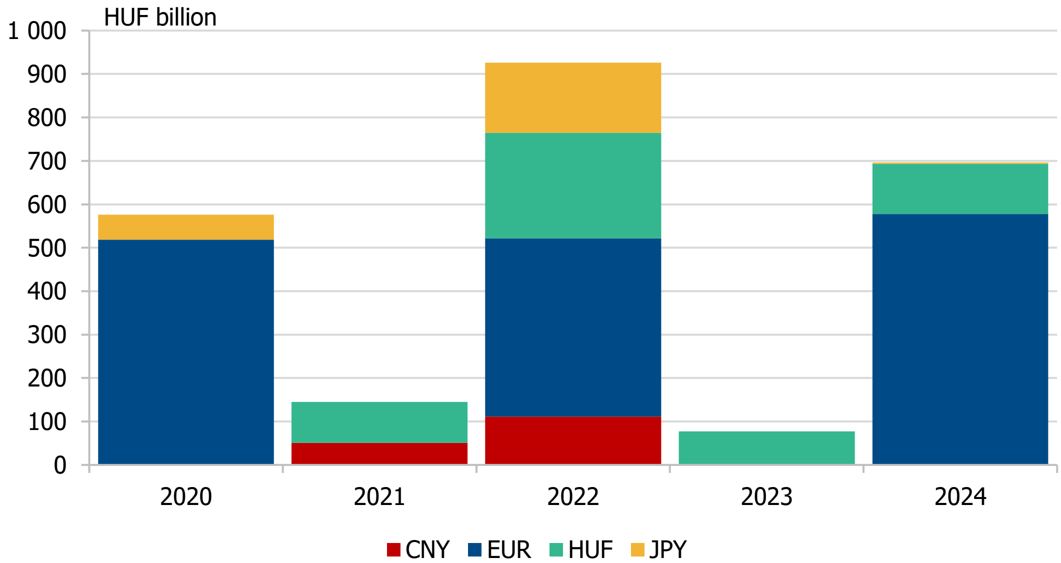
Chart 14: Developments in the outstanding stock of green bonds



Source: ÁKK

In 2024, green samurai bonds worth HUF 3.3 billion (JPY 1.3 billion) and euro bonds worth HUF 577.6 billion (EUR 1.5 billion) were issued on international markets. Issuances also continued on the forint market. The ÁKK sold a total of HUF 115.6 billion worth of 10- and 30-year green bonds across six auctions, excluding buybacks (Chart 15).

Chart 15: Developments in green bond issuance by year

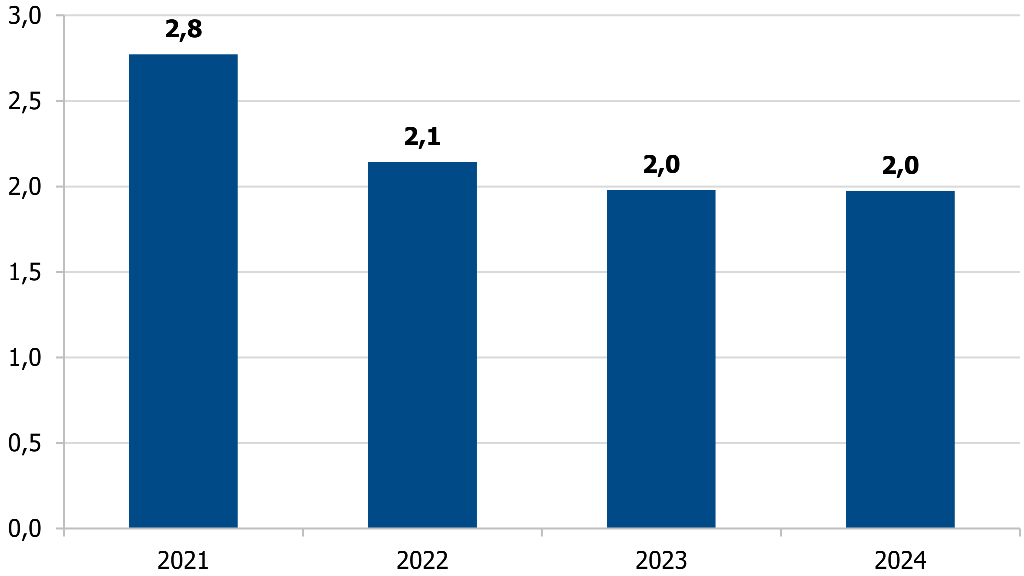


Note: forint issuances include KELER and network sales in addition to auction sales.

Source: ÁKK

The volume of bids submitted at auctions was double the amount issued (bid-to-cover ratio) in 2024 (Chart 16).

Chart 16: Developments in the bid-to-cover ratio at forint green bond auctions



Source: ÁKK

In 2024, the ÁKK published the 2023 Integrated Green Bond Report, which details the use of green funds amounting to HUF 46.3 billion and their environmental impact, derived from green bond issuances between June and December 2023. The report covers only those green issuances that are fully or partially aligned with the EU Taxonomy.

In 2024, in response to investor feedback and with the cooperation of the ministries, the ÁKK prepared a presentation entitled "Hungary's Environmental, Social and Governance Profile"[3], which summarises the country's main ESG strategies, action plans, legislation, measures and sustainability status. The ÁKK plans to update and expand the presentation annually, taking into account best market practice and investor feedback.

Other liabilities

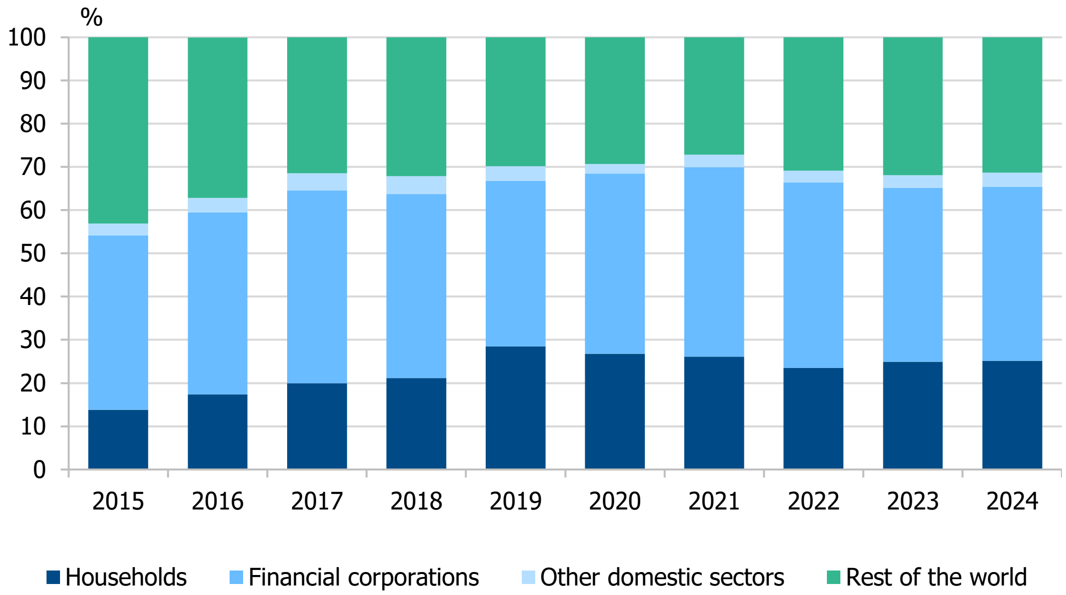
In line with international market practice, in order to mitigate counterparty risks arising from swap transactions, the parties post collateral (deposits) with each other equivalent to the net value of the swaps. Consequently, the debt stock includes the collateral amounts (mark-to-market deposits) placed with ÁKK Zrt. in connection with the transactions, which are reported under other liabilities. In 2024, the stock of mark-to-market and other deposits placed with ÁKK decreased by HUF 79 billion, amounting to HUF 220 billion at the end of the year.

Ownership structure of government securities

In 2024, the share of foreign entities in total securities holdings decreased compared to the previous year, although they still accounted for 31.3% of the total securities. During the year, the shares of households and other domestic sectors increased, while the share of financial corporations remained unchanged (Chart 17).

[3] The document is available at the following link (in English): https://www.akk.hu/content/path=hungary-esg-profile-en

Chart 17: Ownership structure of the stock of government securities



Note: government securities issued by the central government at nominal value.

Source: MNB

V. Liquidity management activities

The objectives and tools of liquidity management

Pursuant to the authorisation of the Stability Act, the management and utilisation of the State's temporarily free cash balances are the responsibility of ÁKK. Due to the specific cyclicality in the evolution of budget revenues and expenditures, as well as the impact of capital transactions (debt repayments and borrowings), the daily change in the cash balance held on the TSA shows continuously significant fluctuations (which may even exceed several hundred billion forints).

The safety buffer for financing is primarily ensured by an adequate balance in the TSA. To determine this, the ÁKK has set benchmarks aimed at ensuring that the end-of-day balance of the TSA reaches the so-called minimum TSA level, and that the TSA balance—where possible—hovers around the so-called optimal TSA level. To this end, the temporarily freely available TSA balance is placed on the money market subject to sufficient demand; and, if additional funds are required to reach the lower target level, the ÁKK raises them from the money market.

In addition to the TSA balance, it is also important to note that a significant amounts of funds enter and leave the economy on a daily basis through budgetary disbursements and receipts executed via the TSA. Reducing this volatility can support the efficient functioning of money markets and enhance the security of financing. In practice, the link between money market liquidity and the TSA balance is strongest during tax payments, which are due mainly in the second half of the month, and during Treasury disbursements at the beginning of the month. During tax payment periods, the free liquidity in the banking system declines, this is when the TSA balance increases. Liquidity placements carried out against the increasing TSA balance thus replenish the missing liquidity in the money market. In the case of liquidity absorption during periods of a declining TSA balance (e.g. early-month wage payments and VAT refunds), this process takes place in reverse.

The ÁKK places the temporarily available TSA balance on the money market exclusively through repo transactions backed by government securities. These are so-called active repo transactions, which may have a maturity of one day or one week. The ÁKK's counterparties are selected from among domestic and international banks (active in the forint market).

For additional liquidity absorption, the ÁKK employs a wider range of instruments; the choice of instruments depends on the required duration of the liquidity absorption, the availability of individual instruments and their current cost. These instruments are as follows:

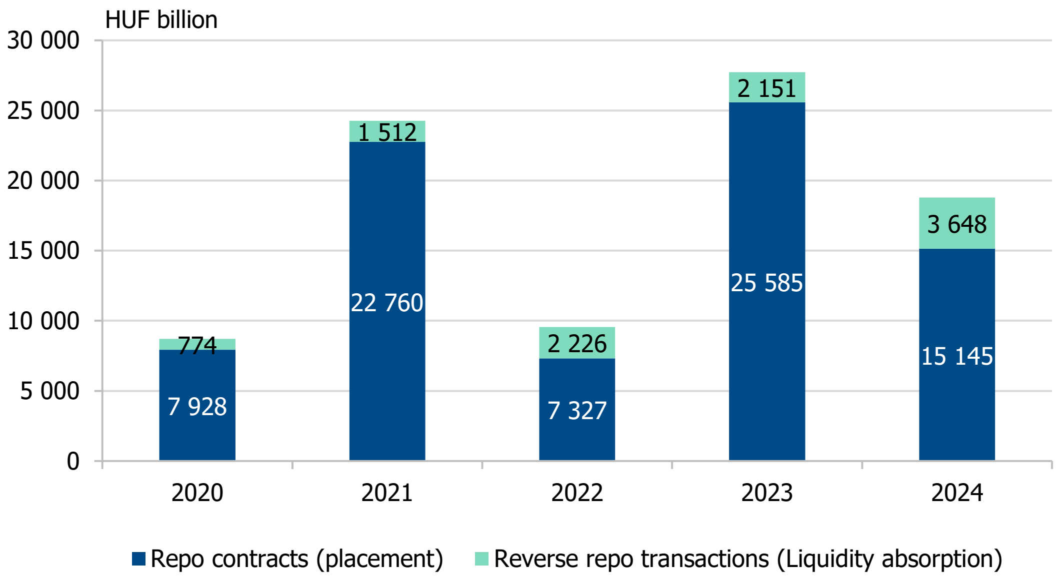
- active adjustment of the announced or accepted volume at auctions of 3-, 6- and 12-month discount Treasury bills,
- one-day or one-week government securities repo transactions (so-called passive repo transactions),
- the temporary use of the ÁKK's free foreign currency deposit balance, typically through FX swap transactions,
- drawdowns under revolving credit facilities with domestic and foreign financial institutions (in foreign currency),
- the issuance of securities under the dual-currency (euro and dollar) Euro Commercial Paper programme.

Instruments applied

The ÁKK's liquidity management activities in 2024 were also significantly influenced by fiscal, monetary policy and other economic policy measures responding to the economic and market environment. The MNB continued its rate-cutting cycle, and market developments were supportive from a financing perspective; however, due to the higher-than-planned budget deficit, ÁKK had to raise additional financing. The total volume of liquidity repo transactions decreased compared to the previous year, with lending activity shrinking, whilst the amount of funds raised through repos was higher than in previous years.

In 2024, the end-of-day TSA closing balance remained above the prescribed minimum level every day; in several instances, the ÁKK achieved this through passive repos. In addition, the ÁKK was able to significantly reduce fluctuations in the TSA balance through liquidity repo transactions (Chart 18).

Chart 18: Developments in the volume of liquidity repo transactions by direction

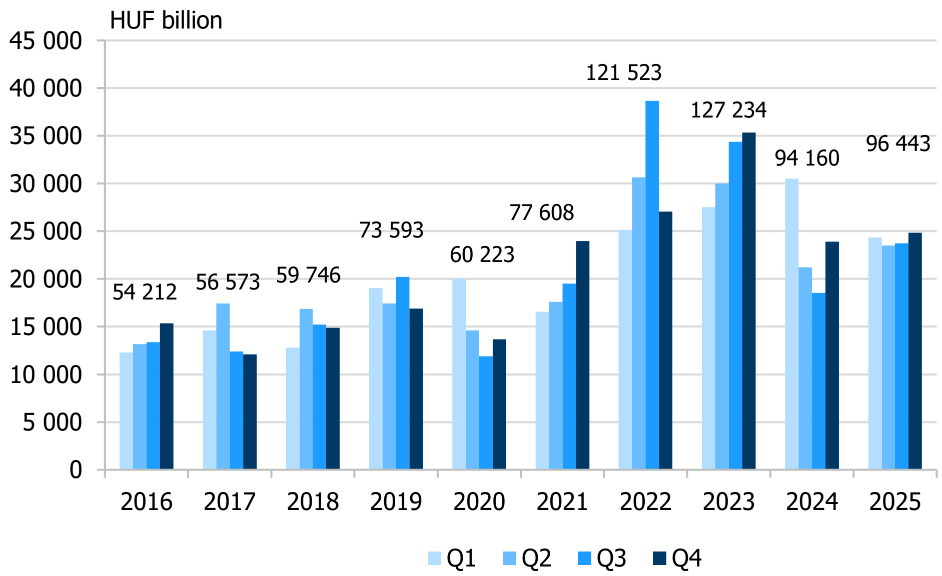


Source: ÁKK

VI. Secondary market for HUF government securities

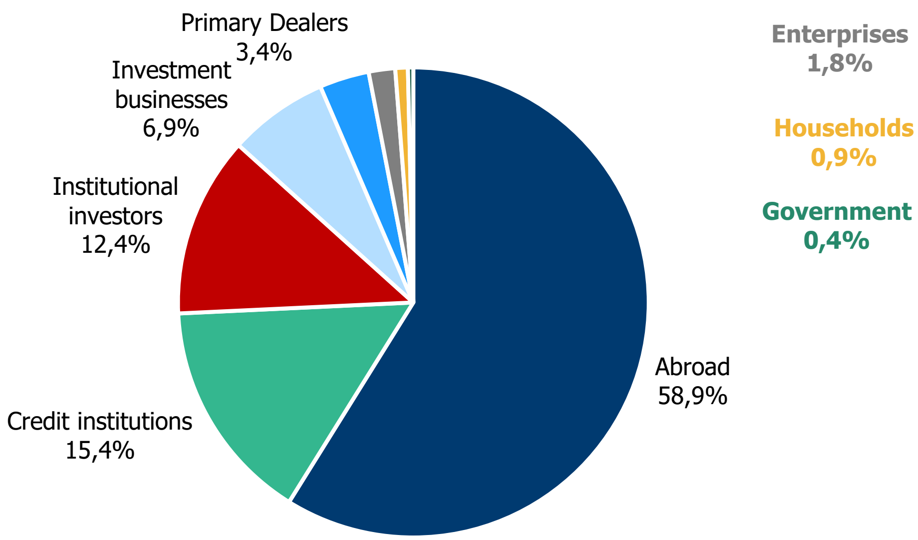
Government securities issued on the primary market are traded on the secondary market. A significant proportion of the trading is conducted by Primary Dealers and Market Makers. The settlement of government securities transactions is carried out by the multilateral clearing system of KELER Központi Értéktár Zrt. (KELER Zrt.). KELER Zrt. ensures the settlement of transactions and the comprehensive execution of securities transactions on the securities and custody accounts it maintains. Primary Dealers and Market Makers fulfil their secondary market price-quoting obligations via the MTS Hungary electronic trading system, introduced in 2012, which serves the government securities markets in most countries of the euro area and the Central and Eastern European region (Charts 19 and 20).

Chart 19: Developments in secondary market government securities turnover



Note: KELER OTC turnover excluding repos and transfers.
Source: KELER, MTS Hungary

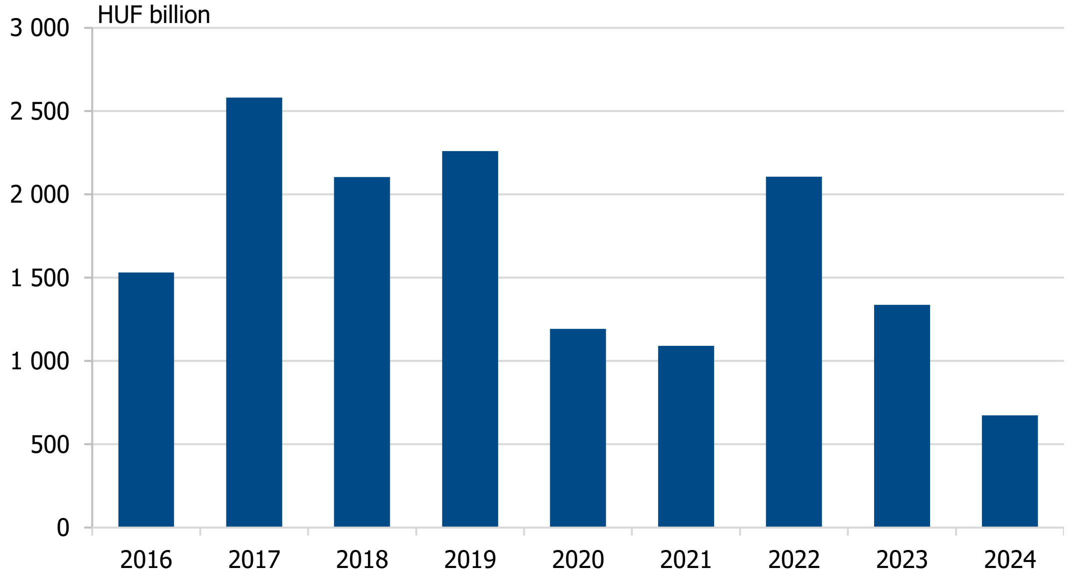
Chart 20: Distribution of secondary market government securities turnover by investor sector, 2024



Source: ÁKK

To ensure that the Market Makers can continuously and smoothly fulfil their market-making obligations, ÁKK, under the so-called repo availability facility and within specified limits, lends them the government securities subject to the market-making obligation, subject to the existence of the appropriate contractual framework (Chart 21).

Chart 21: Availability repo turnover



Source: ÁKK

In 2024, the following measures also served to improve secondary market liquidity:

- the ÁKK reduced the number of discount Treasury bill series in order to increase the outstanding volume of each series;
- from May 2024, the ÁKK also held discount Treasury bill switch auctions on a weekly basis, taking market and financing needs into account.

VII. Organisational framework for the sale of government securities

The sale of government securities is carried out by ÁKK through intermediaries. The Hungarian State sells a portion of its forint government securities through so-called Primary Dealers and Retail Government Securities Dealers. Investors may purchase government securities from these intermediaries, as well as from the Hungarian State Treasury or its sub-distributor (Magyar Posta Zrt., Fundamenta).

Presentation of the primary dealer and market-making system

The primary dealer system for government securities (Primary Dealer, or "PD system" for short) was established in 1996 with the aim of placing the financing of the budget deficit on a more secure footing, reducing its costs, and improving the transparency and liquidity of the secondary government securities market.

Since 1 May 2004, any investment firm or credit institution registered in the EU or an OECD member state may become a Primary Dealer, provided that it meets the contractual requirements and concludes a primary dealer agreement with the Government Debt Management Agency (ÁKK). In addition to numerous obligations, primary dealer status also grants the signatories exclusive rights to agreement.

The most important rights of Primary Dealers:

- exclusive participation in auctions for the issuance, exchange and redemption of government securities,
- access to the ÁKK's repo transactions.

The most important obligations of Primary Dealers:

- secondary market price quoting on the MTS system to ensure market liquidity and transparency, which also serves as the basis for government securities indices,
- regular reporting to the ÁKK (e.g. on secondary market turnover),
- meeting the minimum auction purchase requirement.

To support secondary market liquidity, the ÁKK introduced the Market Maker status in 2022, in addition to the Primary Dealer status. Market Makers may not participate in auctions.

In the event of the issuance of euro- or US dollar-denominated foreign currency bonds, as well as their potential redemption, the ÁKK selects the lead manager from among the Primary Dealers and Market Makers (collectively: Market Makers). The Market Makers are also the ÁKK's main partners in swap transactions related to foreign currency issuances.

The ÁKK evaluates the activities of the Primary Dealers and, since 2023, the Market Makers on an annual basis. Based on their performance in 2024, the ÁKK assessed and awarded the dealers in the following categories (Table 9).

Table 9: Dealer Awards, 2024

Primary Dealer of the Year	1. OTP Bank Nyrt. 2. MBH Bank Nyrt. 3. K&H Bank Zrt.
Dealer with the Largest Auction Share	K&H Bank Zrt.
Market Leader with the Largest Secondary Market Share	BNP Paribas
Best Market Maker under the Mandatory Market-Making Framework	ING Bank N.V.

Overview of the Retail Dealer System

Primary Dealers, as well as other banks and brokerage firms, may also conclude separate agreements with the ÁKK for the distribution of retail government securities, including the Bonus Hungarian Government Security, the One-Year Hungarian Government Security (until 31 May 2024), the Premium Hungarian Government Security and the Hungarian Government Security Plus, and the Fixed Hungarian Government Security sold from January 2024.

The branches of the Hungarian State Treasury, as well as the service points of its sub-distributors, Magyar Posta Zrt. and Fundamenta-Lakáskassza Zrt., play an active role in the distribution of retail government securities (Table 10).

Table 10: Retail government securities dealers, 2024

Retail government securities dealers	CIB Bank Zrt. Concorde Értékpapír Zrt. EQUILOR Befektetési Zrt. ERSTE Befektetési Zrt. Gránit Bank Nyrt. K&H Bank Zrt. MBH Bank Nyrt. MBH Befektetési Bank Zrt. OTP Bank Nyrt. Raiffeisen Bank Zrt. UniCredit Bank Hungary Zrt. Magyar Államkincstár

The branch network of the Hungarian State Treasury

In connection with the distribution of government securities, the most important task of the Treasury's branch network is to carry out direct sales to retail and small investors; its objective is to ensure that retail investors can purchase government securities directly from the state. In addition, the Treasury's branch network performs other functions, including custody services, and also carries out the redemption of physical government securities that matured earlier, years ago (except for KTJ I., KTJ II., and printed MÁP Plus).

The Treasury's State Treasury Offices and Sales Points (the current list is available on the www.allampapir.hu website), under the organisation of the ÁKK, continuously quote ask and bid prices for publicly issued government securities (including retail government securities) for retail investors. In the case of institutional government securities (Discount Treasury Bills and Hungarian Government Bonds), the ask price is available up to the 14th business day prior to maturity, while the bid price is available up to the 3rd business day prior to maturity.

In the case of retail government securities (Bonus Hungarian Government Security, One-Year Hungarian Government Security, Premium Hungarian Government Security, Hungarian Government Security Plus, Fixed Hungarian Government Security, Euro Hungarian Government Security), the currently purchasable series is sold through subscription or phased issuance, and the bid price, similarly to wholesale government securities, is available up to the 3rd business day prior to maturity.

In 2024, certain government securities (Babybond, Municipal Hungarian Government Bond and Euro Hungarian Government Security) were sold exclusively through the Hungarian State Treasury network. In recent years, WebKincstár and MobilKincstár, the two online securities services of the Hungarian State Treasury, have developed significantly and increased their share in sales; in December 2023.

The branch network of Magyar Posta

Magyar Posta participates in the distribution of government securities as a sub-distributor of the Hungarian State Treasury by distributing the government securities produced in printed form and designed specifically for retail investors, named Treasury Savings Bill, as well as the 5-year Hungarian Government Security Plus in both dematerialised and printed form, and all other dematerialised government securities.

Dealers of international issuances and foreign currency bonds

In the case of Hungary's international foreign-currency bonds, on the primary market for EUR and USD issues, the ÁKK selects the lead manager banks executing the foreign-currency bond issuances from the bank groups of the Primary Dealers. On the secondary market, there is no designated group of dealers. In the case of issuances in other currencies, such as Asian currencies, the lead managers are selected from among market makers (Table 11).

Table 11: Lead manager banks for EUR and USD bonds, 2024

Lead arrangers	BNP Paripas
	Citigroup
	Deutsche Bank
	Goldman Sachs Bank SE
	Erste Group Bank AG
	ING Bank
	JP Morgan
	KBC
	RBI Group

Appendix

F.1 General information

In this publication, the data on the deficit of the central subsector of general government and on public debt are considered preliminary until the adoption of the Act on the Implementation of the Annual Budget, which, pursuant to the provisions of the Public Finance Act,[4] takes place in the second half of the year following the year under review.

The ÁKK records public debt in accordance with domestic accounting regulations, the basic principles of which can be summarised as follows:

- The debt calculated by the ÁKK, in accordance with the provisions of Act CXCIV of 2011 on the Economic Stability of Hungary (hereinafter referred to as the Stability Act), comprises the unconsolidated[5] gross debt of the central subsector of general government (managed by the ÁKK), and does not include the debt items specified in Section 3(1)(c), (d) and (f) of the Stability Act (bills of exchange, and liabilities arising from financial leasing and deferred payment).[6]
- Government bonds and retail government securities are carried at face value.
- Discount Treasury bills are recorded at the so-called average selling price—i.e. their discounted value—which is adjusted after each sale-type transaction in the given security.
- Delivery-based repo transactions—depending on their direction—actually reduce or increase public debt.
- The foreign currency debt components are determined, adjusted for foreign exchange swap transactions, and converted into forints at the official MNB mid exchange rate at month-end.

The debt stock published by Államadósság Kezelő Központ Zrt. is determined in accordance with domestic and applicable international accounting standards. In contrast, the so-called Maastricht debt indicator, which is relevant for the European Union's convergence criteria, is compiled in accordance with the ESA 2010 methodological framework. The compilation of debt statistics falls within the competence of the Member States; in the case of Hungary, this task is performed by the MNB. Eurostat checks and validates the methodological compliance and comparability of the data within the framework of the European Union's statistical system.

Budget data can be accounted for according to two basic approaches. The cash-flow approach records revenue and expenditure at the time of the actual cash movement. In contrast, the accrual basis of accounting recognises economic events at the time they occur, based on their economic substance, regardless of financial performance. This publication presents data based on both the cash-based and accrual-based accounting approaches.
The ESA 2010 methodology applies an accrual-based statistical system; accordingly, the government sector balance is determined on an accrual basis. The Maastricht debt indicator fits within the same methodological framework, but is a gross, consolidated stock indicator reported at face value.

F.2 The institutional framework and tasks of government debt management

The principal legal framework for government debt management is set out in the Act on the Economic Stability of Hungary. This legislation, together with Act CXCV of 2011 on Public Finances, authorises the minister responsible for public finances, inter alia, to ensure the execution of the central budget, the

[4] Act CXCV of 2011 on Public Finances (hereinafter referred to as the Public Finance Act). For the relevant provisions of the Public Finance Act and the Stability Act in force in 2023, see Section 4 of the Appendix to this publication.

[5] That is, debts between the different subsectors of the state are not netted out from the debt.

[6] Debt calculated excluding the loan liabilities of local governments and companies and non-profit organizations classified within central government.

financing of the deficit, the continuous maintenance of the government budget's solvency, the servicing of debt, and the management of the state's temporarily free cash balances. The annual budget acts specify this authorisation by determining the financing requirement for the given year in quantitative terms. The Minister responsible for Public Finances performs the tasks falling within this scope through the ÁKK.[7]

The ÁKK, as a company wholly owned by the state, was established on 1 March 2001 on the basis of the provisions of the then-effective Act on Public Finances[8], as the legal successor to the budgetary institution previously performing the same functions. The organisation operating in the form of an independent business entity is a single-member company limited by shares registered with the Company Registration Court; its shares are non-transferable, and its sole and permanent owner is the Hungarian State, in whose name the ownership rights are exercised by the minister responsible for public finances (the Minister of Finance). The framework of its operation is defined in part by the former Act on Public Finances establishing it, and from 2012 by the Stability Act, and in part by the general legislation governing the operation of business entities. Accordingly, the company is managed by the Board of Directors of the ÁKK, while operational oversight—arising from its corporate status—is exercised by the Supervisory Board and the auditor. In addition to these internal governance and control mechanisms, the process of debt management is also regularly audited by the State Audit Office. The activities of the ÁKK are aligned with the operations of the Ministry of Finance and the Hungarian State Treasury. The coordinated professional management of these organisations is implemented through the person of the Minister of Finance.

According to the decision-making procedure, the government debt management strategy prepared by the ÁKK, the annual financing plan, and the performance indicators (benchmarks) to be applied in the course of debt management are adopted by the Minister of Finance following approval by the Board of Directors.

Responsibilities of the ÁKK

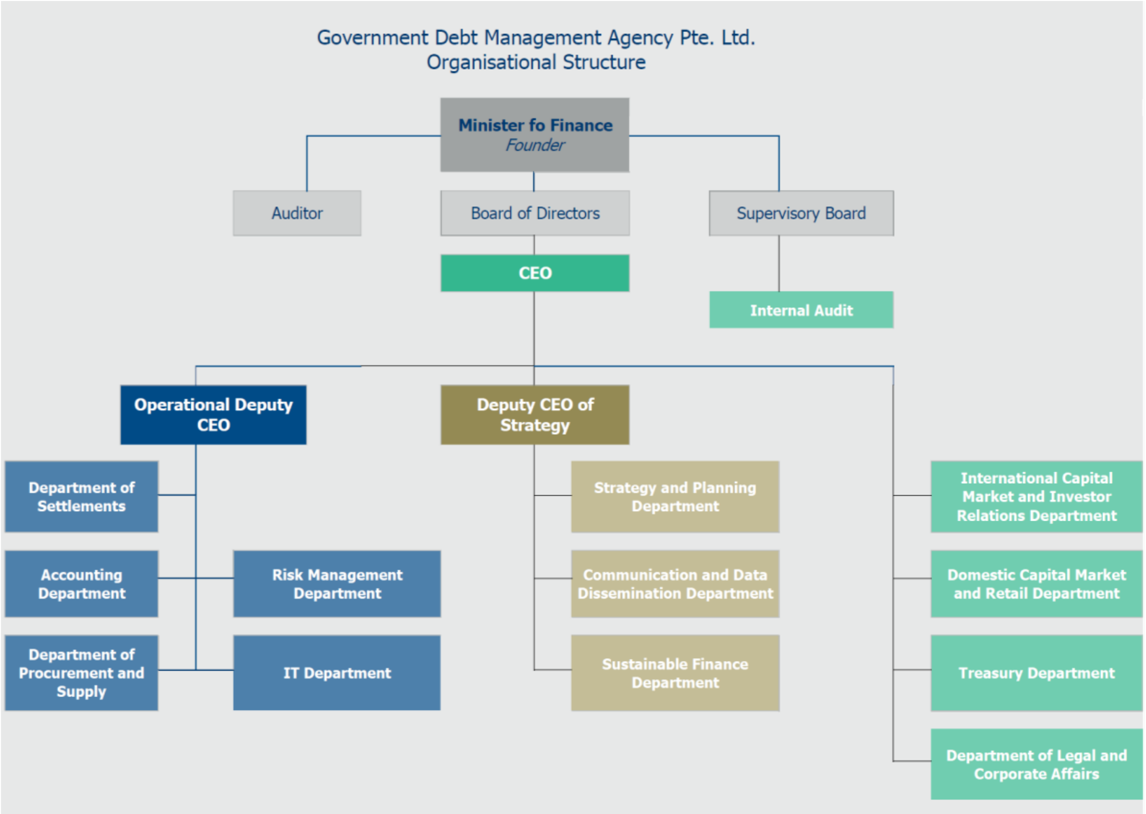
On the basis of Sections 13 (1) and (4) of the Stability Act, the activities of the ÁKK in 2023 included, inter alia, the following main areas of responsibility:

- The development of a long-term financing strategy consistent with economic policy, which defines the objectives of debt management and the instruments for its implementation.
- On the basis of the annual budget act, and in line with the strategy, the preparation of the annual and medium-term financing plan of the budget, and the planning of annual interest expenditures.
- The execution of domestic and international funding operations forming part of the debt of the central subsector of general government, i.e. the organisation and conduct of government securities auctions and subscriptions, foreign bond issuances, borrowings, and debt assumptions.
- Payment of the debt service obligations (interest and principal repayments) of the central subsector of general government.
- The management and utilisation of the state's temporarily free cash balances (liquidity management activities).
- The organisation and continuous development of the institutional framework of the government securities market (the primary dealer system, distribution channels, secondary market, etc.).
- Participation in the commenting and execution of borrowings undertaken with a state guarantee; in the case of individual suretyship, in addition to commenting, the execution of the transactions concerned upon request.
- Participation in the financing of the development of the MVM Paks II nuclear power plant.
- Participation in tasks related to the disbursement of loans provided by the state to other entities classified within the government sector.

[7] The most important legal framework in force as at 31 December 2023 relating to deficit financing, government debt management, and the ÁKK is set out in Section 4 of the Appendix.

[8] Act XXXVIII of 1992 on Public Finances (hereinafter referred to as The former Act on Public Finances)

Chart 22: The organisational structure of the ÁKK in force as of 31 December 2024



F.3. Information provision by the ÁKK

It is a statutory obligation of the ÁKK to inform the broader public about developments in general debt and the processes of the government securities market, which it fulfils through numerous channels.

The ÁKK publishes current daily data on its websites and through other electronic information systems.

The website of the ÁKK

The website of the Government Debt Management Agency provides users interested in the government securities market and government debt with a wide range of content and information services. The objective of the ÁKK is to ensure that the most important current information is available already on the homepage; accordingly, it includes, inter alia, featured news, the level and structure of government debt, the main data from the most recent auctions, daily market-making data (benchmark yields), as well as the current interest rates and outstanding volumes of retail government securities.

In the "ÁKK" menu of the website, information can be found on the objectives, activities, legal basis, organisational structure, and career opportunities of the ÁKK, and the ÁKK also fulfils its other statutory disclosure obligations in this section under public interest data. In addition, the awards and recognitions received by the ÁKK are also available in this menu section.

In the "Statistics" menu provides access to basic data on various types of government securities, auction results, quotations and results of phased issuances, as well as key secondary market data. The data are contained in historical databases, i.e. past data and time series can also be queried. Here, various government securities indices, yield and turnover data, and statistical data and time series related to government debt and financing can be found.

In the "Government Securities Issuance and Trading" menu, detailed descriptions of the various types of government securities are available, along with the latest public offers, prospectuses, and procedures. Information related to the Primary Dealer group is also included here, and a brief description of retail distribution can likewise be found in this section.

In the "Publications and Press Releases" menu item, the ÁKK's publications and investor information materials are available in electronic (PDF) format. Public analyses prepared by the ÁKK, monthly monitoring reports, weekly government securities market reports, and quarterly and annual reports are also available here. Annual plans, issuance calendars and quarterly issuance plans providing information on the financing of the central budget. In addition, the ÁKK's press releases and investor information are also available here.

In the "Green Bond" menu item, Hungary's Green Bond Frameworks and the related external, independent expert opinions are available in Hungarian and English, and some documents in other languages as well. In addition, the Allocation Report (in English), the investor presentations related to the Green Bond issuances (in English), and the press releases related to the Green Bond issuances are also available here.

One of the website's services for registered users is the distribution of current information via a newsletter. As a result, when the content is posted on the website, the user also receives it in an email or a notification about its publication. Registration on the website and subscription to newsletters are free of charge.

The ÁKK operates the website www.allampapir.hu, specifically for retail investors, which provides the information retail investors need about retail government securities in a clear, easy-to-understand format (government securities, points of sale, information, introduction). The website www.babakotveny.hu is also available, where retail investors can find useful information specifically related to the Babybond.

Other electronic platforms

In addition to its website, the ÁKK primarily publishes its auction and market-making data on the Bloomberg and LSEG Workspace information platforms.

Press conferences, media appearances

The ÁKK presents its annual financing plan at a press conference together with a representative of the parent ministry. It informs the public about any changes to the plan, the primary dealer ranking and other key topics via press releases, which are also shared on the LinkedIn social media platform. It supports the promotion of retail government securities sales through marketing activities.

Publications

The ÁKK also provides information to interested parties through regular publications, which can be downloaded free of charge from the website:

- Financing Plan publications
- Investor presentations (English only)
- Annual reports
- Quarterly publications
- Monthly publications
- Issuance calendar

Further information regarding the purchase of government securities is available seven days a week, 24 hours a day, via the information numbers +36-1-452-2900, +36-20-881-9530, +36-30-344-0040, and +36-70-460-9000, as well as on the website of the Hungarian State Treasury and the WebKincstár interface (www.allamkincstar.gov.hu).

F.4. Hungary’s credit rating

	HUF debt		
	Standard & Poor's	Moody's	FITCH Ratings
2000.02.02	A	A1	A
2000.08.13	A	A1	A
2000.11.14	A	A1	A
2000.11.29	A	A1	A+
2000.12.19	A+	A1	A+
2002.11.12	A+	A1	A+
2002.11.19	A	A1	A+
2003.07.15	A	A1	A+
2005.01.12	A	A1	A
2005.05.27	A-	A1	A
2005.12.06	A-	A1	A-
2006.01.22	A-	A1	A-
2006.01.26	A-	A1	A-
2006.06.15	BBB+	A1	A-
2006.09.20	BBB+	A1	A-
2006.12.21	BBB+	A1	A-
2006.12.22	BBB+	A2	A-
2007.11.05	BBB+	A2	A-
2008.03.17	BBB+	A2	A-
2008.10.17	BBB+	A2	A-
2008.11.07	BBB+	A3	A-
2008.11.10	BBB+	A3	BBB+
2008.11.17	BBB	A3	BBB+
2009.03.02	BBB	A3	BBB+
2009.03.30	BBB-	A3	BBB+
2009.03.31	BBB-	Baa1	BBB+
2009.10.02	BBB-	Baa1	BBB+
2010.07.23	BBB-	Baa1	BBB+
2010.12.06	BBB-	Baa3	BBB+
2010.12.23	BBB-	Baa3	BBB
2011.06.06	BBB-	Baa3	BBB
2011.11.11	BBB-	Baa3	BBB
2011.11.24	BBB-	Ba1	BBB
2011.12.21	BB+	Ba1	BBB
2012.01.06	BB+	Ba1	BBB-
2012.11.23	BB	Ba1	BBB-
2012.12.20	BB	Ba1	BBB-
2013.03.21	BB	Ba1	BBB-
2014.03.28	BB	Ba1	BBB-
2014.11.07	BB	Ba1	BBB-
2015.03.20	BB+	Ba1	BBB-
2015.05.22	BB+	Ba1	BBB-
2015.11.06	BB+	Ba1	BBB-
2016.05.20	BB+	Ba1	BBB-
2016.09.16	BBB-	Ba1	BBB-
2016.11.04	BBB-	Baa3	BBB-
2017.08.25	BBB-	Baa3	BBB-
2017.11.10	BBB-	Baa3	BBB-
2019.02.15	BBB	Baa3	BBB-
2019.02.22	BBB	Baa3	BBB
2020.02.14	BBB	Baa3	BBB
2020.04.28	BBB	Baa3	BBB
2020.09.25	BBB	Baa3	BBB
2021.09.24	BBB	Baa2	BBB
2022.08.12	BBB	Baa2	BBB
2023.01.20	BBB	Baa2	BBB
2023.01.27	BBB-	Baa2	BBB
2024.11.29	BBB-	Baa2	BBB
2024.12.06	BBB-	Baa2	BBB

	Foreign currency debt		
	Standard & Poor's	Moody's	FITCH Ratings
2000.02.02	BBB+	Baa1	BBB+
2000.08.13	BBB+	Baa1	BBB+
2000.11.14	BBB+	A3	BBB+
2000.11.29	BBB+	A3	A-
2000.12.19	A-	A3	A-
2002.11.12	A-	A1	A-
2002.11.19	A-	A1	A-
2003.07.15	A-	A1	A-
2005.01.12	A-	A1	A-
2005.05.27	A-	A1	A-
2005.12.06	A-	A1	BBB+
2006.01.22	A-	A1	BBB+
2006.01.26	A-	A1	BBB+
2006.06.15	BBB+	A1	BBB+
2006.09.20	BBB+	A1	BBB+
2006.12.21	BBB+	A1	BBB+
2006.12.22	BBB+	A2	BBB+
2007.11.05	BBB+	A2	BBB+
2008.03.17	BBB+	A2	BBB+
2008.10.17	BBB+	A2	BBB+
2008.11.07	BBB+	A3	BBB+
2008.11.10	BBB+	A3	BBB
2008.11.17	BBB	A3	BBB
2009.03.02	BBB	A3	BBB
2009.03.30	BBB-	A3	BBB
2009.03.31	BBB-	Baa1	BBB
2009.10.02	BBB-	Baa1	BBB
2010.07.23	BBB-	Baa1	BBB
2010.12.06	BBB-	Baa3	BBB
2010.12.23	BBB-	Baa3	BBB-
2011.06.06	BBB-	Baa3	BBB-
2011.11.11	BBB-	Baa3	BBB-
2011.11.24	BBB-	Ba1	BBB-
2011.12.21	BB+	Ba1	BBB-
2012.01.06	BB+	Ba1	BB+
2012.11.23	BB	Ba1	BB+
2012.12.20	BB	Ba1	BB+
2013.03.21	BB	Ba1	BB+
2014.03.28	BB	Ba1	BB+
2014.11.07	BB	Ba1	BB+
2015.03.20	BB+	Ba1	BB+
2015.05.22	BB+	Ba1	BB+
2015.11.06	BB+	Ba1	BB+
2016.05.20	BB+	Ba1	BBB-
2016.09.16	BBB-	Ba1	BBB-
2016.11.04	BBB-	Baa3	BBB-
2017.08.25	BBB-	Baa3	BBB-
2017.11.10	BBB-	Baa3	BBB-
2019.02.15	BBB	Baa3	BBB-
2019.02.22	BBB	Baa3	BBB
2020.02.14	BBB	Baa3	BBB
2020.04.28	BBB	Baa3	BBB
2020.09.25	BBB	Baa3	BBB
2021.09.24	BBB	Baa2	BBB
2022.08.12	BBB	Baa2	BBB
2023.01.20	BBB	Baa2	BBB
2023.01.27	BBB-	Baa2	BBB
2024.11.29	BBB-	Baa2	BBB
2024.12.06	BBB-	Baa2	BBB

F.5. Primary Dealers and Market Makers, 2024

Primary Dealers	Address
BNP Paribas	16 Boulevard des Italiens, 75009 Paris, France
CIB Bank Zrt.	1024 Budapest, Petrezselyem utca 2-8.
Citibank Europe plc Magyarországi Fióktelepe	1 Dublin, North Wall Quay 1, Ireland
Deutsche Bank AG	Taunusanlage 12, 60325 Frankfurt am Main, Deutschland
ERSTE Befektetési Zrt.	1138 Budapest, Népfürdő utca 24-26.
Goldman Sachs Bank Europe SE	Marienturm, Taunusanlage 9-10, D-60329 Frankfurt am Main, Deutschland
ING Bank N.V. Magyarországi Fióktelepe	NL-1081, Amsterdam, Amstelveenseweg 500, Nederland
J.P. Morgan SE	TaunusTurm, Taunustor 1, D-60310 Frankfurt am Main, Deutschland
K&H Bank Zrt.	1095 Budapest, Lechner Ödön fasor 9.
MBH Bank Nyrt.	1056 Budapest, Váci utca 38.
OTP Bank Nyrt.	1051 Budapest, Nádor utca 16.
Raiffeisen Bank Zrt.	1133 Budapest, Váci út 116-118.
UniCredit SpA	Piazza Gae Aulenti 3, Tower A, 20154 Milan, Italia
Market Maker	**Address**
Morgan Stanley Europe SE	Grosse Gallusstrasse 18, 60312 Frankfurt am Main, Deutschland

F6. Key provisions of the legislation governing the legal status of the ÁKK and relating to government debt management in force as of 31 December 2024

Act CXCIV of 2011 on the Economic Stability of Hungary (hereinafter referred to as "Stability Act")

Provisions on the calculation of the government debt ratio

"Section 2 (1) The government debt ratio to be taken into account in the implementation of the provisions set out in Article 36 (4) and (5) and Article 37 (2) and (3) of the Fundamental Law (hereinafter: the government debt ratio) is a ratio expressed as a percentage and rounded to one decimal place, in which

a) the numerator is the value, as defined in this Act, of the government debt

b) the denominator is the value, as defined in this Act, of the gross domestic product calculated in accordance with the Council Regulation on the European system of national and regional accounts in the Community."[9]

Rules limiting the incurrence and increase of government debt

"Section 8 (1) Any transaction entered into in the name of the State that gives rise to debt as listed in subsection (2) may be validly concluded only on the basis of authorisation by an act of law.

(2) Transactions giving rise to debt and their amounts:

a) the raising or assumption of a loan or borrowing, from the date of disbursement or assumption until the date of final repayment, and its outstanding principal amount,

b) the issuance of a debt security within the meaning of the Act on Accounting (hereinafter referred to as Accounting Act), from the date of issuance until the date of redemption; in the case of an interest-bearing security, its nominal value, and in the case of any other security, its purchase price,

c) the issuance of a bill of exchange from the date of issue until the date of redemption, and its value, equal to the obligation replaced by the bill of exchange and excluding interest,

[9] Pursuant to Section 1 f) of the Stability Act, government debt means the debt calculated in the manner defined in Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community.

d) the conclusion of a financial leasing contract, as defined by law, as the lessee for the duration of the lease, and the remaining amount of the principal stipulated in the lease agreement,

e) the conclusion, as the seller, of a sale and purchase agreement with a repurchase obligation—including genuine repurchase and collateral repo transactions within the meaning of the Act on Accounting—until repurchase, and the stipulated repurchase price,

f) deferred payment or instalment payment of at least three hundred and sixty-five days received under a contract, and the unpaid consideration,

g) collateral deposits placed with the Government Debt Management Agency Pte. Ltd. (hereinafter referred to as ÁKK Zrt.) by credit institutions as differences arising from derivative transactions, and their amounts.”

The legal status of the ÁKK, Section 11 (1)–(3)

“(1) For the purpose of meeting the financing requirement of the central subsector of general government and managing the debt referred to in Section 8 (2) points *a), b), e)* and *g)*, the minister responsible for public finances shall ensure the conduct of financial operations through ÁKK Zrt.

(2) ÁKK Zrt. is a single-member private company limited by shares; its shares are registered and non-transferable.

(3) The owner of ÁKK Zrt. is the State, in whose name the rights related to its establishment and the exercise of ownership rights are exercised by the minister responsible for public finances, provided that he may not withdraw the powers of the Board of Directors.”

The tasks of the ÁKK for the purpose of financing the budget deficit, Section 13 (1)

“(1) For the purpose of financing the budget deficit of the central budget, the minister responsible for public finances, through ÁKK Zrt.,
a) on the basis of the authorisation provided by the Act on the Central Budget, organises the issuance of government securities, the raising of loans and the assumption of debt to be accounted for against the portion of the debt of the central subsector of general government arising from the debt-creating transaction pursuant to Section 8 (2) *a)* and *b)*,
b) prepares the annual and medium-term financing plan of the central budget and elaborates the financing strategy for the debt referred to in point *a),*
c) ensures the payment of the servicing costs of the portion of the debt of the central subsector of general government arising from the debt-creating transaction pursuant to Section 8 (2) *a)* and *b),*
d) on the basis of the authorisation provided by the Act on the Central Budget, and taking into account the forecast pursuant to Section 76 (1) *b)* of the Public Finance Act, ensures the maintenance of the solvency of the central budget, as well as the management of the temporarily free cash funds of the State,
e) organises the secondary government securities market,
f) conducts proprietary trading, securities lending, repo, and reverse repo transactions on the secondary government securities market, and enters into spot, forward, hedging, swap and derivative transactions, and furthermore performs custody and safekeeping services,
g) analyses the developments in the debt service referred to in point *a)* and in the government securities market,
h) participates in the calculation of government debt, provides information on the developments in the portion of the debt of the central subsector of general government arising from the debt-creating transactions pursuant to Section 8 (2) *a)*, *b)*, *e)* and *g)*, and on the developments in the government securities market,
i) gives an opinion on the terms and conditions of loans granted and bonds issued with individual State suretyship or guarantee,
j) performs lending and deposit operations,
k) participates in the performance of tasks related to borrowing and loan-taking with State suretyship or guarantee, and to the issuance of debt securities.”
Other responsibilities of ÁKK, Section 13 (4)

“(4) In addition to the tasks defined in subsection (1), ÁKK Zrt.
a) on the basis of statutory authorisation, may organise the issuance of debt securities secured by State suretyship or State guarantee, and may perform related advisory tasks,

b) for a fee in the amount specified in subsection (2), may participate in the performance of tasks related to the borrowing and loan-taking of the State, local governments, and economic operators majority-owned by them, and to the issuance of their debt securities, including advisory services related to business strategy,
c) may participate in the management of the free funds of the National Deposit Insurance Fund and the Resolution Fund, as well as in the performance of tasks related to their borrowing and loan-taking and the issuance of their debt securities, including advisory services related to business strategy,
d) on the basis of statutory authorisation, it may, on behalf of the State, fulfil the payment obligations related to the implementation of the capital increase financing the investment defined in Section 1 (1) of Act VII of 2015 on the Investment Related to the Maintenance of the Capacity of the Paks Nuclear Power Plant and on the Amendment of Certain Related Acts, granted to MVM Paks II Nuclear Power Plant Development Private Company Limited by Shares, including the payments referred to in Article 1(2) of the Agreement promulgated by Act XXIV of 2014 on the Promulgation of the Agreement between the Government of the Russian Federation and the Government of Hungary on the Provision to the Government of Hungary of a State Loan for Financing the Construction of a Nuclear Power Plant in Hungary, in the manner, amount and schedule determined by the body exercising the aggregate of the State's ownership rights and obligations.

e) may participate in the management of the funds of the Investor Protection Fund,

f) on the basis of the decision of the minister responsible for public finances, performs the tasks related to the disbursement of the loan granted by the State to other organisations classified in the government sector pursuant to Section 9/A."

Authorisations of ÁKK, Sections 13 (5)–(6), Section 14

"(5) Within the scope of its activities pursuant to subsection (1), in respect of debt securities issued by the State or secured by State suretyship or State guarantee, as well as the financial instruments defined in paragraphs *a)–d), h), i), j)* and *k)* of Section 6 of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter: the Investment Firms Act), ÁKK Zrt. may perform the investment services activities defined in Section 5 (1) of the Investment Firms Act, as well as the ancillary services to investment services defined in Section 5 (2) a), b), d), g) and h) of the Investment Firms Act.
(6) The activity of ÁKK Zrt. pursuant to subsection (1) and its activity under subsection (5) performed in respect of debt securities issued by the State shall qualify as government debt management. The provisions of the Investment Firms Act shall apply to the investment services activities of ÁKK Zrt. outside the scope of government debt management, and to its ancillary services to investment services.
Section 14 (1) The minister responsible for public finances shall ensure the management of the State's temporarily free cash funds through ÁKK Zrt. In the performance of this task, ÁKK Zrt. shall be entitled to carry out the operations referred to in Section 13 (1). The interest arising from this activity shall be credited to the central budget.
(2) In civil law relationships related to government debt management, the State shall be represented by the minister responsible for public finances, provided that
a) […]
b) the minister responsible for public finances may exercise his right of representation through ÁKK Zrt., or may transfer it in writing to ÁKK Zrt. or to another member of the Government.
(2a) […]
(3) Any transaction concluded by ÁKK Zrt. in the course of government debt management shall be deemed to be a transaction concluded for the benefit of, or to the detriment of, the State."

<u>Act CXCV of 2011 on Public Finances</u>

Authorisation of the minister responsible for public finances, Section 5 (2)

"(2) Within the central subsector of general government, the minister responsible for public finances shall ensure the use of the budget surplus, the financing of the budget deficit and the management of public debt, without the determination of financing revenues and financing expenditures in the Act on the Central Budget. […]"

F.7. Balance sheet and profit/loss statement of the ÁKK

Assets	Previous year 2023 HUF thousand	Current year 2024 HUF thousand
A. Fixed assets	441 599	531 839
I. INTANGIBLE ASSETS	282 544	352 897
1. Capitalised value of foundation and restructuring		
2. Capitalised value of research and development		
3. Concessions, licences and similar rights	282 544	352 897
4. Intellectual property	0	0
5. Goodwill		
6. Advances on intangible goods		
7. Value adjustment of intangible goods		
II. TANGIBLE ASSETS	100 058	100 780
1. Land and buildings and related rights and concessions	35 550	0
2. Technical equipment, machinery, vehicles		
3. Other equipment, fixtures and fittings, vehicles	64 508	100 780
4. Breeding stock		
5. Capital investments and refurbishments	0	0
6. Advance payments on capital investments		
7. Value adjustment of tangible assets		
III. FINANCIAL INVESTMENTS	58 997	78 162
1. Participating interests in affiliated undertakings		
2. Long-term loans to affiliated undertakings		
3. Long-term major participating interests		
4. Long-term loans in undertakings linked by virtue of major participating interest		
5. Other participating interests		
6. Long-term loans in undertakings linked by virtue of other participating interest		
7. Other long term loans given	58 997	78 162
8. Long-term debt securities		
9. Value adjustment of non-current financial assets		
10. Valuation difference of non-current financial assets		
IV. DEFERRED TAX ASSETS		
B. Current assets	302 874	413 014
I. INVENTORIES	41	44
1. Materials		
2. Work in progress and semi-finished products		
3. Young animals, fattening and other animals		
4. Finished products		
5. Goods	41	44
6. Advance payments on inventories		
II. RECEIVABLES	7 629	10 348
1. Trade accounts receivable	0	0
2. Receivables from affiliated undertakings		

3. Receivables from undertakings linked by virtue of major participating interest		
4. Receivables from undertakings linked by virtue of other participating interest		
5. Bills of exchange receivable		
6. Other receivables	7 629	10 348
7. Valuation difference of receivables		
8. Positive valuation difference of derivative transactions		
III. SECURITIES		
1. Participations in affiliated undertakings		
2. Major participating interests		
3. Other participations		
4. Own shares, own business interests		
5. Debt securities held for trading		
6. Valuation difference of securities		
IV. CASH AND CASH EQUIVALENTS	295 204	402 622
1. Cash in hand, cheques	351	135
2. Bank deposits	294 853	402 487
C. Prepaid expenses and accrued income	92 195	71 679
1. Accrued income	228	0
2. Prepaid expenses	91 967	71 679
3. Deferred expenses		
TOTAL ASSETS	**836 668**	**1 016 532**

Sources	**Previous year 2023** HUF thousand	**Current year 2024** HUF thousand
D. Equity	645 281	777 356
I. SUBSCRIBED CAPITAL	300 000	300 000
Of which: repurchased participating interest at face value		
II. Subscribed capital unpaid (-)		
III. CAPITAL RESERVE		
IV. RETAINED EARNINGS	231 091	288 185
V. NON-DISTRIBUTABLE RESERVES		
VI. VALUATION RESERVE		
1. Valuation reserve for value adjustments		
2. Valuation reserve for fair valuation		
VII. PROFIT/LOSS AFTER TAX	114 190	189 171
E. Provisions	0	0
1. Provisions for contingent liabilities	0	0
2. Provisions for future expenses		
3. Other provisions		
F. Liabilities	177 660	233 148
SUBORDINATED LIABILITIES	0	0
1. Subordinated liabilities to affiliated undertakings		
2. Subordinated liabilities to undertakings linked by virtue of major participating interest		
3. Subordinated liabilities to undertakings linked by virtue of other participating interest		
4. Subordinated liabilities to other entities		
II. NON-CURRENT LIABILITIES	0	0
1. Long-term loans received		

2. Convertible bonds		
3. Debts arising from bond issuance		
4. Capital investment and development loans		
5. Other long-term loans		
6. Non-current liabilities to affiliated undertakings		
7. Non-current liabilities to undertakings linked by virtue of major participating interest		
8. Non-current liabilities to undertakings linked by virtue of other participating interest		
9. Other non-current liabilities		
10. Deferred tax liability		
III. CURRENT LIABILITIES	177 660	233 148
1. Short-term loans		
of which: convertible bonds		
2. Short-term loans		
3. Advances from buyers		
4. Trade accounts payable	67 594	98 349
5. Bills of exchange payable		
6. Current liabilities to affiliated undertakings		
7. Current liabilities to undertakings linked by virtue of major participating interest		
8. Current liabilities to undertakings linked by virtue of other participating interest		
9. Other current liabilities	110 066	134 799
10. Valuation difference of liabilities		
11. Negative valuation difference of derivative transactions		
C. ACCRUED EXPENSES AND DEFERRED INCOME	13 727	6 028
1. Deferred revenues	0	0
2. Accrued costs and expenses	13 727	6 028
3. Deferred income		
TOTAL LIABILITIES	**836 668**	**1 016 532**

Profit/loss statement	Previous year 2023 HUF thousand	Current year 2024 HUF thousand
01 Net domestic sales revenue	2 049 600	2 396 640
02 Net export sales revenue		
I. Net sales revenue	2 049 600	2 396 640
03 Change in self-manufactured stocks		
04 Capitalised value of self-manufactured assets		
II. Capitalised value of own production		
III. Other revenues	9 282	1 864
Of which: reversed impairment		
05 Cost of materials	18 350	16 934
06 Value of services used	494 323	545 397
07 Value of other services	3 610	4 947
08 Cost of goods sold		
09 Value of services sold (mediated)		
IV. Material expenses	516 283	567 278
10 Wage costs	1 028 745	1 157 014
11 Other personnel payments	146 216	185 543
12 Wage contributions	160 490	182 064
V. Personnel expenses	1 335 451	1 524 621
VI. Depreciation charge	107 696	101 757
VII. Other expenditures	6 797	30 047
Of which: impairment loss		
A. RESULT FROM OPERATING (BUSINESS) ACTIVITIES	92 655	174 801
13 Dividend received		
Of which: received from affiliated undertakings		
14 Exchange gain from sales of participations		
Of which: received from affiliated undertakings		
15 Interest received and gain on financial investments		
Of which: received from affiliated undertakings		
16 Other interests and interest type income received	35 716	36 163
Of which: received from affiliated undertakings		
17 Other income from financial transactions	711	497
Of which: valuation differences		
VIII. Income from financial transactions	36 427	36 660
18 Expenditures, exchange losses from participating interests		
Of which: provided to affiliated undertakings		
19 Expenditures, exchange gains arising from financial investments		
Of which: provided to affiliated undertakings		
20 Interest payable and interest-type expenses		
Of which: provided to affiliated undertakings		

21 Impairment of participations, securities, long-term loans, bank deposits		
22 Other expenditures on financial transactions	1 178	976
Of which: valuation differences		
IX. Expenditures on financial transactions	1 178	976
B. PROFIT OR LOSS FROM FINANCIAL OPERATIONS	35 249	35 684
C. PROFIT BEFORE TAX	127 904	210 485
X. Tax liability	13 714	21 314
X/1. Deferred tax difference		
D. PROFIT OR LOSS AFTER TAX	114 190	189 171

F.8. Executive officers of the Company, December 2024

Members of the Executive Board	
Chair	Balogh László
Members	Greinstetter Balázs Kondora Szilárd Péter Molnár István Dr. Tóth Attila Simon Tóth Tibor
Members of the Supervisory Board	
Chair	Gondos Judit
Members	Dr. Várpalotai Viktor Dr. Berczik Ábel
The auditor of the Company	Club-Audit Számviteli és Pénzügyi Szolgáltató Kft. 1136 Budapest, Hegedűs Gyula u. 49/51.4. em.1.
Person with personal responsibility for the audit	Fehérné Vikárius Éva, könyvvizsgáló