ÁKK: Prorated fulfilment of the 2025 Financing Plan in Q2 2025

Budapest, 1 July 2025.

The prorated fulfilment of the 2025 Financing Plan is favourable in the first half of the year. 96% of the planned yearly net issuance has already been completed. On the institutional HUF market, 75% of net issuance and 50% of gross planned auction issuance was completed in the first half of 2025, driven by strong demand. On the retail market, prorated fulfilment is favourable amid substantial portfolio rebalancing and in spite of significant repricing. ÁKK modified the Financing Plan in accordance with the June revision of the cash-flow based government deficit. ÁKK covered the additional financing need with FX bond issuance. Regarding both timing and conditions, the issuance was successful in spite of turbulent market environment. The financing of the government debt is stable in its entirety and all its pillars.

The prorated fulfilment of the Financing Plan modified in June was favourable in the first six months of the year. The fulfilment ratio was 75% in terms of net institutional HUF issuance, 45% regarding net forint retail issuance and 148% for net FX financing. Financing position is favourable on all market segments, **96% of total planned net issuance was completed**. The average time to maturity of the central government debt is 5.6 years; 4.1 years in case of HUF debt and 9.0 years in case of FX debt.

Figure 1 shows the fulfilment ratios of the **gross issuance** by market segments:

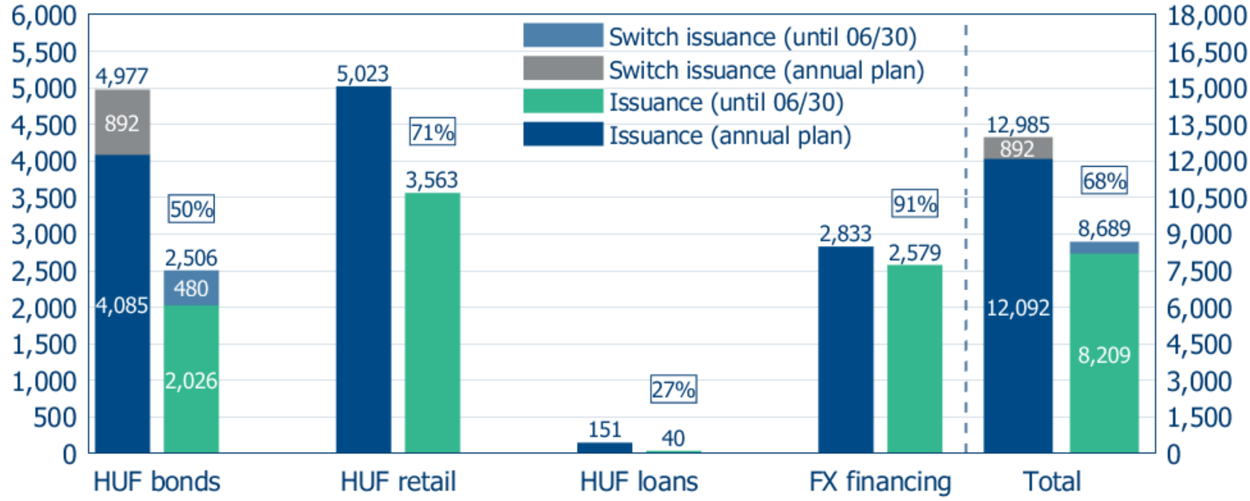

Figure 1: Fulfilment of issuances by market segments. The percentages denote the ratio of the auction issuances fulfilled and settled until 30 June to the issuances planned for the entire year (excluding switch issuance). Note: Data based on value dates as opposed to deal dates. The figure does not contain T-Bill and ECP issuance plans

In the first half of the year, **HUF 8,209 billion gross issuance was completed** equalling 68% of full year plan. The completion rate was 91% in case of FX issuance, and 50% in case of HUF institutional market. According to the Financing Plan modified in June, ÁKK set the HUF retail securities gross issuance to HUF 5,023 billion. Of this amount, HUF 3,563billion was completed equalling 71% of the full-year planned gross amount.

In spite of repricing of Premium Hungarian Government Bond (PMÁP), total government securities holdings of households grew during the first half of 2025 reaching HUF 12,949 billion as of 30 June 2025, according to the estimate of ÁKK. Retail investors partially invested the interest payments and redemptions of PMÁP in Bónusz and Fixed Hungarian Government Bonds. In addition, demand was strong for institutional securities (T-Bills, and – to a lesser extent – institutional HGBs). The share of PMÁP within the retail portfolio decreased to 37% from 59% seen at the end of 2024. As a result, general government debt exposure towards inflation decreased. Based on recent experience, retail investors' trust in government securities persisted.

Debt Management Benchmarks

By the end of June 2025, the spot average remaining maturity of the central government debt amounted to 5.6 year, no change relative to the end of 2024. The 90-days average regarded as the benchmark indicator amounted to 5.4 years, slightly under the threshold of 5.5 years set by ÁKK. The 90-days average share of FX debt (in line with the benchmark methodology) amounted to 29.8%, but the spot value is 31.4% due to the June FX bond issuance. Consequently, spot value is expected to be 30.2% by the end 2025 – in line with the prior communication of ÁKK. During the course of the year, the FX debt share will decrease driven by FX bond redemptions and the buy-backs planned towards the end of the year. During the past six months, the share of government securities owned by households within total government debt currently amounts to 20.2%.

ÁKK considers the benchmark values as targets, however the composition of the debt portfolio and other indicators may deviate – temporarily, and to an extent not material – in case it is necessary to reach the optimal debt structure in the prevailing market situation. Figure 2 shows the current benchmark values:

	2025 benchmark targets	30 June, 2025 figures
Share of FX debt	Maximum 30%	29.8%
Currency mix of the FX debt (after swaps)	100% in EUR (with a 5% deviation allowed)	99.9%
Average time to maturity	Minimum 5.5 years	5.4 years
Average time to re-fixing	Minimum 4 years	4.6 years
Share of debt with a fixed coupon	Between 60% and 80%	70.9%
Share of retail debt	Between 20% and 25%	20.2%
Share of green bonds		4.8%

Figure 2: Debt management benchmarks and band limits as of 30 June 2025. ÁKK is using a three-month moving average when calculating the benchmarks in order to avoid that any volatile but temporary market movements make the debt management agency react unnecessarily

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HUF Institutional Market

The stock of institutional HUF government securities (including the HUF 123 billion outstanding stock of Hungarian Municipal Government Bonds) amounts to HUF 28,365 billion. Within this, the share of foreign investors amounted to 19.6% versus the ratio of 17.6% by the end of 2024 (according to data not corrected for repos). According to the modified Financing Plan, ÁKK decreased the 2025 planned issuance on the HUF institutional bond market – the backbone of financing – to HUF 2,065 billion. On this market, net HUF 1,343 billion issuance was completed equalling 65% of the planned net amount. Total stock of T-Bills amounted to HUF 2,921 billion as of the end of June 2025 indicating a substantial increase. T-Bills bought by households constitute 59% of change in the stock of T-Bills.

According to the Financing Plan modified in June, planned auction issuance for institutional HGBs decreased to gross HUF 4,085 billion; of this amount, 50% was completed. Planned switch auction issuance is gross HUF 892 billion. Of this amount, 54% was completed by the end of the first half of the year (Figure 3).

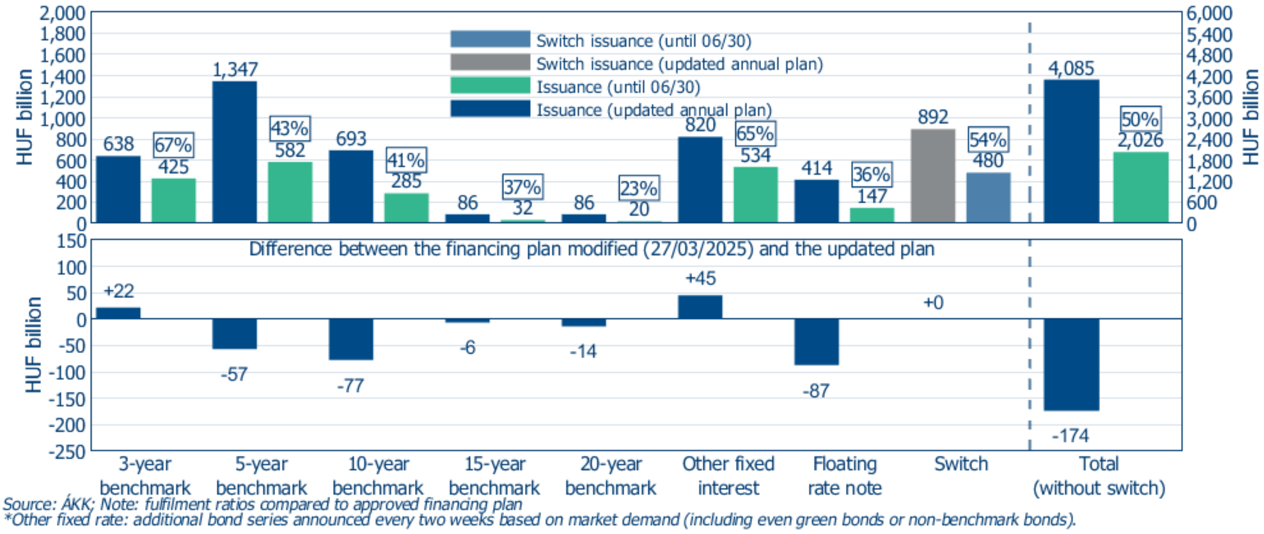

Figure 3: Fulfilment of institutional market bond issuance plan (excluding T-Bills and municipal bonds) categorized by tenor, and the difference between the actual financing plan relateive to the financing plan announced in December 2024. The percentages indicate the ratio of the auction issuances fulfilled and settled until 30 June relative to the issuances planned for the entire year (excluding switch issueance). Note: The data is based on value dates as opposed to deal dates. The figure does not contain TBill issuance plans.

During the first half of the year, **gross issuance of HUF 2,026 billion was completed** (excluding switches). In the first six months of the year, demand was strong on auctions of HUF denominated government bonds. On auctions completed during the first half of the year, overall demand amounted to HUF 3,358 billion against an offered amount of HUF 1,648 billion. As a result, bid-to-cover ratio was 2.04, and ÁKK sold HGBs in the amount of HUF 1,721 billion (HUF 2,026 billion including non-competitive tenders). In addition, ÁKK exchanged government bonds in the amount of HUF 480 billion for longer-term government bonds on switch auctions of the first half of the year.

During the first six months of 2025, the stock of T-Bills increased by HUF 477 billion to HUF 2,921 billion driven by strong demand both from institutional and retail investors. During the first half of the year, ÁKK offered T-Bills in the amount to HUF 1,560 billion on auctions. The demand amounted to HUF 3,037 billion resulting in an average bid-to-cover ratio of 1.95. The accepted amount of HUF 1,994 billion exceeds the offered amount by HUF 434 billion. On T-Bills switch auctions, demand amounted to HUF 489 billion, of which ÁKK accepted HUF 386 billion.

The yield curve is currently slightly upward sloping. Yields are in the range of 5.95% – 7.27% versus the range of 6.14% – 6.61% of yearly average yields in 2024. Since the beginning of the year, yields

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increased by 3 – 85 basis points depending on tenor. The asset swap spread of 5-year and 10-year HGBs amounted to approximately 25-50 basis points exceeding the 2024 yearly average 10-15 basis points level.

Retail Market

On the forint retail market, 71% of planned gross issuance was completed. At the end of June 2025, the number of customers owning retail securities amounted to 767,672 in Hungary, implying a decrease of close to 48 thousands relative to the end of 2024. The estimated government securities holdings of households increased by HUF 110 billion during the course of the year. The net increase estimated for the end of the second quarter however shows a distorted snapshot. Investors tend to reinvest maturities and interest payments within a few weeks' period and not immediately. This process was likely still ongoing regarding the interest payments and other maturities towards the end of June. As a consequence, retail investors' cash balance at the State Treasury exceeded substantially the stock prior to the January interest payments.

Redemption rate of PMÁP series repriced in 2025 amounted to approximately 32% relative to the stock in the beginning of the year. In case of other retail securities, no large-scale redemptions took place. In the second quarter, Fix Hungarian Government Securities (FixMÁP) and Bonus Hungarian Government Securities (BMÁP) were the most popular retail products, their gross issuance in the first half combined was HUF 2,676 billion exceeding the HUF 2,529 billion decrease of total PMÁP stock. Sales of the security granting fixed interest constituted 47% of total gross retail issuance in the first half of the year. Within sales the share of BMÁP paying interest aligned to money market rates was 31% in the first half of 2025. The substantial rebalancing led to a decline in the share of PMÁP relative to retail government securities from 59% at the end of 2024 to 37% by the end of the first half of 2025, while the share of FixMÁP and BMÁP combined increased from 19% to 41%. During the first half of the year, households also turned to institutional securities (prominently Treasury Bills), resulting the estimated stock of institutional government securities owned by households to increase by HUF 344 billion until the end of June.

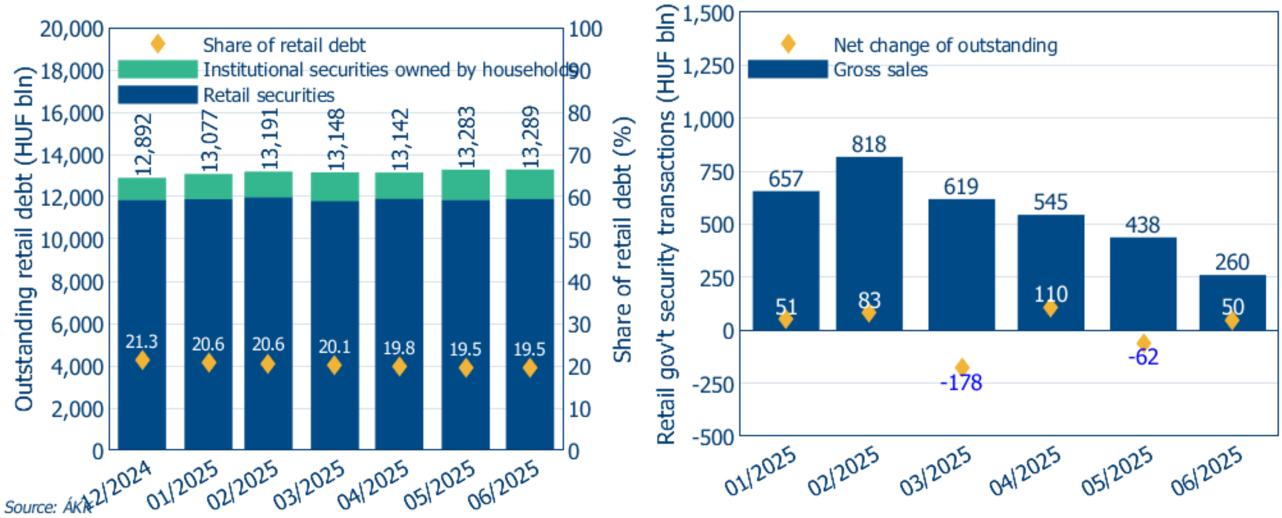

Figure 4: Monthly retail government security stock and transaction data. Share of retail debt exhibits the ratio of retail securities owned by households to the total government debt. Note: The data is based on value dates as opposed to deal dates.

The change in retail financing structure is in line with the intention of ÁKK to strengthen the portfolio approach regarding households' government securities investments. The inflation exposure of the central government debt declined from previous 13.3% to close to 8.3% in line with ÁKK's intention to decrease this exposure.

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By the end of the first half of the year, the estimated stock of institutional government securities owned by households and retail government securities combined increased to HUF 13,289 billion exceeding the stock as of the end of December by HUF 397 billion.

Experience of the first half shows no net outflow on retail market. In spite of significant repricing in case of PMÁP, the stock of government securities owned by households increased indicating prevailing investor trust in government securities.

FX Institutional Market

A substantial part of the full-year planned issuance was completed during the first six months of the year. Until the end of June, 91% of planned gross FX issuance was fulfilled; in case of FX bonds, the completion rate reached 100% according to the Financing Plan modified in June. In January, ÁKK issued FX bonds in the amount of EUR 2.5 billion. The issuance was oversubscribed multiple times. Of the issued amount, EUR 1 billion was green bonds. Following the increase of the cash-flow based deficit, ÁKK completed a USD 4 billion FX bond issuance in June; the offer was oversubscribed several times. Besides the increasing financing need, the successful June FX bond issuance provides liquidity buffer for the remainder of 2025 amid fragile international economic environment. The amount of FX denominated securities issued via ECP (Euro Commercial Paper) Program in April amounted to HUF 180 billion (USD 500 million). Regarding the remainder of the year, ÁKK plans to complete a smaller-sized Panda bond issuance on the Chinese market. The necessary framework will be set up through the amendment of the Financing Plan in a timely manner. In addition, the stock of international FX loans and FX retail securities may increase. In autumn, a EUR 1 billion FX bond will mature in addition to smaller-sized series denominated in Japanese Yen and Chinese Yuan. As a result of these redemptions and planned FX bond buy-backs planned for the end of the year, FX debt share may again decrease to the 30% benchmark threshold during the course of 2026.

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