GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

ÁKK

HUNGARY
Investor Presentation

August 2020

DISCLAIMER

These materials may not be copied, published, distributed or transmitted and may not be reproduced in any manner whatsoever. These materials do not constitute an offer to sell or the solicitation of an offer to buy any securities for sale in any jurisdiction. Persons into whose possession this announcement comes are required to inform themselves about, and to observe, any such restrictions.

This presentation contains forward looking statements, including statements about the beliefs and expectations of Hungary ("Hungary"). These statements are based on the Hungary's current plans, estimates and projections, as well as its expectations of external conditions and events. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. As a result of these risks, uncertainties and assumptions, undue reliance should not be placed on these forward-looking statements. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. Hungary is not obliged to, and does not intend to, update or revise any forward-looking statements made in this presentation whether as a result of new information, future events or otherwise.

This communication has been prepared by and is the sole responsibility of Hungary, which is the subject of this communication. This communication is provided for information purposes only. The information and opinions herein is believed to be reliable and has been obtained from sources believed to be reliable, but no representation or warranty, express or implied, of whatsoever nature, is made with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions. There is no obligation to update, modify or amend this communication or to otherwise notify the recipient if information, opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The recipient is strongly advised to seek its own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory issues discussed herein. Analyses and opinions contained herein may be based on assumptions that if altered can change the analyses or opinions expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any financial instrument, credit, currency, rate or other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. Hungary disclaims liability for any loss arising out of or in connection with a recipient's use of, or reliance on, this communication.

This communication is not for distribution to, or for the use of, individual or private customers (including those as defined by the rules of the UK's Financial Services Authority (FSA)).

This communication is not for publication or distribution, directly or indirectly, in or into the United States or in any other jurisdiction in which such publication or distribution would be prohibited by applicable law. This communication is confidential and solely for the use of the person it is addressed to and its advisers. This presentation does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase, any securities to any person in any jurisdiction and nothing contained herein shall form the basis of any contract or commitment whatsoever. In particular, the securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. The Issuer does not intend to register any portion of the offering of securities in the United States or to conduct a public offering of securities in the United States. or any other jurisdiction. No securities may be offered, sold or delivered in the United States. No public offering is being made in the United States or in any other jurisdiction where such an offering is restricted or prohibited or where such offer would be unlawful. Any offering of securities will be made by means of an offering circular which will contain detailed information about the Issuer, as well as financial information. Neither this communication nor any portion hereof may be sent or transmitted into the U.S. or any jurisdiction where it is unlawful to do so. No money, securities or other consideration is being solicited by this communication or the information contained herein and, if sent in response to this communication or the information contained herein, will not be accepted. Neither this communication nor any information herein nor the fact of its distribution shall form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

This presentation is directed only at and is for distribution only to persons who (i) are outside the United Kingdom, (ii) are "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), (iii) are persons falling within Article 49 (2)(a) to (d) of the Order or (iv) are other persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons in (i), (ii), (iii) and (iv) together being referred to as "Relevant Persons"). This announcement is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this announcement relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

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

This Presentation does not disclose all the risks and other significant issues related to an investment in securities issued by Hungary, nor does it propose to do so. Potential investors should ensure that they fully understand the terms of any securities and any applicable risks.

KEY FACTS AND FIGURES ON HUNGARY

Area: 93,023 sq. kilometres

Capital: Budapest

Population: 9.8m

Life expectancy: 76.1 years

Currency: Forint (HUF)

Exchange rate (2019): 290.65 HUF = 1.00 USD[1]

Nominal GDP (2019): HUF 46,787 billion

Real GDP growth (2019): 4.9%

Public debt (2019): HUF 29,682 billion

Public debt in foreign currency (2019): HUF 5,121 billion (EUR 15 billion)

Sovereign ratings: BBB / Baa3 / BBB

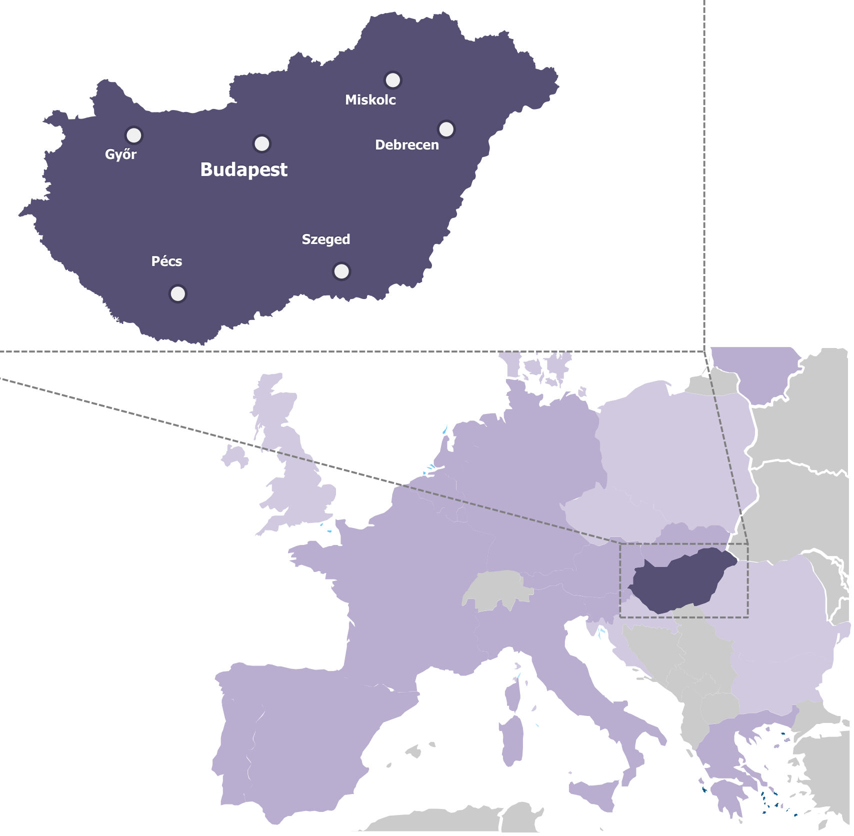
Government: parliamentary republic

EU member country since: 2004

Schengen area member since: 2007

Key economic sectors: manufacturing; wholesale and retail trade; automotive; education and health

A high income economy with a strategic location at the centre of Europe and memberships in key international organizations



Note: 1. Average exchange rate in 2019

Sources: Government Debt Management Agency of Hungary (AKK), Hungarian Central Statistics Office (HCSO), HIPA, Magyar Nemzeti Bank (the central bank of Hungary) (MNB), World Bank, Bloomberg, European Commission

HUNGARY IS IN STRONG POSITION TO FACE THE IMPACT OF COVID-19

Measures to face coronavirus pandemic	• The Government is taking **extraordinary measures to contain mass infections and mitigate the economic impact of Covid-19** as illustrated in slide 7 • The **MNB took a series of coordinated measures** including adjustment of policy rates, introduction of new liquidity enhancing facilities and executing asset purchases as illustrated in slide 6 • Fiscal policy measures result in a **total stimulus of HUF 10,200 billion** equalling 22.1% of GDP as illustrated in slide 9
Strong and resilient economy	• **Hungary was one of the fastest growing economies in Europe with real GDP growth of 4.9% in 2019** (3.3 times higher than the EU average) and **is facing the Covid-19 crisis from a resilient position**, as illustrated on slide 13 • **The economy benefits from strong investment dynamics,** enjoying the second highest investment rate in Europe in 2019 • **The level of unemployment is low,** amounting to 3.3% in Q4 2019, 3.7% in Q1 2020 and 4.6% in Q2 2020 • **The sovereign's economic environment is stable:** inflation has been within the targeted band since 2017 and the banking sector is characterised by low non-performing loan ratio and adequate capitalisation as illustrated in slide 17
Sound fiscal policies	• **The fiscal deficit was constantly below the EU ceiling of 3% since 2012, however the expected ESA deficit is for 2020 is 7%-9% of GDP (compared to the original 1.0% target and 3.8% target set in Spring) in response to Covid-19** see slide 19 • **Counter-cyclical fiscal policies have allowed the public debt to decline steadily since 2011** – i.e. by 14.4 percentage points over 2011-2019, reaching 66.4% of GDP at year end 2019 as illustrated in slide 20 • **Fiscal policy will be supportive in 2020 in response to Covid-19, however the government remains committed to fiscal consolidation and reduction of public debt**
Favourable external position	• **Hungary enjoys a positive net international lending position since 2009** as illustrated in slide 23 • **This positive external position is largely explained by the country's trade surplus** which has been supported by the rise in services exports in recent years as illustrated in slide 23 • **External debt indicators are at historical lows** with a gross external debt (including intercompany loans) level of 78% of GDP in 2020 compared to 129% in 2012 as illustrated in slide 24 • **International reserves are adequate**, representing over 1.6x the level of short-term external debt of the sovereign as illustrated in slide 24
Effective debt management	• **Hungary is an Investment Grade country that benefits from highly supportive financing conditions** as illustrated in slide 29. • **The structure of public debt is favourable** with a decreasing share of FX debt, increasing average term to maturity and a highly diversified, deep and liquid domestic market as illustrated in slide 26 & 29-31 • **The development of the retail market has been a key driver of the expansion of the domestic investor base** as illustrated in slide 27 & 28

I. MEASURES TO FACE CORONAVIRUS PANDEMIC

HUNGARY FACES THE COVID-19 CRISIS WITH A STRONG POLICY TRACK RECORD

Key highlights of government support

- **The Hungarian government is implementing a wide range of measures to support the economy in response to Covid-19**
  - 2020 budget reserves of 1% of GDP mobilized
  - Creation of the Disease Control Fund and Economy Protection Fund
  - Revised ESA budget deficit estimate of 7%-9% of GDP in from 1.0% initially budgeted and 3.8% targeted in the April Convergence Programme
  - Total measures announced worth HUF 10,200 billion (22.3% of GDP) for 2020 to mitigate the impact of the crisis
- **The government is committed to mitigate the economic downturn with economic protection, job creation, tax and financing measures. The increased deficit related to these measures will result in a higher debt vis-a-vis the original plans; but at the same time they alleviate the size of the downturn**

Key highlights of central bank support

- **Key policy rates remaining highly accommodative and sufficient policy space** following increase in one-week collateralized lending rate to 1.85 percent following the monetary council decision dated April 7, 2020
- **Central bank base rate cut by 15 basis points** effective as of June 24, 2020
- **Central bank base rate cut by an additional 15 basis points** effective as of July 22, 2020
- **Enhanced liquidity** thanks to the introduction of 1-week FX swap tender, a 5-year long-term collateralized lending facility and the release of capital buffers of systemically important credit institutions
- **Introduction of asset purchase programs** with the Government Security Purchase Programme and the Mortgage Bond Purchase Programme
- **Introduction of a new and enlarged Funding for Growth Scheme** to ensure access to required and affordable funding for domestic SMEs

➢ **<u>Balanced approach to maintain rates at low levels, ensure ample liquidity and achieve low long term rates</u>**

KEY GOVERNMENT PRIORITIES IN RESPECT OF CORONAVIRUS

Protect lives, workplaces and decelerate the epidemic	Besides health care delivery from abroad, the Government creates new capacities and increases existing ones in order to **produce health care products in Hungary**
	Deploy measures related to employment in order to **minimize human contacts**: employers may alter work schedule more easily, employers may order employees to work at home or remotely, employers may provide for checking the health of their employees
Mitigate the impact on the economy	**Maintain liquidity in the economy.** This requires redesigning fiscal and economic policy (budget reserves of up to 1% of GDP are being mobilized); The redesigning of budget "at all levels" is coordinated by the Minister of Finance, involvement of central bank and monetary policy tools.
	The Government created 2 new open ended domestic funds to finance the costs related the financing of the Pandemic: (i) **Disease control fund** (HUF 634 billion) and (ii) **Economy protection fund** (HUF 1,365 billion). After a decision of the Parliament, expenditure from the two funds has already been significantly exceeded the initial amounts available.
	Allocate emergency defence expenditure: Until 24 August, the Government already allocated a total of HUF 2,589 billion (EUR 7.3 billion) for pandemic and economy protection expenditures and further HUF 398 billion (EUR 1.1 billion) on tax measures.
	The tourist tax is suspended until December 31, the social contribution tax rate of the SZÉP Card was reduced by June 30, and its limits were raised. HUF 600 billion was provided for the **tourism protection** program.
Continuously monitor the situation	**Hold continuous consultation** with the representatives of the most troubled industries (such as tourism, catering industry and service sector) and representatives of the SME sector in order to introduce quick measures to help them.
	11 high-level task forces were established in order to manage the situation

Source: MoF

ADDITIONAL FUNDS HAVE BEEN SET ASIDE TO HELP WITH THE COSTS OF THE CORONAVIRUS PANDEMIC

- After redesigning the budget law for 2020, two separate domestic funds were created for financing the costs related to the pandemic and for government's additional expenditures

Budget Law 2020

Total expenditures	Total revenues
HUF 21,991 billion	HUF 21,506 billion

Disease Control Fund

Expenditures	Sources (HUF 634 billion)
Purchase of goods, fixed assets *	Budget reserve (HUF 378 billion)*
One off wage for health care workers (HUF 101 billion)	Reallocation of other expenditures (HUF 130 billion)
	New tax – Retail sector (HUF 36 billion)
	New tax – Banking sector (HUF 55 billion)
	Existing tax – reallocated from local governments (HUF 34 billion)

Economy Protection Fund

Expenditures	Sources
Crisis related expenditures (HUF 1,365 billion)	Reallocation of expenditures from ministries (HUF 943 billion)
	Reallocation of sources from national Employment Fund (HUF 423 billion)

*The source of the asset purchase is the budget reserve which is an uncapped appropriation.

Source: MoF

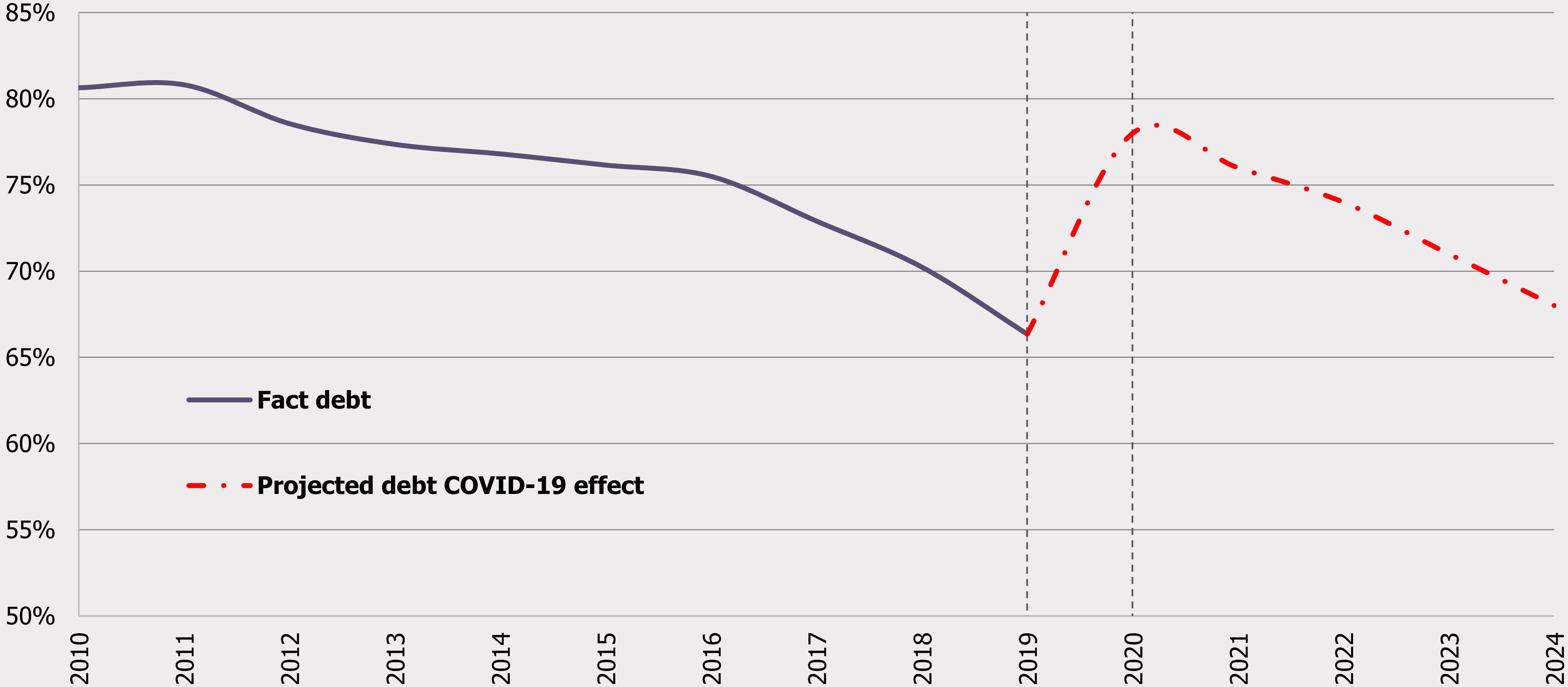
GOVERNMENT MEASURES TO ALLEVIATE ECONOMIC IMPACT OF THE PANDEMIC

Area of action	Sum of measures for 2020	
	HUF billion	% of GDP[1]
Total measures = 1) + 2) + 3)	**10,200**	**22.3%**
1) Pandemic measures	791	1.7%
2) Economic policy measures = A) + B)	2,207	4.8%
A) Discretionary tax and social measures	409	0.9%
Further 2%-points cut of the social security tax	160	0.4%
Temporary cuts of certain employer's and employee's taxes until June 30	96	0.2%
Other tax measures	141	0.3%
Lengthened eligibility for maternity related social transfers	11	0.02%
B) Expenditure measures	1,798	3.9%
To be financed from reallocated domestic budgetary sources	943	2.1%
To be financed from overrun of domestic appropriation	520	1.1%
To be financed from reallocated EU-co-financed expenditures	335	0.7%
3) Financing measures	7,202	15.8%
Payment moratorium (total size of the measure)	3,600	7.9%
Total amount of new capital, guarantee and loan programs (up to Aug 24)	2,102	4.6%
Central Bank's Funding for Growth Scheme	1,500	3.3%

Source: MoF Note: 1 Calculated with expected GDP for the year 2020 of HUF 45,659.8 billion; figures are rounded for the first digit and consequently subject to rounding error

DESPITE THE INCREASE OF THE DEBT RATIO THIS YEAR, THE GOVERNMENT IS COMMITTED TO THE REDUCTION OF THE PUBLIC DEBT

Evolution of the public debt ratio (% of GDP)



By setting a 7-9% ESA deficit target for 2020 the government wants to deliver more direct budgetary support in order to alleviate the size of the downturn – this will lead to a shift upwards in the public debt ratio.

Looking ahead, domestic fiscal rules stipulate and the Government remains committed to the reduction of the public debt.

Source: MoF

HUNGARY, SIMILARLY TO OTHER COUNTRIES, IS FOCUSED ON THE ECONOMIC RECOVERY AND KEEPING PEOPLE EMPLOYED

	Hungarian focus measures	Note	Some countries that also apply
1	**Hungarian "Kurzarbeit"**	Government support for short-term work for the period of the lockdown. The Hungarian government took over 70% of the lost salary for 3 months.	
2	**Maintaining household income**	Expiring benefits for persons currently on maternity leave were extended until the end of state of danger. Parents raising a chronically ill or disabled child do not cease to be eligible until the last day of the 2nd month after the end of the emergency. Employees' contributions were reduced to level equivalent to the basic health insurance contribution (HUF 7,710 Ft) payable in sectors severely affected by the epidemic.	
3	**Payment moratorium for companies and households**	Payment moratorium was introduced for debtors of households and company credit, loan and financial lease contracts until 31 December 2020.	
4	**Deferred tax payment**	Tax holiday in accommodation, food, arts, entertainment and recreation services on employers' social security contributions. Tax holiday for small businesses under the simplified, small business oriented tax regimes.	
5	**State guarantee**	Measures offer interest- and guarantee-subsidised credit facilities to Hungarian businesses.	

Source: Hungarian Government, MoF, MoJ

II. STRONG AND RESILIENT ECONOMY

HUNGARY CONTINUES TO BUILD ON SOLID ECONOMIC GROWTH SINCE 2013

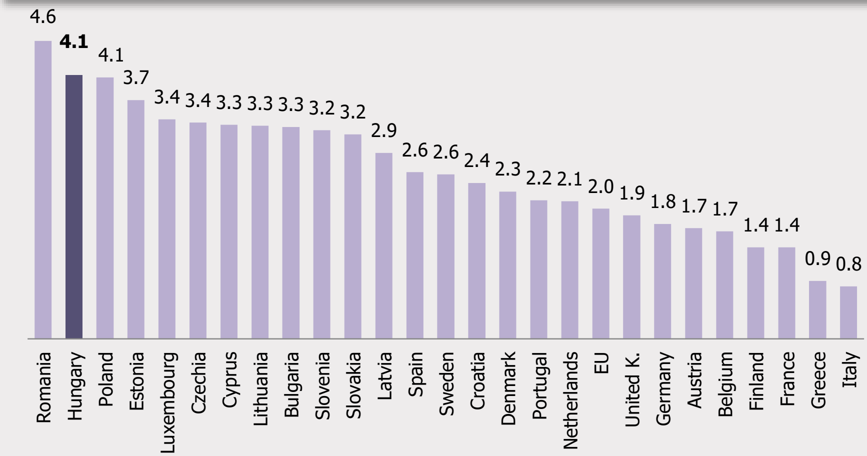
Key highlights

- **Since 2013, Hungary's GDP growth has been among the fastest in Europe as evidenced in the chart on the right**
- **Growth has been partly driven by the turnaround in employment** that happened in the wake of the structural reforms implemented after the economic crisis, including the tax regime
  - The number of people employed rose by over 784,400 between 2012 and Q4 2019
  - Unemployment decreased to a historic low of 3.3% in Q4 2019
  - **This has allowed the Hungarian economy to grow by 4.1% on average between 2014 and 2019, while the EU average has been 2.0%**
- **In 2019, real GDP grew by 4.9%, the second highest level in Europe** and 3.3x times faster than the EU average according to data compiled by Eurostat
- The strong momentum in Hungarian economic activity entering the Covid-19 crisis is supportive of the outlook compared to peers
  - Unemployment rate increased to 3.7% in Q1 2020 and to 4.6% in Q2 2020
  - GDP grew by 2.2% in Q1 2020, and decreased by 13.6% in Q2 2020, compared to the corresponding quarter of the previous year

Hungarian data are more favourable than the EU average.

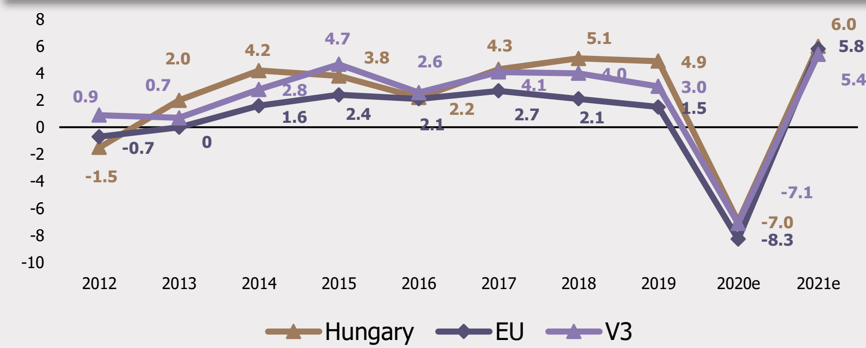
Sources: HCSO, Eurostat

Second highest GDP growth among EU countries 2014-2019*



Source: Eurostat | *excluding Ireland and Malta

Real GDP Growth (European Commission Forecast; YoY, %)



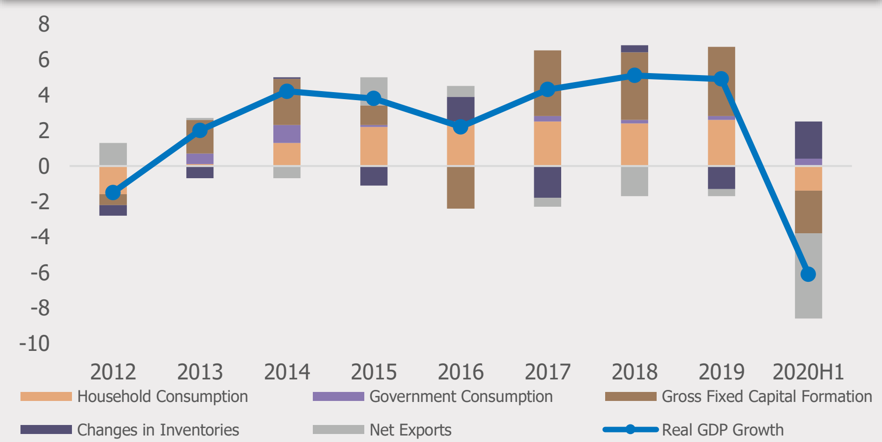
Sources: Eurostat, European Commission 2020 Summer Economic Forecast Note: Unadjusted data

GROWTH IS DRIVEN BY BOTH CONSUMPTION AND INVESTMENT

Key highlights

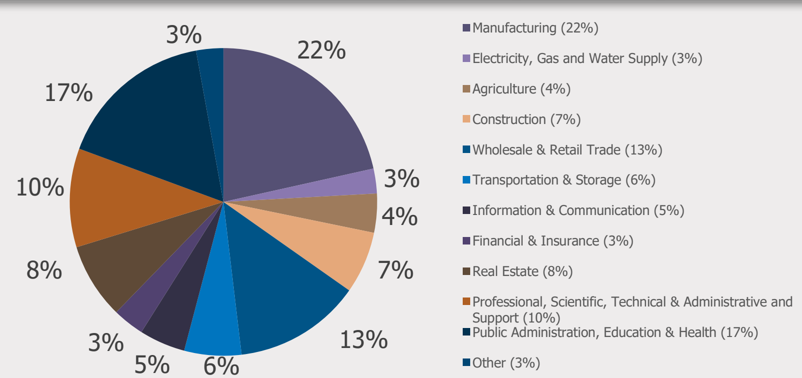
- **Growth in Hungary has been consistently supported by household consumption since 2014**
- **Household consumption has been supported by increasing household wealth and a low unemployment rate**
- **This has contributed to the development of the services industry**
  - Although all key sectors grew in Hungary in 2019, the service sector has been a key driver of real GDP growth as evidenced in the right bottom chart
- **Investment activity has picked up significantly since 2017 with high contributions to GDP growth** as evidenced by the graph to the right

Contribution to GDP growth by expenditure (percentage points)



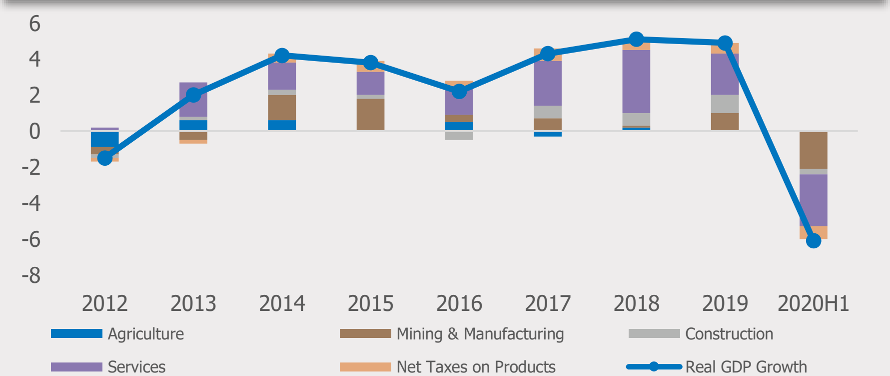
Source: HCSO Note: Calculated from indices compared to the previous year

2019 Nominal GDP breakdown by sector (% of total)



Source: HCSO

Contribution to GDP growth by sector (percentage points)



Source: HCSO Note: Calculated from indices compared to the previous year

INVESTMENT DYNAMICS ARE SUPPORTIVE OF THE BROADER ECONOMIC OUTLOOK

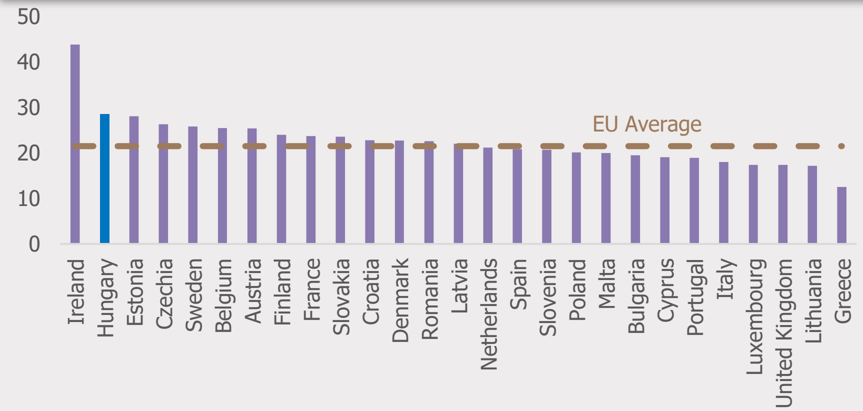
ÁKK

Key highlights

- **Hungary benefited from the second highest investment rate in Europe in 2019,** with investment representing 28.6% of GDP (compared to an average of 22% among EU-27)
- **Investment has been particularly dynamic in the corporate sector partly due to** incentives including flat corporate income tax rate and investment subsidy program for large corporations
- **The effective absorption of EU funds has also contributed to the positive trend and is expected to keep generating important benefits in the coming years**
  - As of 2019, only 43% of the total EU budget allocated to Hungary for the 2014-2020 period has been spent

Sources: Eurostat, HCSO, Ministry of Finance (MoF)

2019 investment rate in EU countries (% of GDP)



Source: Eurostat Note: Data not adjusted

Effective investment incentives and 2019 achievements

Large corporation investment subsidy program: for companies active in the manufacturing sector that contribute to growth through the modernization of economy and expansion of employment

Training Subsidy: available to investors creating at least 50 new jobs. This subsidy is provided for trainings with maximum aid intensity of 50%

VIP Cash Subsidy: for asset investments, business service centres and R&D projects

Development tax incentives: tax allowance for post-investment period, exemption for up to 80% of the corporate tax payable for 13 years following installation

9% corporate income tax rate: the lowest rate in the EU, which substantially reduces capital costs and strengthens Hungary's ability to attract capital

Subsidy based on individual government decision: focusing on the creation of high value-added jobs, the maintenance of existing jobs and the improvement of the corporate productivity and automatisation

Source: MoF

HUNGARY HOUSEHOLDS ARE BETTER POSITIONED TO FACE AN INCOME SHOCK

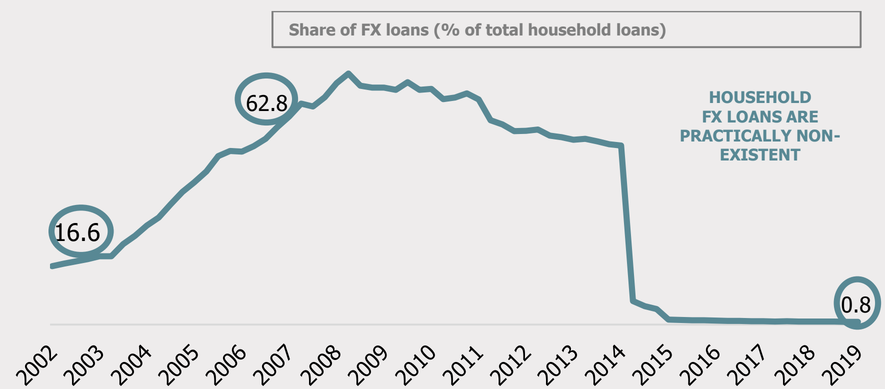
Key highlights

Hungary households are better positioned relative to the 2008 crisis to face an income shock as illustrated by :

- The saving rate which has increased by 10% during the period 2008-2018 to reach 12% which is the highest rate among the EU countries
- Household debt is less vulnerable and has evolved favourably since 2008 as illustrated by the share of FX loans (relative to total household loans) decreasing to almost 0%.

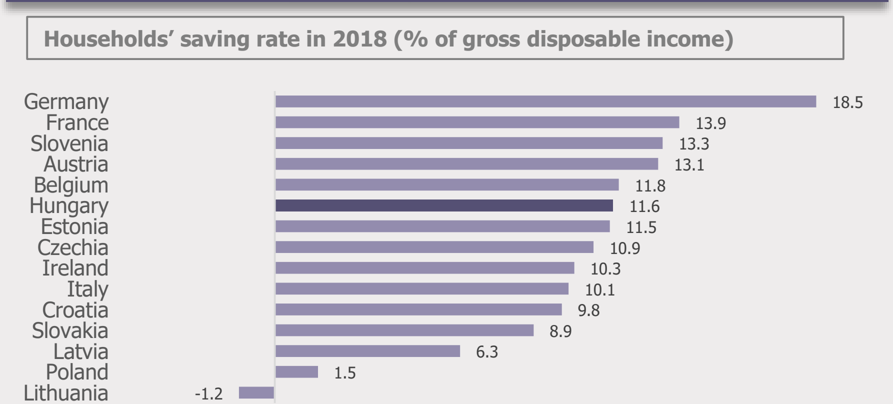
Sources: Eurostat, MNB

Household debt is much less vulnerable than before last crisis hit



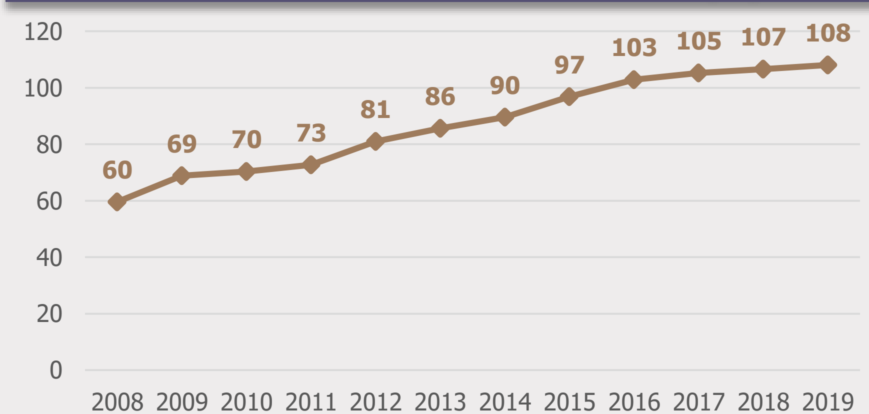
Source: MNB

Households have a strong financial position that can cushion income shock



Source: Eurostat

Net financial wealth of households relative to GDP (%)



Source: MNB, HCSO

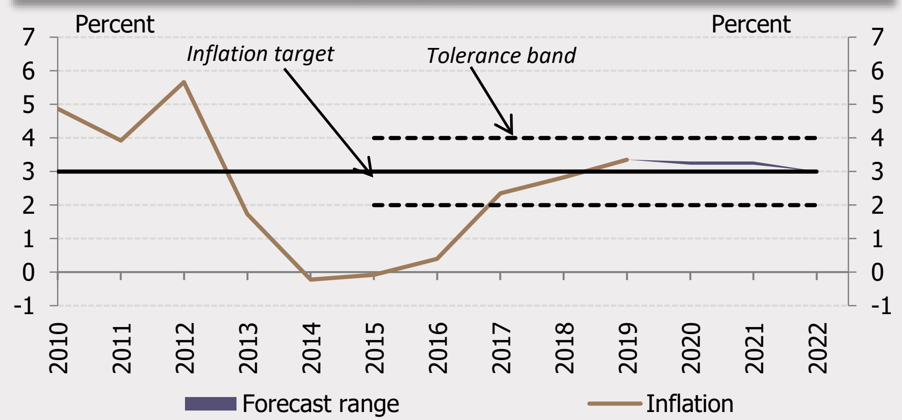
THE MACRO ENVIRONMENT IS STABLE AND THE BANKING SECTOR IS STRONG

Key highlights

- **The MNB's primary statutory objective is to maintain price stability**
  - Policy rate is adjusted to ensure inflation remains anchored at 3%, with a tolerance range of +/- 1%
  - **Baseline yearly average inflation has remained within the defined tolerance band since the beginning of 2017 and is expected by MNB to stabilize around the inflation target by 2022**
- **The banking sector is well capitalized and the quality of loans improved since the end of 2015** as evidenced on the graph to the right
  - Non-performing loans (NPL) ratio has significantly decreased over the last decade amounting to 4.0% as of the end of 2019
  - Capital adequacy ratio amounted to 16.9% as of the end of 2019
  - The MNB has developed a comprehensive macro-prudential framework to ensure financial stability and the Basel III regulation is implemented
- **The Central Bank has adopted a package of measures to mitigate the impact of the Covid-19 crisis on the economy and banking sector as highlighted on slide 13**

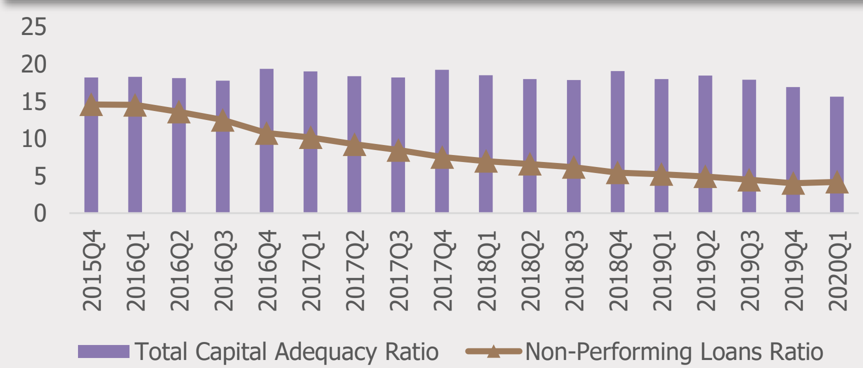
Source: MNB

Inflation vs inflation targets (%)



Sources: HCSO, MNB Note: Based on seasonally unadjusted data, compared to the corresponding period of the previous year; forecasts as of June 2020 from 2020 onwards

Total capital ratio and NPL ratios (%)



Source: MNB Note: NPL are loans overdue at least 90 days

III. SOUND FISCAL POLICIES

PUBLIC FINANCES ARE STRONG AND SUPPORT DEBT SUSTAINABILITY

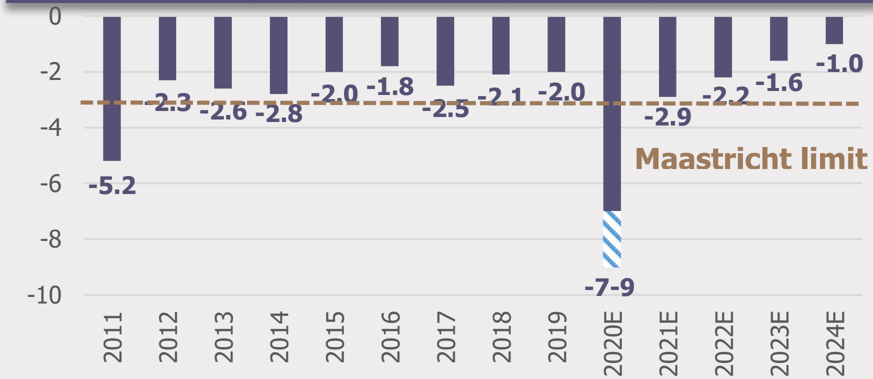
ÁKK

Key highlights

- **The budget deficit has remained below the 3% Maastricht threshold since 2012,** demonstrating the authorities' commitment to fiscal consolidation
- **The government originally aimed to achieve fiscal balance by 2023**
  - The authorities originally set the 2020 ESA budget deficit target to a historic low of 1.0% of GDP
  - In the latest EDP notification dated April 1, 2020 the Government estimated ESA deficit for the year 2020 to reach 2.9% of GDP due to the ongoing pandemic
  - Subsequently, late April, the ESA deficit estimate was revised to 3.8% of GDP in the latest Convergence Programme
  - In August, the Ministry of Finance estimated ESA deficit will amount to 7%-9% of GDP in 2020
- **The Government intends to decrease the fiscal deficit below the 3% Maastricht threshold as soon as next year**

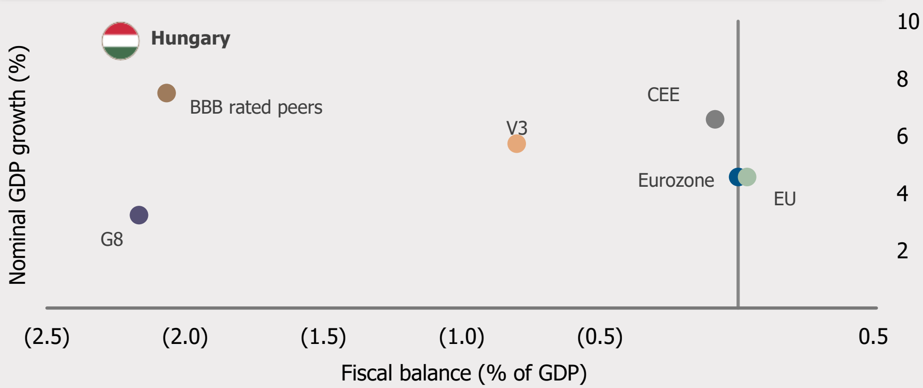
Source: HCSO, MoF

Evolution of Hungary's fiscal deficit (% of GDP)



Source: HCSO, MoF Note: For 2020 the latest forecast in August. After 2020 medium term outlook of 2021 Budget Act

Rapid nominal GDP growth – contained fiscal deficit (2016-2019 average)



Sources: HCSO, Eurostat, IMF, Fitch Data Comparator (August 2020) Notes: BBB rated peers are countries with at least two BBB ratings; average 2016-2019 growth and fiscal balance for countries; median for peer groups

THE GOVERNMENT DEBT-TO-GDP RATIO HAS BEEN STEADILY DECLINING

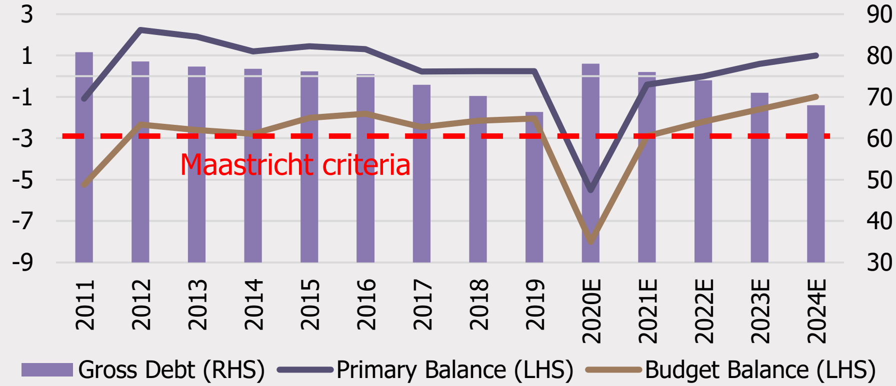
ÁKK

Key highlights

- **Under Hungary's Fundamental Law, reducing state debt is one of the main objectives of the government**
  - As long as the debt of the government exceeds 50% of GDP, only budgets which provide for a reduction of the government debt-to-GDP ratio can be adopted
- **The authorities strictly comply with this rule**
  - Fiscal consolidation and a prudent debt management have supported a reduction in Hungary's debt-to-GDP ratio
  - The country has enjoyed a rapid decrease in government debt to GDP ratio of 14.4 percentage points between 2011 and 2019, whereas debt to GDP ratio has decreased by 0.6 percentage points on average in the EU
  - In a State of Danger, like COVID-19 pandemic a special rule allows for a temporary debt increase

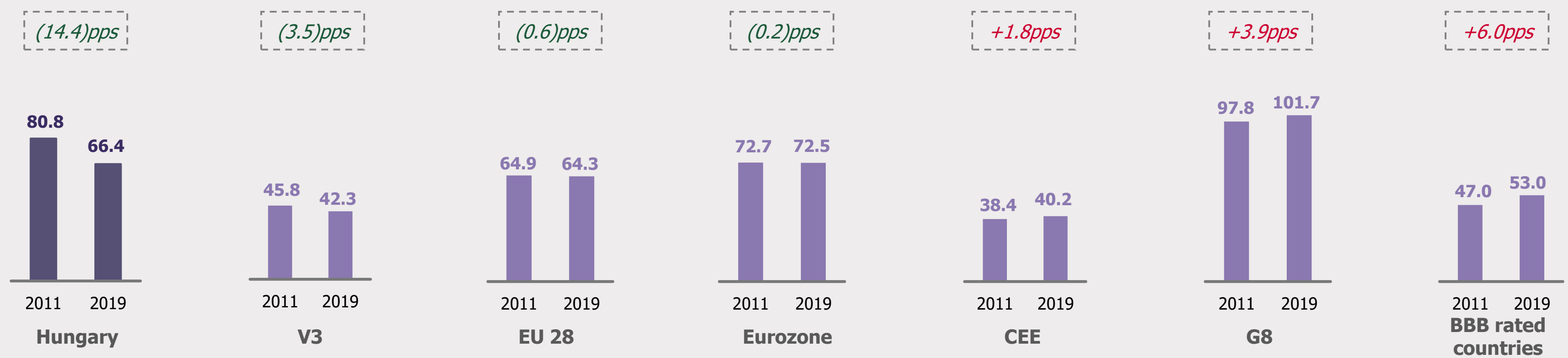
Sources: Eurostat, MNB, HCSO, MoF

General Government Debt and Deficit (% of GDP)



Sources: MNB, HCSO,
Note: Expected data based on the latest forecast on August 2020

Evolution of government debt in Hungary and peer groups (% of GDP)



Sources: MoF, Eurostat, IMF, Fitch Data Comparator (March 2020) Note: average for peer groups

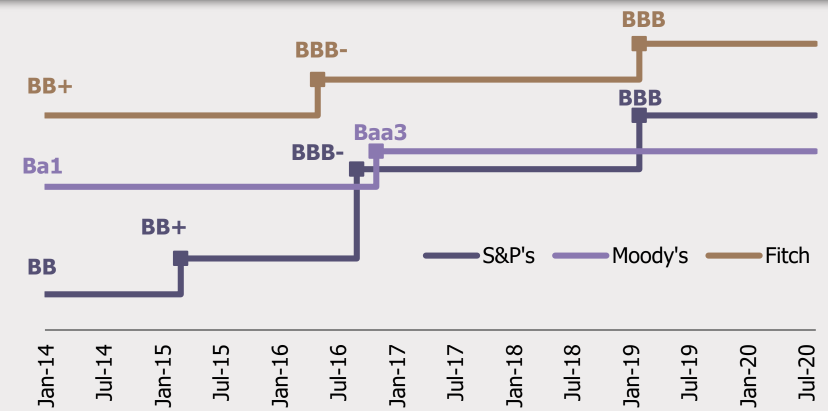
IMPROVING FUNDAMENTALS LEADING TO REDUCED HUNGARY RISK PREMIUM AND LOW COST OF FINANCING

Key highlights

- **Hungary's credit ratings have improved since 2014,** in line with the improvement in the macro-economic fundamentals
  - Hungary has benefitted from multiple rating upgrades since 2014
  - It is currently rated BBB/Baa3/BBB
  - The marked decrease in Hungary's CDS premia – approximately 537 basis points between 2011 and August 2020 on the 10Y CDS – also illustrates the increase in market confidence
- **Financing conditions have thus become increasingly supportive,** with Hungary also benefitting from the global context of low rates
  - They remain supportive despite the Covid-19 outbreak as illustrated by the level of yields and CDS as of end of August 2020

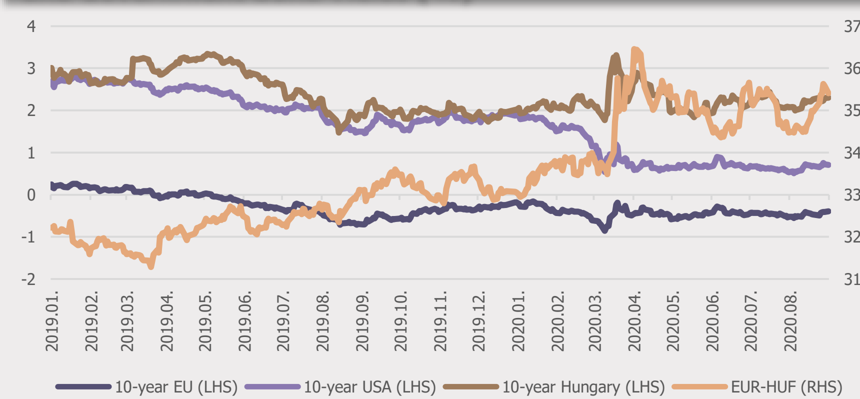
Source: MNB, Reuters, Standard&Poor's, Moody's, Fitch

Evolution of Hungary's ratings



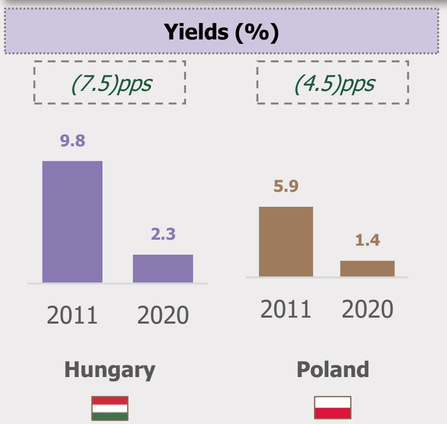
Sources: Standard&Poor's, Moody's, Fitch

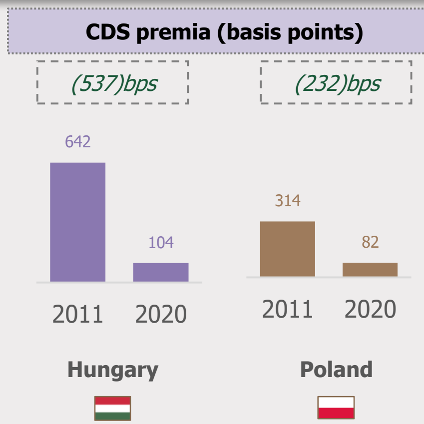
Development of the Foreign Exchange Rate (EUR-HUF) and Government Bond Yields (%)



Source: AKK

10Y local yield and CDS premia in Hungary and peers





Source: Bloomberg Note: As of 30.12.2011 and 31.08.2020

IV. FAVOURABLE EXTERNAL POSITION

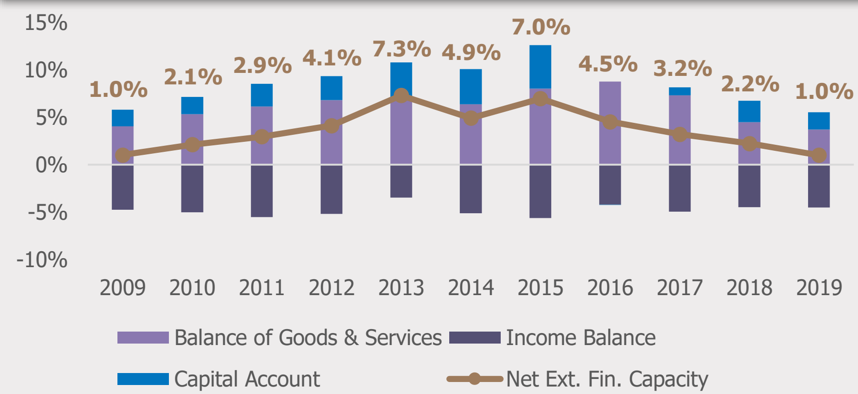
HUNGARY ENJOYS HEALTHY EXTERNAL ACCOUNTS AND A NET LENDING POSITION

Key highlights

- **Hungary's net external lending position is resilient**
  - **The country has been enjoying a net international lender position since 2009**, largely explained by the country's trade surplus that has shown significant surplus amounting to 4-9% of GDP between 2009 and 2019
  - The trade surplus increase has been driven by a rise in net services exports that represented 6% of GDP in 2019
  - Hungary also benefits from a positive capital account, partly explained by EU transfers
- **The goods and services export bases are diversified,** both in terms of sector and geography (with the exception of Germany, no country had a share in Hungarian exports over 5.2% in 2019)

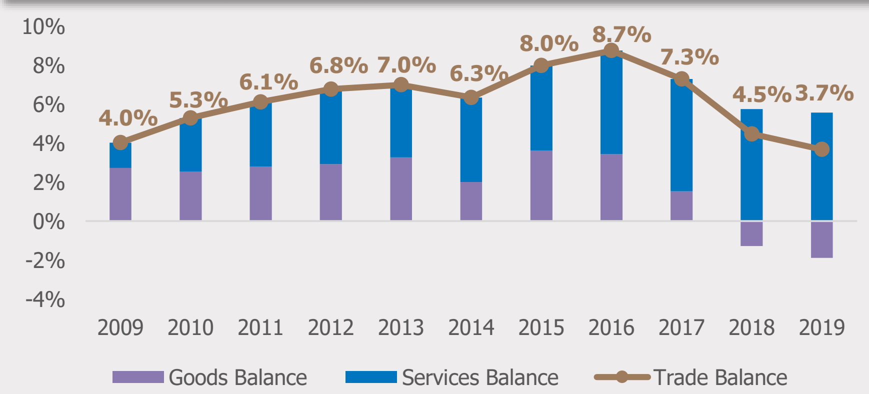
Source: MNB, HCSO

Net external lending components and position (% of GDP)



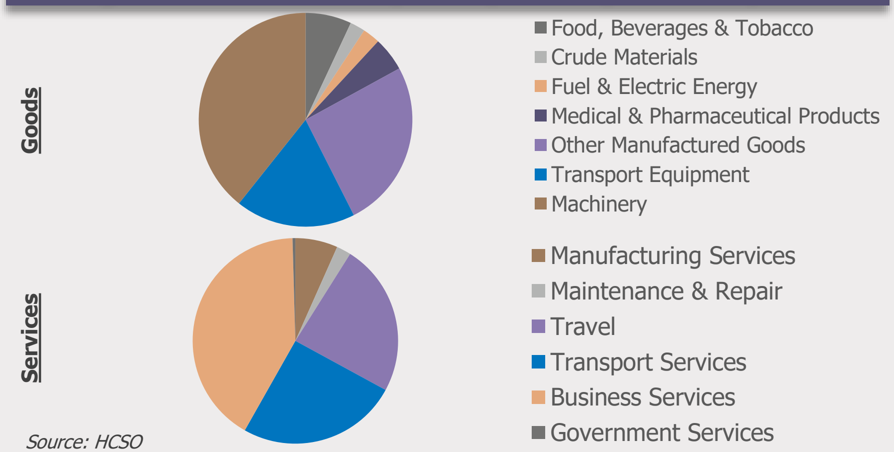
Source: MNB

Trade balance (% of GDP)



Source: MNB

2019 goods and services exports by sector (% of total)



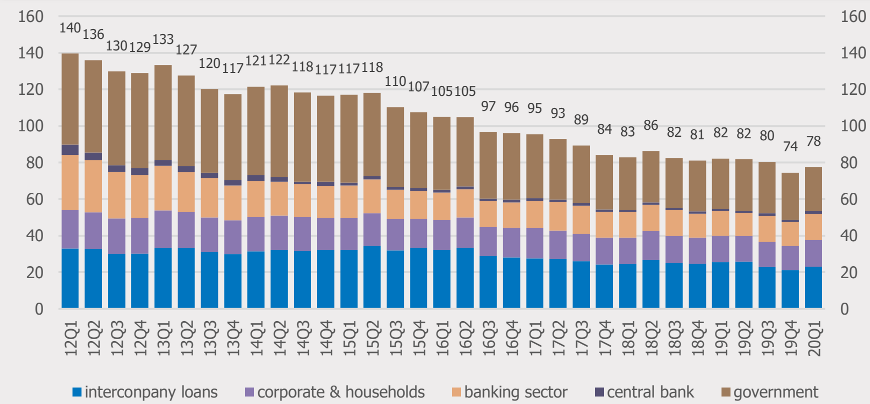
Source: HCSO

EXTERNAL DEBT HAS STEADILY DECLINED WHILE FX RESERVES REMAIN HIGH

Key highlights

- **External debt indicators have been improving since 2012**
  - Hungary's gross external debt has substantially decreased since 2012, notably on the back of active public debt management. It stands at 55% of GDP as of 2020Q1
  - The net external debt of Hungary has also consistently decreased, in line with the significant net lending of the recent years
- **International reserves remain high and continue to considerably exceed the level considered as safe by the Guidotti-Greenspan rule** (see footnote 1 of the chart to the right)
  - Hungary's FX reserves to short-term debt ratio has been above 1.0x since Q2 2012
  - This ratio has improved since 2017, driven by the decline in government short-term debt
  - FX reserves amounted to EUR 29.6 billion on July 31, 2020

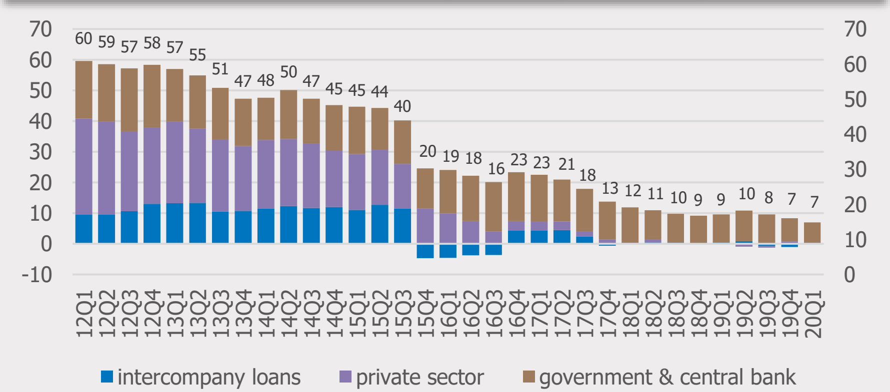
Gross external debt including intercompany loans (% of GDP)



Source: MNB

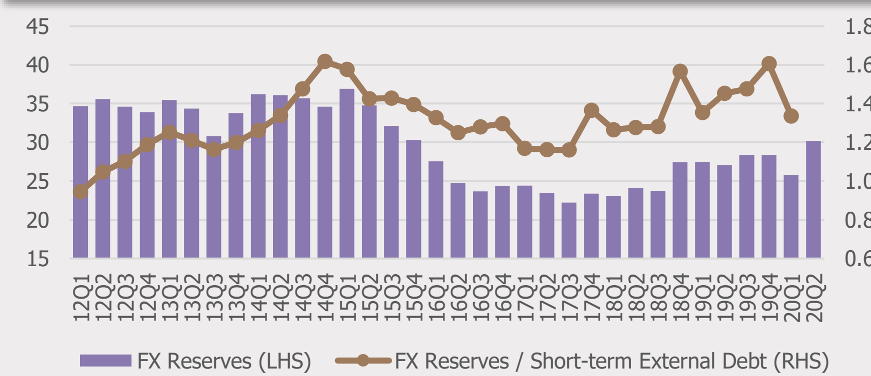
Source: MNB

Net external debt breakdown by sector (% of GDP)



Source: MNB

International reserves level and adequacy (EUR billion)



Source: MNB Note: 1. The Guidotti-Greenspan rule stipulates that the level of international reserves should exceed the level of short-term external debt

V. EFFECTIVE DEBT MANAGEMENT

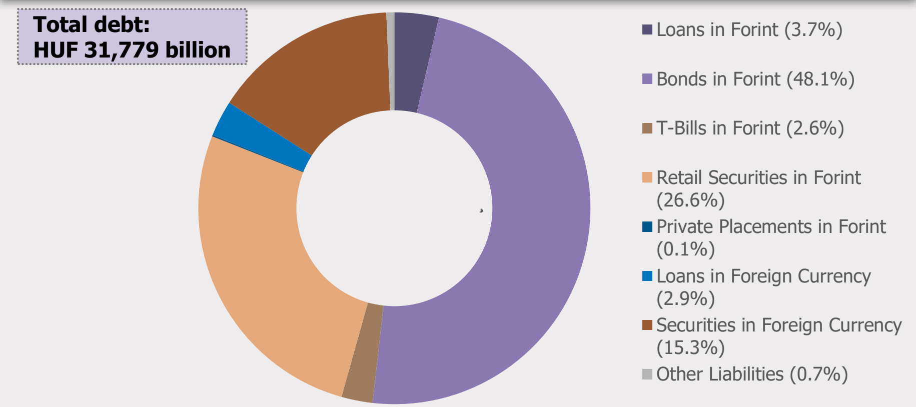
HUNGARY BENEFITS FROM A FAVOURABLE DEBT PROFILE

Key highlights

- **Each year, AKK defines key benchmark targets with the objective of optimizing Hungary's government debt portfolio**
  - The aim is to shield Hungary's government debt against exchange rate, interest rate and refinancing risks
- **All targets have been achieved in 2019**
  - **The self-financing policy has led to a material decrease in the FX share of government debt in Hungary**
  - **The active cross-currency swap strategy further mitigates FX risks** (risks emanating from adverse foreign exchange rate movements)
  - **Hungary enjoys in addition a large share of debt with a fixed coupon**
- **In 2020 AKK introduced a new benchmark of average term to maturity (ATM) exceeding 4 years in case of domestic debt**

Source: AKK

Hungary's government debt breakdown (July 31, 2020, % of total)



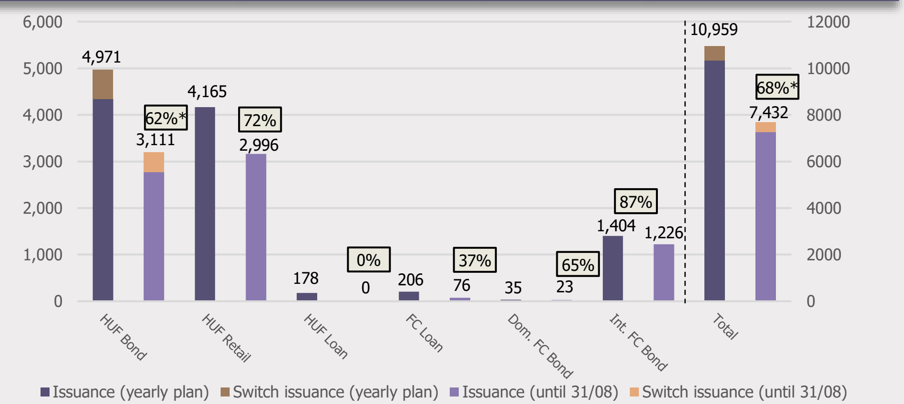
Source: AKK Note: Central government debt

Key targets and characteristics of Hungary's government debt[1]

	2020 benchmark targets		2020 August 31 figures[2]
Share of FX debt	Between 10% and 20%	✓	18.5%
Currency mix of the FX debt (after swaps)	100% in EUR (with a 5% deviation allowed)	✓	100% in euro
Share of domestic and FX debt with a fixed coupon	Domestic: 60%-80% FX: 65%-85%	✓	Domestic: 76% FX: 80%
Average time to re-fixing of domestic debt	Minimum 3.5 years	✓	4.0 years
Average time to maturity of domestic debt	Minimum 4 years	✓	4.4 years

Source: AKK Note: 1. Central government debt 2. 90-day moving average

Year-to-date and planned issuance (HUF billions)



*Source: AKK Note: *Including switch auctions*

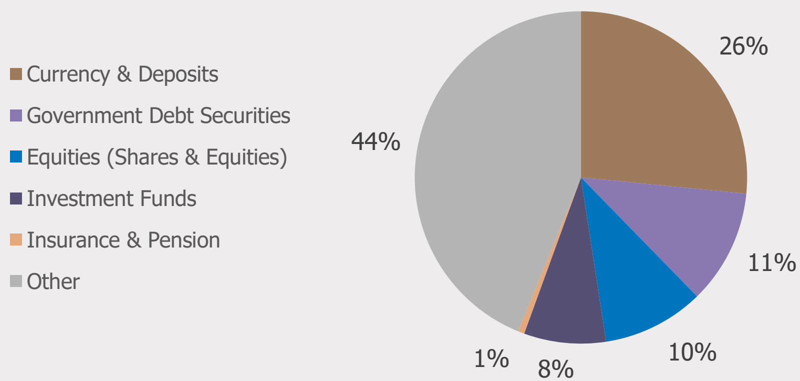
SIGNIFICANT CONTRIBUTION FROM THE HUF RETAIL MARKET

Key highlights

- **The retail sale market constitutes an important financing channel for the government,** in addition to local and international wholesale/institutional markets
  - The outstanding amount of government retail securities has significantly increased since 2011. It represents HUF 8,836 billion as of August 31, 2020
- **Hungary issues retail instruments with different characteristics, which allow to attract diverse retail investors**
  - Maturities range from 1 to 19 years, securities have step-up, fixed or inflation-linked coupon and besides dematerialised securities there are physical securities
- **AKK is regularly buying back retail securities from market makers to reduce the ownership of retail debt by non-household investors**
- **Using retail government bonds as collateral is not permitted in Hungary**
- Main distribution channels for retail securities are the Hungarian State Treasury (16%), post offices (7%) and banks / investment companies (77%)

Source: AKK

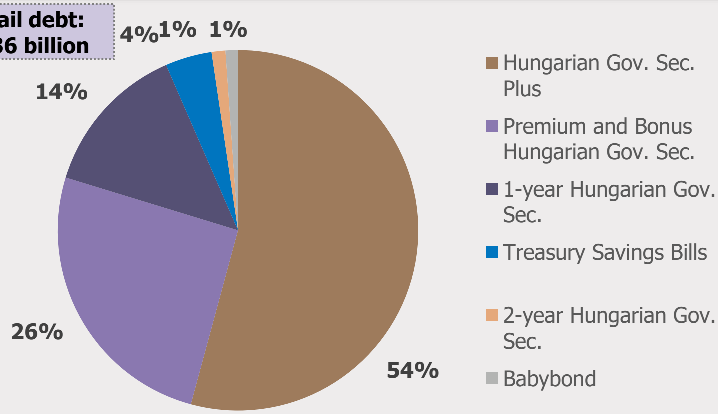
Households asset structure (Q2, 2020, % of total)



Source: MNB

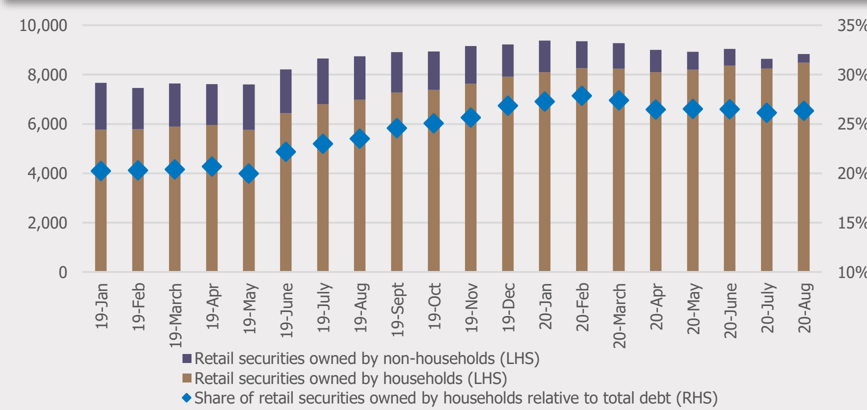
Retail portfolio by instrument (August 31, 2020, % of total)

Total retail debt: HUF 8,836 billion



Source: AKK Note: Central government debt

Retail securities (HUF Billions and % of total)



Source: AKK

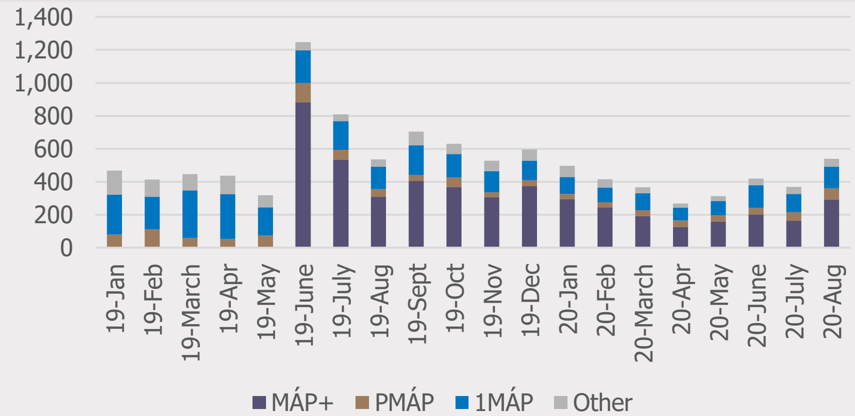
RETAIL MARKET OVERVIEW

Key highlights

- **Since 2012, AKK concentrated on the retail market**, initially using a wide range of instruments each tailored to different investor demand
- **In 2019 AKK introduced a new instrument MÁP+** and reduced the product range. Flagship instruments are:
  - **MÁP+** a bond with 5-year tenor and step-up interest rate (close to an average of 5% when held until maturity)
  - **PMÁP** an inflation-linked bond granting a positive real yield (inflation protection)
  - **1MÁP** a product with a tenor of 1 year (short-term product)
- **Since its introduction, MÁP+ has been the most popular product** and currently accounts for 51% of total retail debt
- In February and March 2020 net issuance was negative, partly driven by seasonality and partly by the global epidemic affecting Hungary

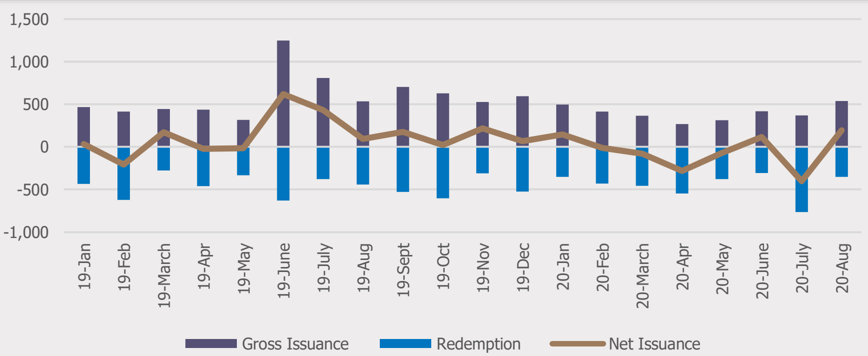
Source: AKK

Monthly Gross Sales of Retail Securities (HUF Billions)



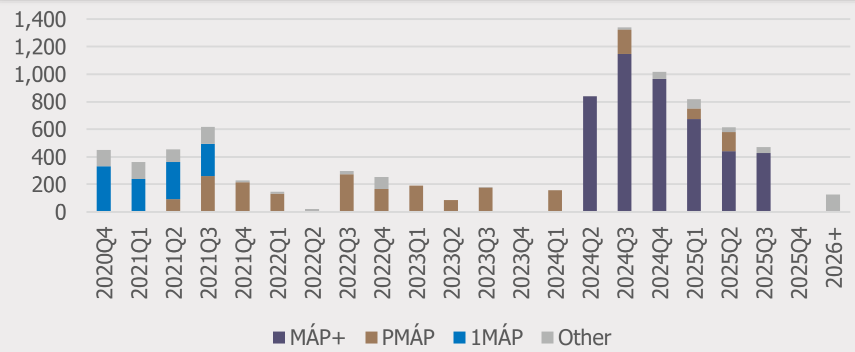
Sources: AKK

Monthly Gross and Net Issuance of Retail Securities (HUF Billions)



Source: AKK Note: Including executed buy-back options

Maturity Structure of Retail Securities (HUF Billions)



Source: AKK, Note: As of August 31, 2020

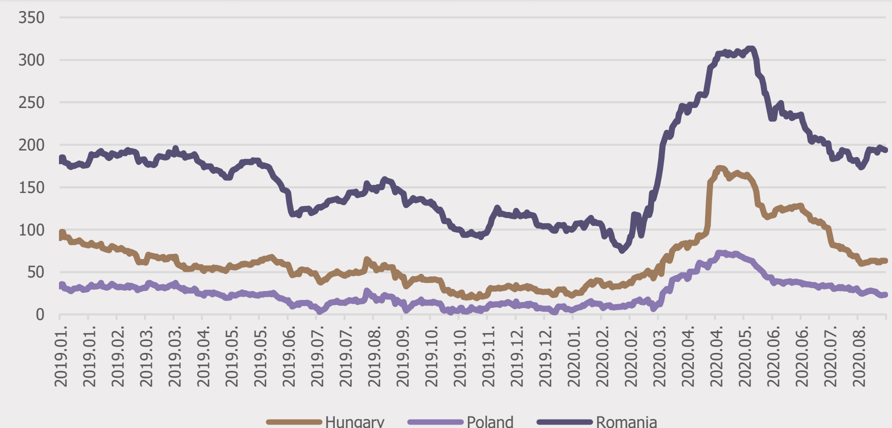
STABILITY ON THE HUNGARIAN GOVERNMENT SECURITIES MARKET

Key highlights

- **The ongoing crisis affected financial markets worldwide, but the Hungarian government securities markets – similarly to regional peers – were moderately affected**
  - Spreads of euro denominated bonds increased significantly during the Spring of 2020 but retreated since then to levels seen in early 2019
  - Currently the local currency yield curve is close to the level of December 31, 2019
- **ÁKK responded to the challenges of the ongoing crisis**
  - Successful foreign currency bond issuance (conventional and green euro denominated bonds)
  - Changing the auction order to enhance flexibility and predictability simultaneously on the local currency market
- **ÁKK is closely monitoring the market and reacts to market demand with increased flexibility**

Source: AKK

Z-spreads of EUR Denominated Government Bonds (Bonds maturing in 2027; basis points)



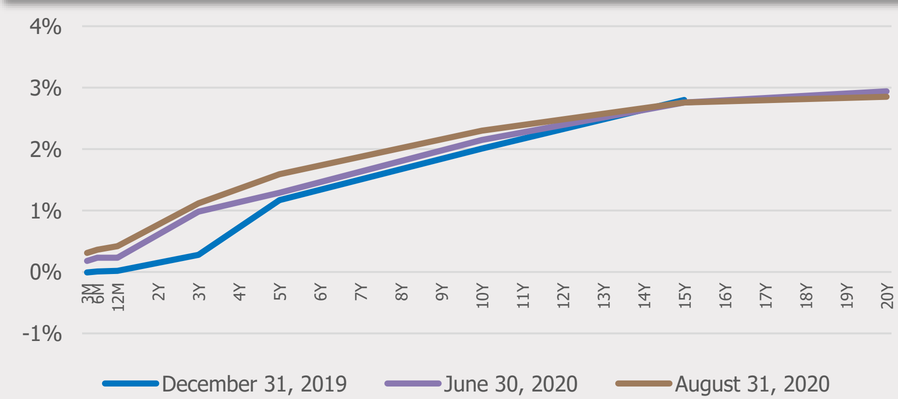
Source: Bloomberg

Auction Order (Announced on April 7)

Source: AKK

	Frequency	Timing
3-months Treasury Bill	Weekly Basis	Every Tuesday
12-months Treasury Bill	Biweekly Basis	Every Second Wednesday
Floating Rate Notes	Biweekly Basis (Subject to Market Demand)	Every Second Wednesday
3-year and 5-year Government Bonds	Weekly Basis	Every Thursday
10-year Government Bonds	Biweekly Basis	Every Second Thursday
15-year and 20-year Government Bonds	Eight-week Period	Every Fourth Thursday (15- and 20-year alternating)

Benchmark Yield Curve Development (percent)



Source: AKK

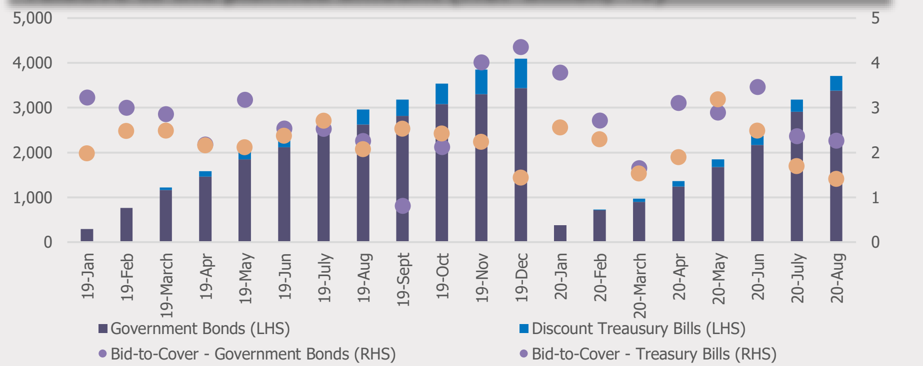
PERFORMANCE ON THE LOCAL WHOLESALE MARKET IS POSITIVE

Key highlights

- **To ensure simplicity and transparency, AKK issues standard debt instruments according to a fixed annual calendar published in advance**
- **Primary auctions are implemented as well as switch and buyback operations** to support a balanced government bond issuance pattern, manage the maturity profile and reduce refinancing risk
- **Hungary's local yields have significantly decreased since 2014**
  - Yields have decreased across the entire yield curve and have entered negative territory in the short-term end of the curve

Source: AKK

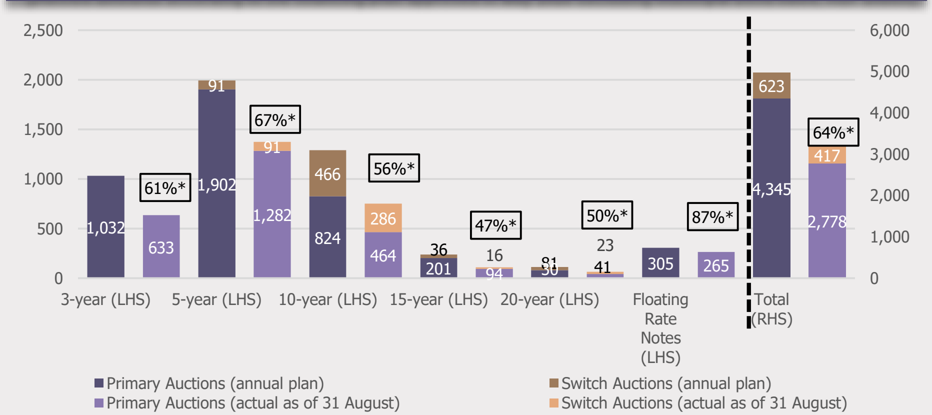
Cumulated monthly debt securities issuance and the ratio relative to the planned amount (HUF billion, %)



Source: AKK Notes: Government Bonds excluding repo transactions; Discount Treasury Bills according to OECD methodology

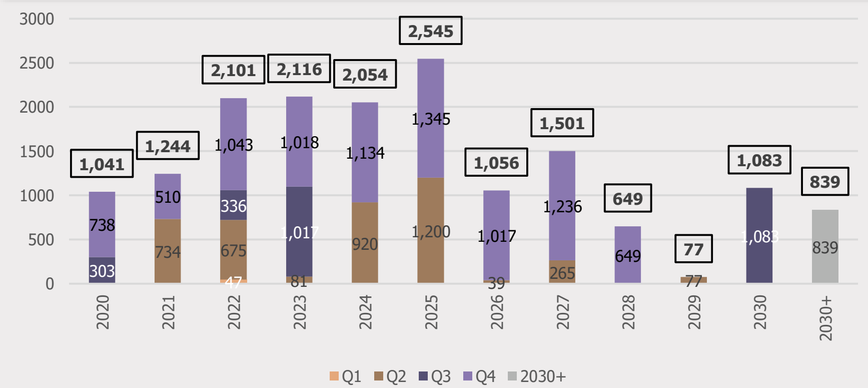
Government bond issuance on auctions by tenor in the first eight months of 2020

(planned amounts according to the financing plan approved in May 2020 excluding municipal bond sales, HUF billion)



*Source: AKK Note: * Share of actual amount (excluding switch) relative to annual planned amount*

Maturity Structure of Wholesale Government Securities as of August 31, 2020 (HUF billions)



Sources: AKK

HUNGARY'S EXPOSURE TO INTERNATIONAL MARKETS IS CAREFULLY MANAGED

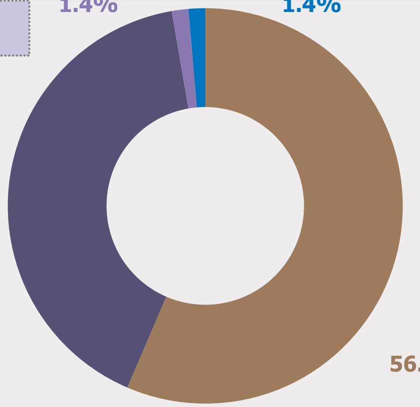
Key highlights

- **The share of Hungary's government debt in foreign currency has materially decreased**
  - Buybacks implemented by AKK, both on public and OTC markets, have also contributed to this positive trend
  - While containing the share of FX exposure between 10% and 20% of total debt, Hungary would also like to maintain its presence on the international capital markets to ensure diversification of funding sources
- **The FX debt is mainly denominated in USD and EUR but is fully converted into EUR using cross-currency swaps**
  - 100% of FX debt is denominated in EUR after swaps as of the end of August 2020, in line with AKK debt management target to mitigate exchange rate risk
- **Hungary's EUR yields have significantly decreased since 2014** and the country currently enjoys negative yields in short- to medium-term EUR market
- **AKK also relies on interest rate swaps to mitigate interest rate risk**
  - As of the end of August 2020, the interest rate swap portfolio amounted to 1.2 billion EUR and the fix rate share of the FX portfolio was 80%

Source: AKK

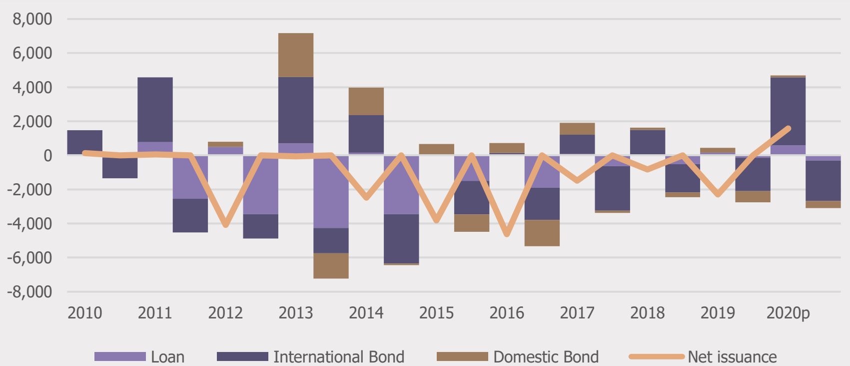
FX debt composition by currency (July 31, 2020, % of total)

Total FX debt: EUR 16.8 billion



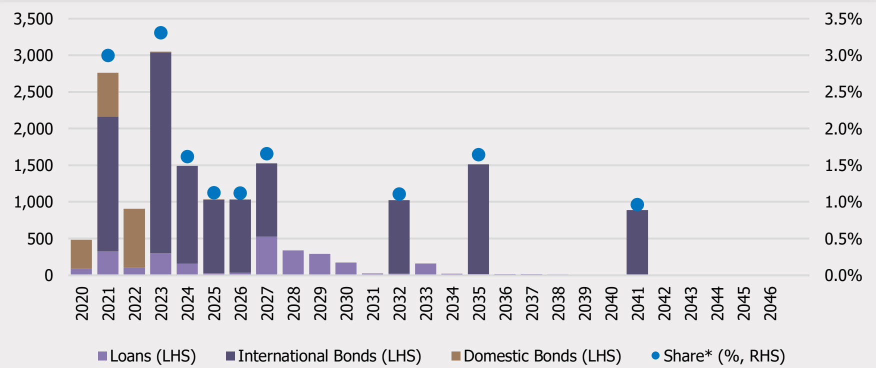
Source: AKK; Note: composition of the FX central government debt portfolio before swaps

FX Redemption, Issuance & Net Issuance (EUR million)



Source: AKK; Note: Central government debt

Redemption profile of FX debt as of July 31, 2020 (EUR million)



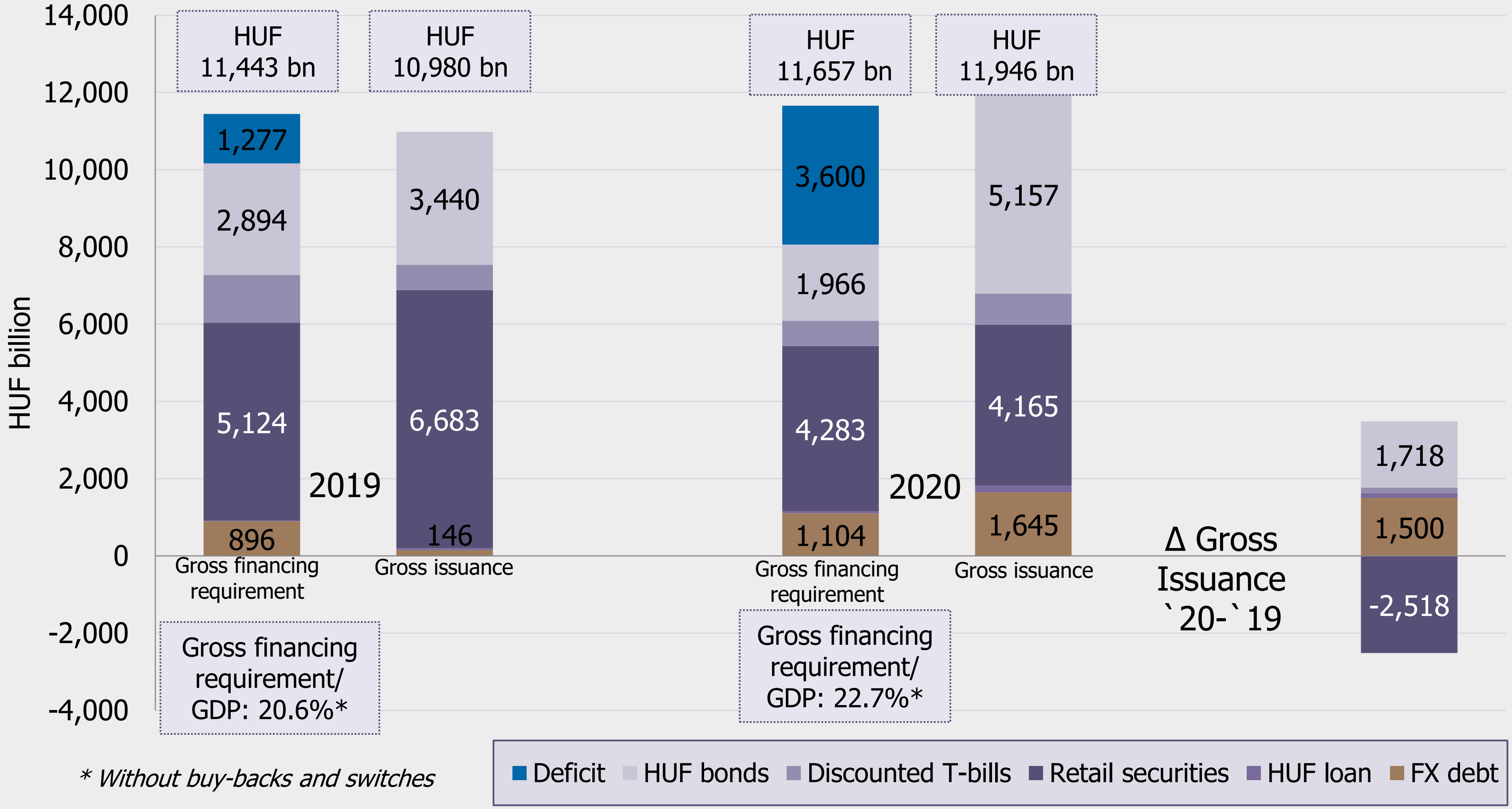
Source: AKK; Note: Central government debt,
*Note: * Share relative to total central government debt*

PLANNED VOLUME AND STRUCTURE OF GROSS FINANCING NEED IN 2020 (REVISED FINANCING PLAN COMPILED IN AUGUST 2020)

	HUF billion	Percentage of GDP
Redemption of HUF government bonds	1,081	2.3%
Redemption of retail securities (including retail buy-backs)	4,283	9.3%
Redemption of discount T-bills (OECD method)	657	1.4%
Redemption of HUF loans	47	0.1%
Redemption of FX debt	801	1.7%
Total redemptions	**6,869**	**14.9%**
Domestic bond buy-backs and OTC operations	285	0.6%
Buy-backs via switch auctions	600	1.3%
FX bond buy-backs	303	0.7%
Total redemptions with pre-financing	**8,057**	**17.5%**
Net financing requirement (CF budget deficit)	**3,600**	**7.8%**[1]
Gross financing requirement with pre-financing	**11,657**	**25.3%**

Source: AKK

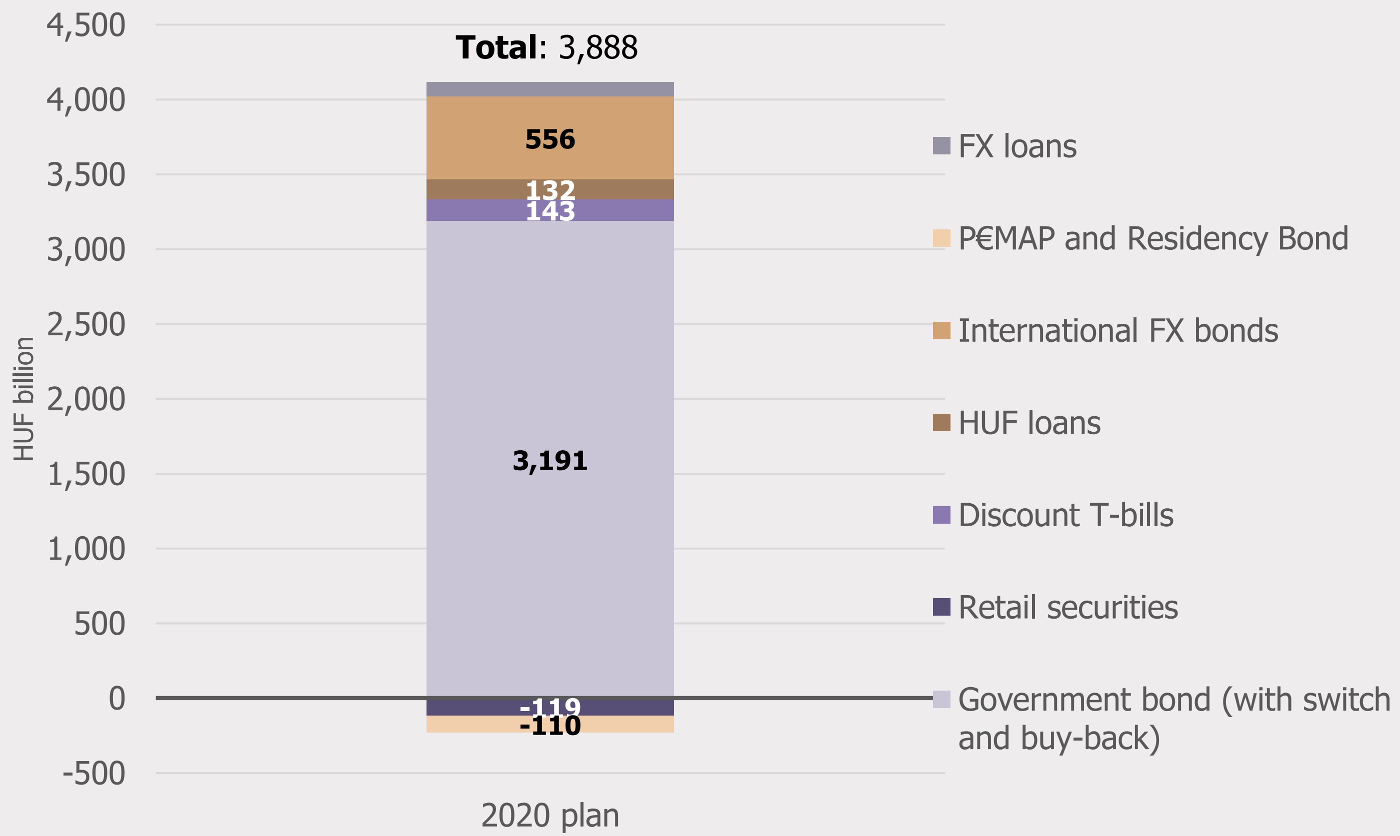
PLANNED FINANCING IN 2020 (REVISED FINANCING PLAN COMPILED IN AUGUST 2020) COMPARED TO 2019



** Without buy-backs and switches*

Source: AKK

PLANNED VOLUME AND STRUCTURE OF NET ISSUANCE IN 2020 (REVISED FINANCING PLAN COMPILED IN 2020)



Source: AKK

RETAIL MARKET STRATEGIC OBJECTIVES FOR 2020

Due to impact of Covid-19, the retail securities stock may decrease this year, however household ownership will rise

1. The medium term strategic goal to achieve HUF 11,000 billion retail debt stock owned by retail investors by 2023 is kept
2. Maintain the positive real interest rate of long term retail securities
3. Enhance online distribution channels to boost contactless sales and maintain business continuity
4. Introduction of General Terms and Conditions framework for retail distribution completed on May 1, 2020
5. Retail Sales Department established within the AKK

Source: AKK

DOMESTIC WHOLESALE MARKET STRATEGIC OBJECTIVES FOR 2020

Due to Covid-19 HGB volatility increased, demand shrank in March. By April yields consolidated and auction demand returned to pre-COVID levels and the HGB market continued to show resilience and liquidity during the third quarter

1. Aligned with the Central Bank's up to 5-year tenor, weekly collateralised lending facility and the government bond purchase program, AKK's weekly bond auctions have met strong demand. The new auction calendar allows to have maximum flexibility to address the financing requirements of the budget and manage liquidity

2. AKK sticks to the objective to increase both ATM and ATR (duration) targets by continuing with the issuance of 10, 15 and 20-year HGB's. The introduction of the new HMAX index also supports this objectives helping local real money managers to more effectively benchmark HGB portfolios

3. AKK will maintain its practice to efficiently manage Hungary's liability profile using switch and buyback auctions

Source: AKK

FX MARKET STRATEGIC OBJECTIVES FOR 2020

1. ÁKK plans the total annual foreign currency bond issuance at EUR 4 billion, out of which EUR 3.5 billion was already executed in April and June

2. The remaining EUR 500 million equivalent is planned to be realized in Japanese Yen (in the form of Samurai bonds), a part of which will be Green Bond issuance

3. ÁKK still plans to draw down EUR 500 million long-term foreign currency loans provided by multilateral financing organizations (and a similar amount in HUF), out of which EUR 208 million has already been realized

4. In accordance with previous years' practice, ÁKK is going to continue the active management of the maturity profile of both local and foreign currency debt

Source: AKK

THANK YOU FOR YOUR ATTENTION