



GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

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HUNGARY ÁKK – INVESTOR PRESENTATION

February 2022



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KEY FACTS AND FIGURES ON HUNGARY

Area: 93,023 sq. kilometres

Capital: Budapest

Population: 9.7m

Life expectancy at birth: 75.5 years

Currency: Forint (HUF)

Exchange rate (2021): 303.29 HUF = 1.00 USD¹

Nominal GDP (2020): HUF 47,988 billion

Real GDP growth (2020): -4.7%

Public debt (2021): HUF 40,697 billion

Public debt in foreign currency (2021):
HUF 8,395 billion (EUR 23 billion)

Sovereign ratings: JCRA: A- Fitch: BBB Moody's: Baa2 S&P: BBB
Stable outlook for all four rating

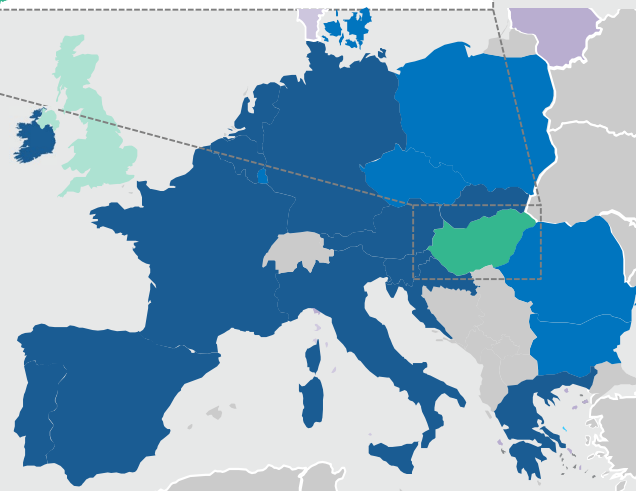
Government: parliamentary republic

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 2021. The rate has been used to present approximate EUR equivalents to USD nominal values.

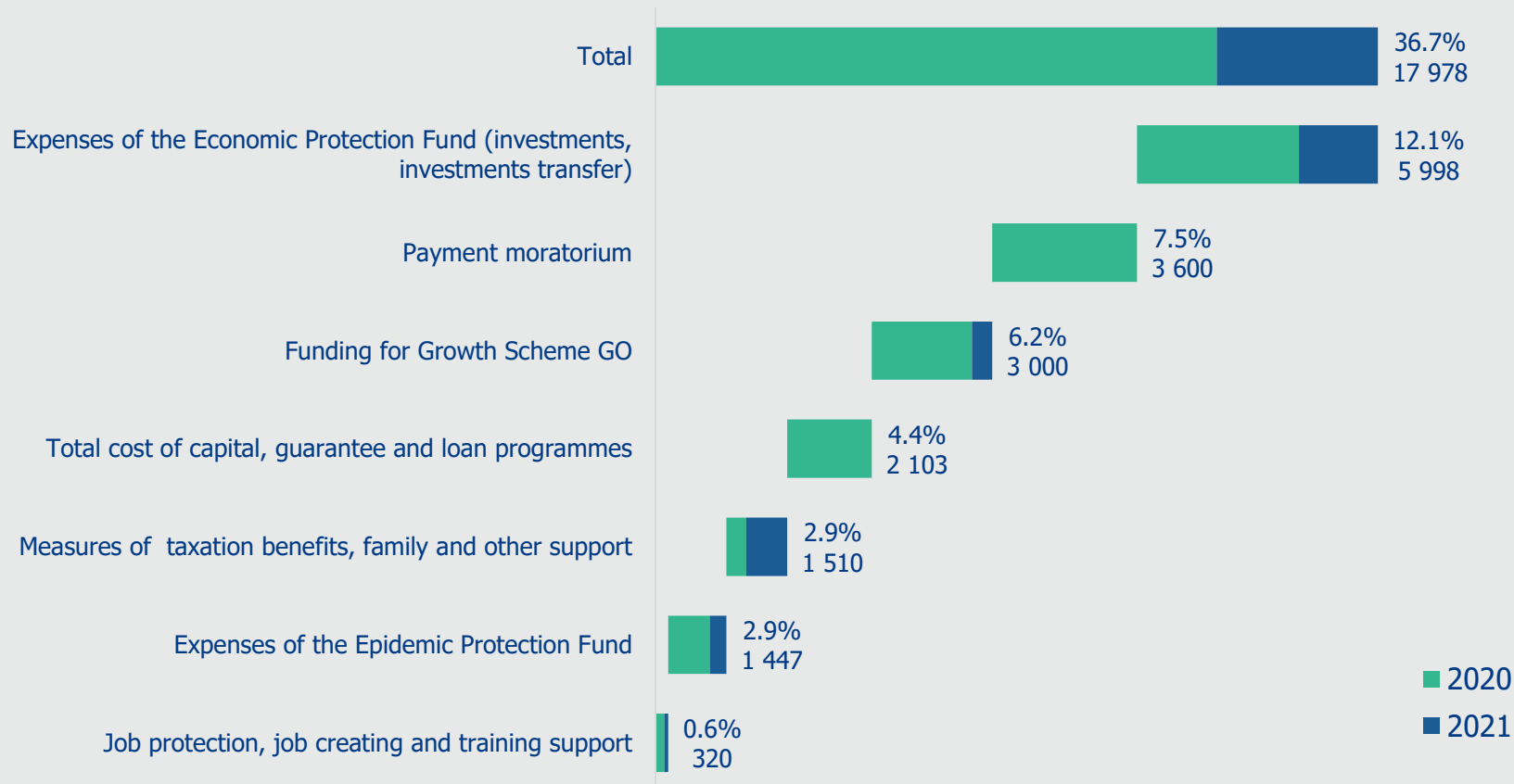
Sources: Government Debt Management Agency of Hungary (AKK), Hungarian Central Statistics Office (HCSO), HIPA, Magyar Nemzeti Bank (the central bank of Hungary) (NBH), World Bank, Bloomberg, European Commission

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 - The NBH took a series of coordinated measures including adjustment of policy rates, introduction of new liquidity enhancing facilities and executing asset purchases - Fiscal and monetary policy measures in 2020-2021 produced a total stimulus of HUF 17,978 billion equalling 36.7% of GDP
	Strong and resilient economy	Hungary was one of the fastest growing economies in Europe with real GDP growth of 4.6% in 2019 (2.5 times higher than the EU average), GDP dropped by 4.7% in 2020 (lower than EU average of 5.9%) The economy benefits from strong investment dynamics, enjoying the third highest investment rate in Europe in 2020 The level of unemployment is low, amounting to 4.5% in Q1 2021, 4.1% in Q2 2021 and 3.9% in Q3 2021
	Sound fiscal policies	The fiscal deficit had constantly been below the EU ceiling of 3% since 2012, however the ESA deficit for 2020 was 8.0% of GDP (compared to the original 1.0% target) in response to Covid-19 Domestic fiscal rules and counter-cyclical fiscal policies have allowed the public debt to decline steadily since 2011 – i.e. by 14.8 percentage points over 2011-2019, reaching 65.5% of GDP at year end 2019; as a result of the pandemic, the debt ratio has increased to 80.1% by the end of 2020 Fiscal policy continued to be supportive in 2021 in response to Covid-19, however in medium term 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 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 External debt indicators were close to historical lows pre-pandemic International reserves exceed EUR 38 billion on December 31, 2021
	Effective debt management	Hungary is an Investment Grade country In spite of the ongoing pandemic, Moody's upgraded Hungary in September 2021; the outlook is stable in case of all major rating agencies The structure of public debt is favourable with a contained share of FX debt, increasing average term to maturity, entering the green bond market and a highly diversified, deep and liquid domestic market The development of the retail market has been a key driver of the expansion of the domestic investor base

GOVERNMENT MEASURES TO ALLEVIATE ECONOMIC IMPACT OF THE PANDEMIC

Value of the economic measures in 2020-2021 (% of GDP, HUF billion)



Source: Ministry of Finance (MoF)

ECONOMIC MEASURES CONTRIBUTE SIGNIFICANTLY TO THE ECONOMIC RECOVERY FOLLOWING THE COVID CRISIS

Hungarian government is taking effective measures to protect the economy

Investment enhancing measures

- Investment support and subsidized loans in corporate segments results in **higher investment activity in short and medium term, while the extended capacity has positive long-term effect on production, productivity improvement and export performance.**

Support of households

- Current PIT reimbursement, public sector wage increase, minimum wage increase, 13th pension rebuilding result in **significant increase in disposable income and thus higher consumption and household investment.**
- Due to consumption smoothing attitude, the positive effects prevail in the forthcoming periods as well.**

Macroeconomic impact of the measures (cumulative percentage difference in variables compared to the baseline scenario)

	2020	2021	2022
GDP	5.5	10.7	9.4
Households' consumption expenditure	10.0	16.1	15.1
Investments	16.6	35.5	26.7
Exports	0.1	5.4	4.5
Imports	3.3	6.2	6.4
Consumer price level	0.0	1.0	2.0
Private sector employment	6.7	12.4	5.5
Gross average wage in the private sector	0.7	3.7	12.4

Source: MoF calculation

DESPITE THE INCREASE OF THE DEBT RATIO IN 2020, THE GOVERNMENT IS COMMITTED TO REDUCE THE PUBLIC DEBT

Evolution and Target of the public debt ratio (% of GDP)



- The government wants to deliver more direct budgetary support in order to alleviate the effect of the pandemic.
- Looking ahead, domestic fiscal rules stipulate the reduction of the public debt.

Source: MoF



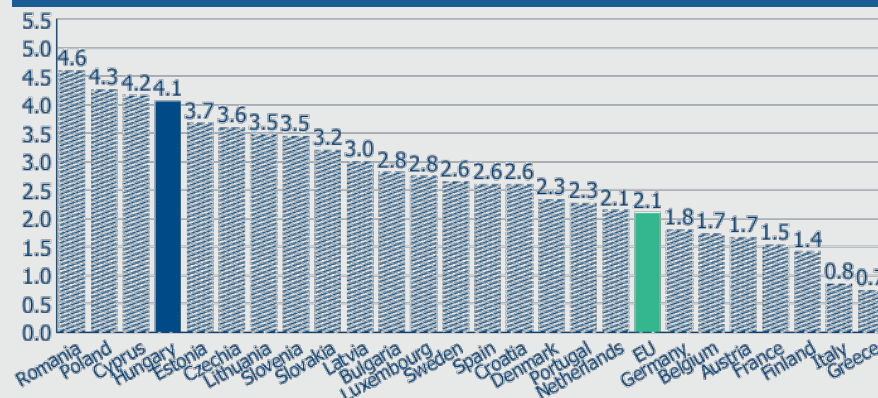
II. STRONG AND RESILIENT ECONOMY

HUNGARY CONTINUES TO BUILD ON SOLID ECONOMIC GROWTH SINCE 2013

Key highlights

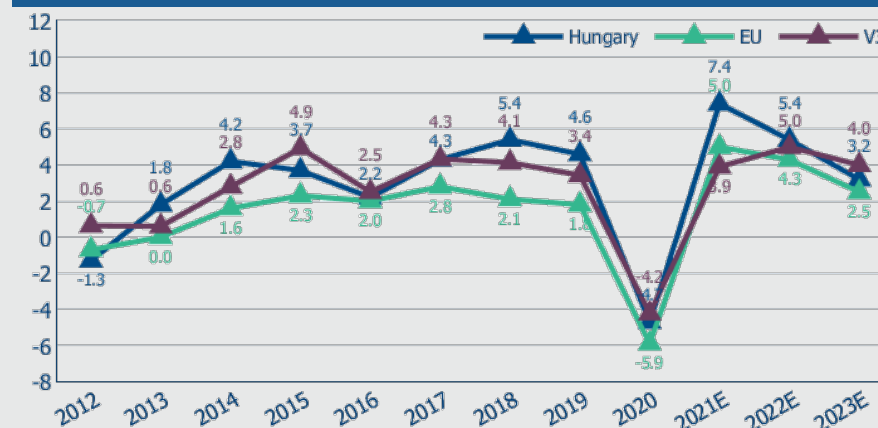
- Since 2013, Hungary's GDP growth has been among the fastest in Europe, as evidenced in the chart on the right
- Growth has been partly driven by the turnaround in employment that happened in the wake of the structural reforms implemented after the economic crisis, including the tax regime
 - Unemployment decreased to a historic low of **3.3% in 2019**
- This has allowed the Hungarian economy to grow by **4.1% on average between 2014 and 2019**, while the EU average has been **2.1%**
- In 2019, real GDP grew by **4.6%**, the **fifth highest level in Europe** and approximately 2.5 times faster than the EU average
- In 2020, real GDP decreased by **4.7%**, lower than the EU average of 5.9%
- The strong momentum in Hungarian economic activity entering the Covid-19 crisis is supportive of the outlook compared to peers
 - The unemployment rate increased to 4.5% in the first quarter of 2021, but decreased to 4.1% in the second quarter of 2021 and declined further to 3.9% in the third quarter of 2021
- Hungarian economy has been growing faster than the EU on average and is expected to recover faster

Fourth 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 2021 Autumn Economic Forecast; Note: Unadjusted data

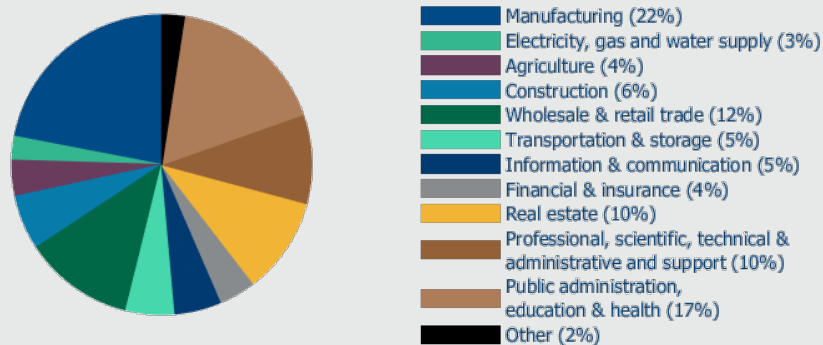
GROWTH IS DRIVEN BY BOTH CONSUMPTION AND INVESTMENT

Key highlights

- **Growth in Hungary has been consistently supported by strong household consumption until 2019**
 - Household consumption has been supported by increasing household wealth and a low unemployment rate
 - This has contributed to the development of the services industry
- **Investment activity has picked up significantly between 2017 and 2019**
 - All major sectors and components of GDP contracted in 2020
- **The contraction is mainly the result of the ongoing pandemic**
- **In the first three quarters of 2021, GDP increased by 7.1% relative to the corresponding period of the previous year**
 - The growth contribution was positive in case of consumption, investments and net exports
 - The growth contribution of services industry and construction was positive

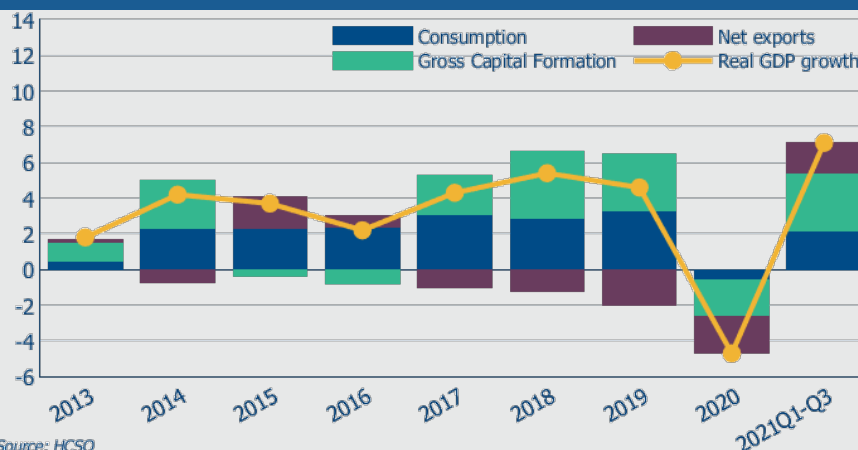
Nominal GDP breakdown by sector

(First three Quarters of 2021, % of total)



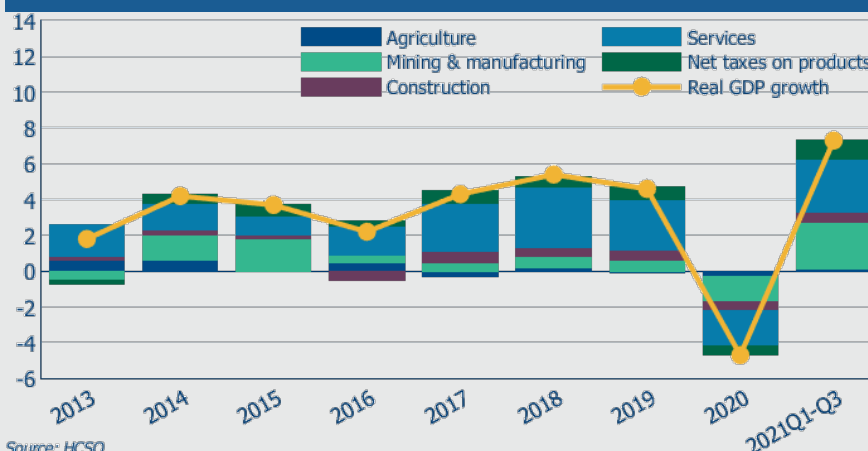
Source: HCSO

Contribution to GDP growth by expenditure (percentage points)



Source: HCSO

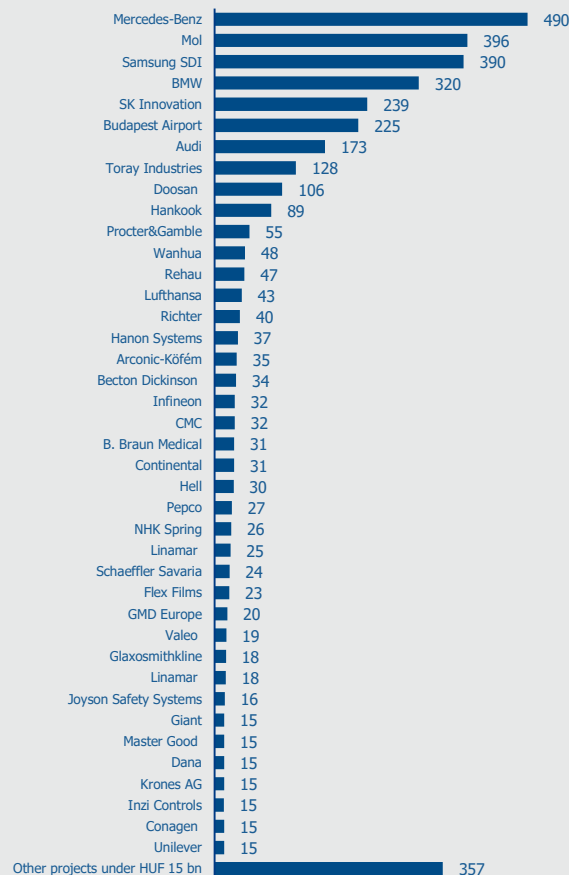
Contribution to GDP growth by sector (percentage points)



Source: HCSO

INVESTMENT DYNAMICS ARE SUPPORTIVE FOR THE BROADER ECONOMIC OUTLOOK

Flagship investment projects announced prior to 2020 (HUF billion)

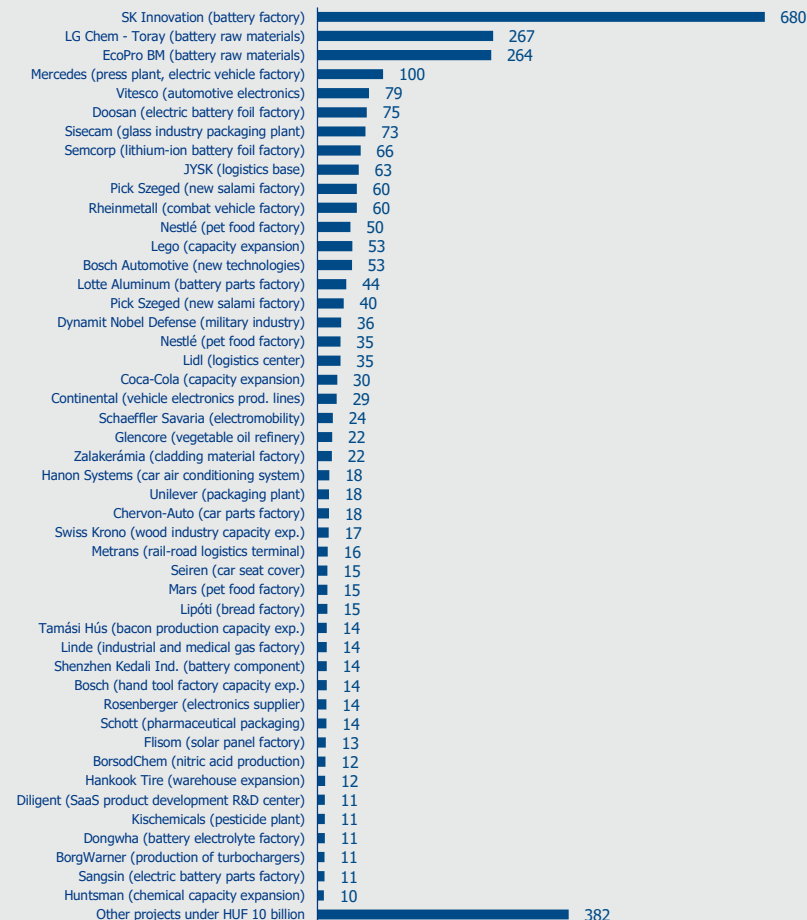


HUF 7,400 billion
TOTAL INVESTMENT PROJECTS
~15% OF ANNUAL GDP

HUF 22-37,000 billion
ADDITIONAL EXPORT
PERFORMANCE PER YEAR

22-29 percentage points
TOTAL GDP GROWTH
INVESTMENT & EXPORT EFFECTS

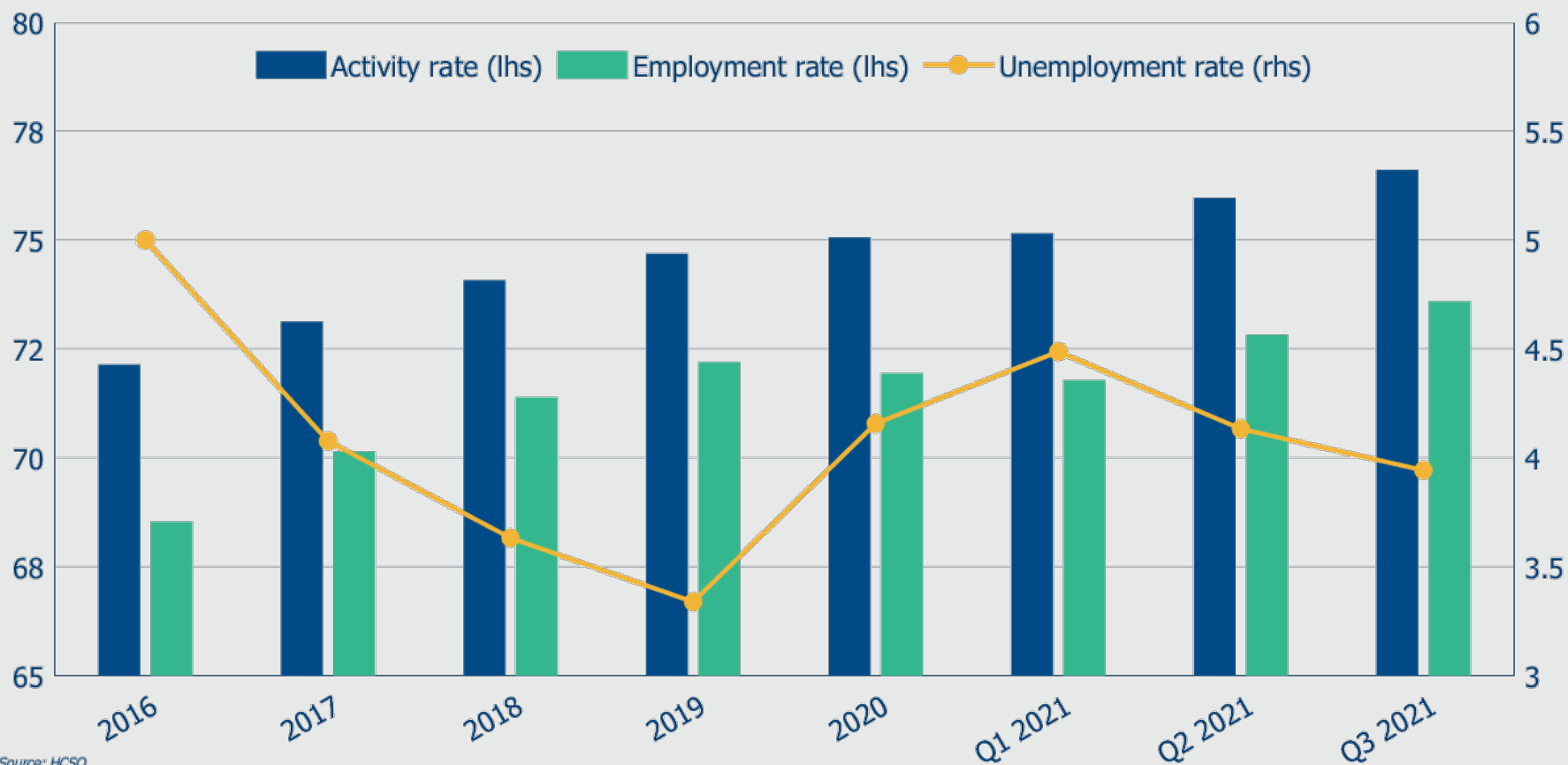
Flagship investment projects announced since early 2020 (HUF billion)



Source: MoF

LARGE-SCALE JOB LOSSES SUCCESSFULLY MITIGATED IN 2020-2021

Labour market activity weathered the shock and surpassed pre-pandemic levels (period average, %)



Source: HCSO

Note: Unemployment rate is based on the international sampling methodology pursuant to the guidelines of the International Labor Organization. Population aged 15-64 years.

THE MACRO ENVIRONMENT IS STABLE AND THE BANKING SECTOR IS STRONG

Key highlights

- **The NBH's primary statutory objective is to maintain price stability**
 - Policy rate has been increased to 2.40% during 2021 in order to avoid second-round inflationary effects and to properly anchor expectations; in addition, the one-week deposit rate was increased to 4.00% and the Monetary Council announced the closure of several quantitative easing programmes; subsequently the central bank base rate was increased to 2.90% and the one-week deposit rate was increased to 4.30% in January 2022
 - Baseline yearly average inflation has remained within the defined tolerance band (3%, with a tolerance range of +/- 1%) between 2017 and 2020
 - **During 2021, headline yearly average inflation exceeded the upper band level;** according to the Monetary Council's assessment, the global pick-up in commodity prices is appearing in consumer prices for a growing range of goods
 - Inflation is expected by NBH to stabilize around the inflation target in 2023
- **The banking sector is well capitalized and the quality of loans has improved since the end of 2015,** as evidenced on the graph to the right
 - The NBH has developed a comprehensive macro-prudential framework to ensure financial stability and the Basel III regulation is implemented

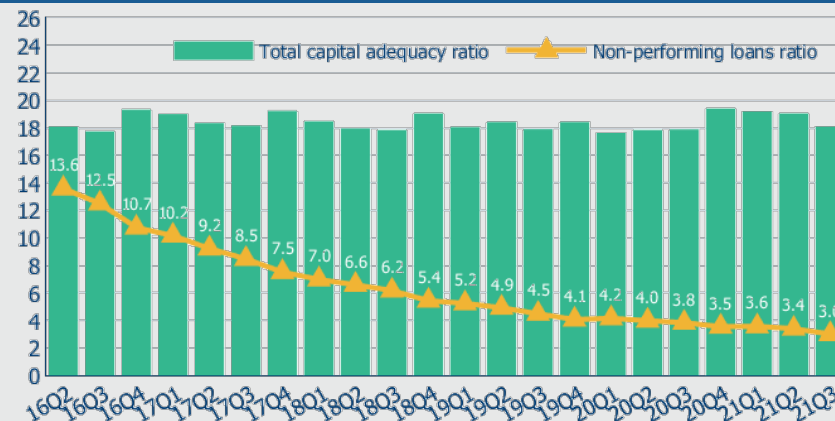
Source: NBH

Inflation vs inflation targets (yearly average data, %)



Sources: HCSO, NBH; Note: Based on seasonally unadjusted data, compared to the corresponding period of the previous year; forecasts after 2020

Total capital adequacy and non-performing loans ratios (%)



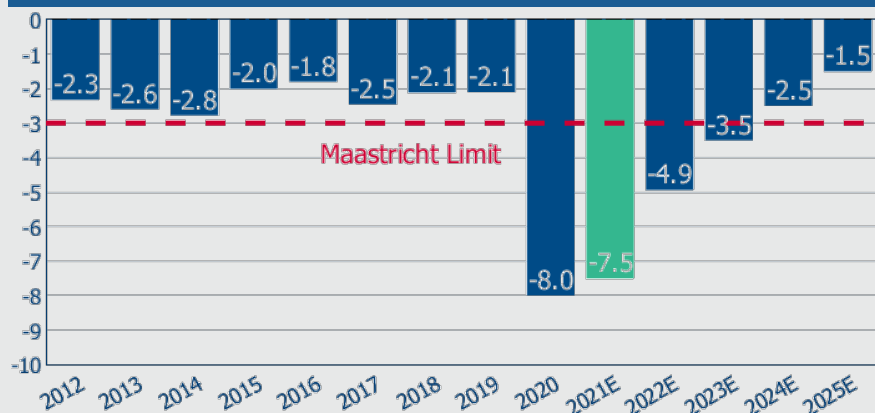
Source: NBH; Note: NPLs are loans at least 90 days overdue



III. SOUND FISCAL POLICIES

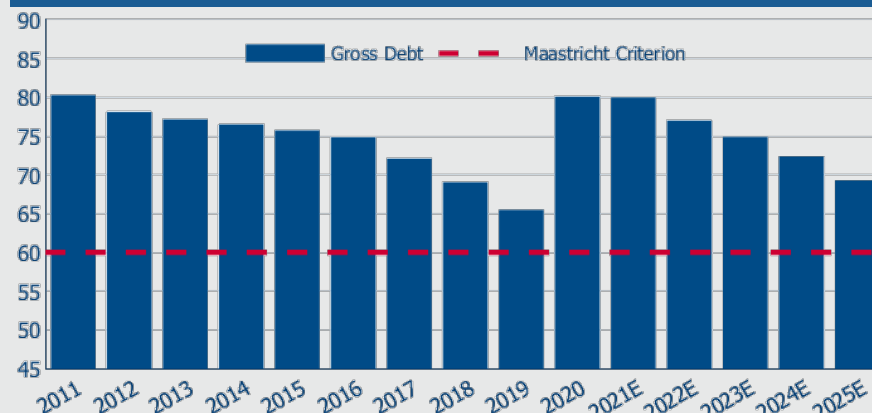
PUBLIC FINANCES ARE STRONG AND SUPPORT DEBT SUSTAINABILITY WITH DEBT-TO-GDP STEADILY DECLINING

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



Source: HCSO, MoF; Note: Latest (December 2021) forecast

Evolution of Hungary's general government debt (% of GDP)

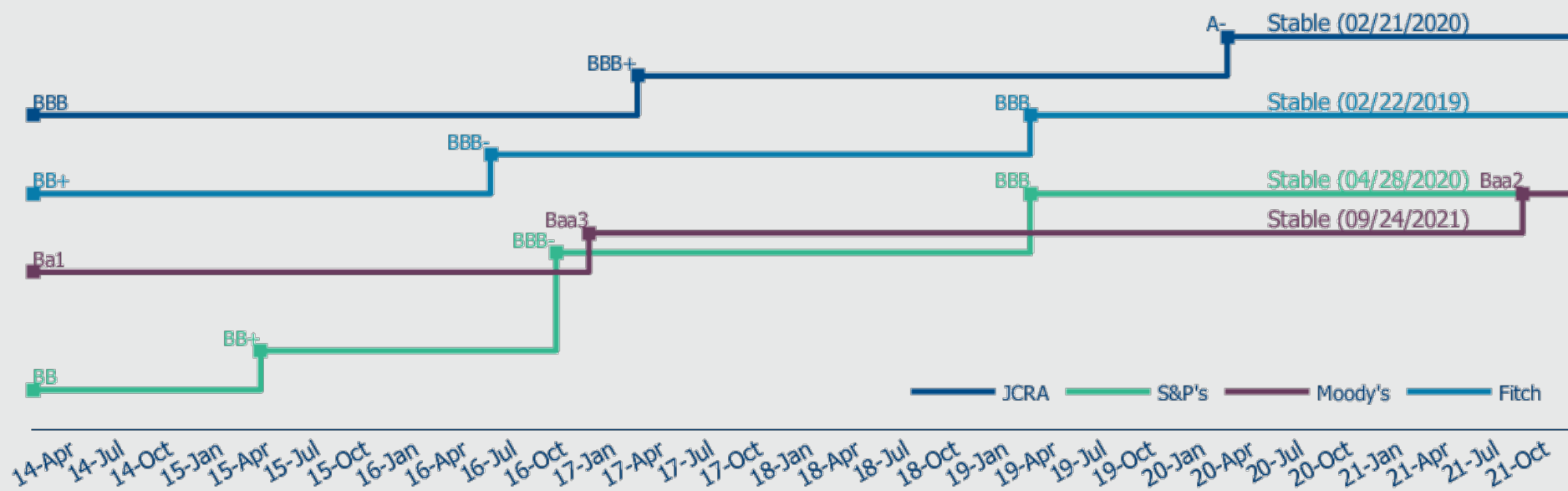


Source: NBH, MoF

Key highlights

- **Budget deficit remained below the 3% Maastricht threshold between 2012-2019**, demonstrating the authorities' commitment to fiscal consolidation
- **The government originally aimed to achieve fiscal balance by 2020.** The authorities originally set the 2020 ESA budget deficit target to a historic low of 1.0% of GDP. However due to the epidemic the ESA deficit amounted to 8.0% of GDP in 2020.
- The deficit in the original budget plan for 2021 was 2.9%, now the Ministry of Finance expects it to be 7.5% of GDP. Fiscal balance deteriorated due to a basis effect of the economic downturn in 2020 and recovery measures, but looking ahead a significant improvement is expected.
- According to the latest prognosis of the Ministry of Finance, **the Government expects the budget deficit to GDP ratio at 4.9% in 2022, 3.5% in 2023, 2.5% in 2024, and 1.5% in 2025.**
- **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
- **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 14.8 percentage points between 2011 and 2019
 - **In 2019, the debt rate declined to 65.5%**, but in 2020 the debt rate increased to 80.1% as a result of the pandemic. In a State of Danger, such as COVID-19 pandemic, a special rule allows for a temporary debt increase

- **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/Baa2/BBB/A- with a stable outlook for all four rating agencies
- **Financing conditions have thus become increasingly supportive**, with Hungary also benefitting from the global context of low rates



Source: NBH

IV. FAVOURABLE EXTERNAL POSITION

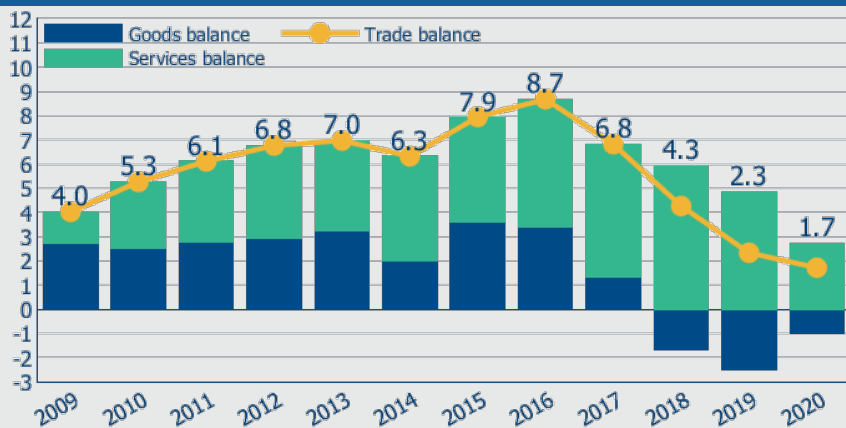
HUNGARY ENJOYS HEALTHY EXTERNAL ACCOUNTS AND A NET LENDING POSITION

Key highlights

- Hungary's net external lending position is resilient
- Until 2019, the current account posted a surplus in each year since 2009
- 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 2-9% of GDP between 2009 and 2020
- The trade surplus increase has been driven by a rise in net services exports that represented 3% of GDP in 2020
- Hungary also benefits from a positive capital account, partly driven by EU transfers
- The goods and services export bases are diversified, both in terms of sector and geography

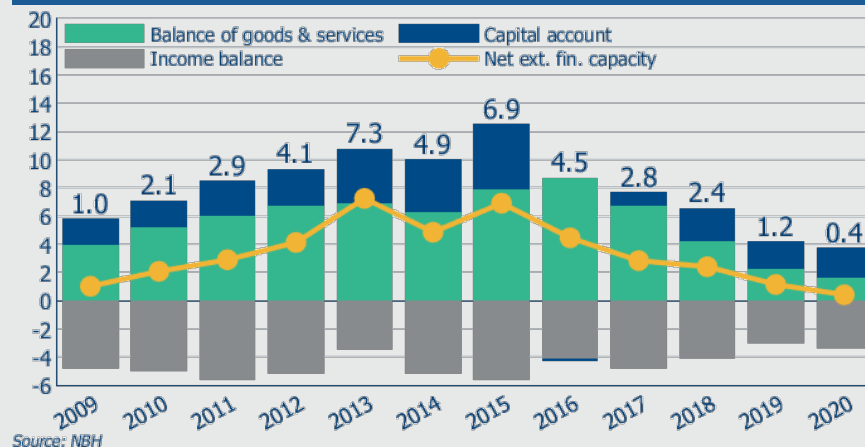
Source: NBH, HCSO

Trade balance (% of GDP)



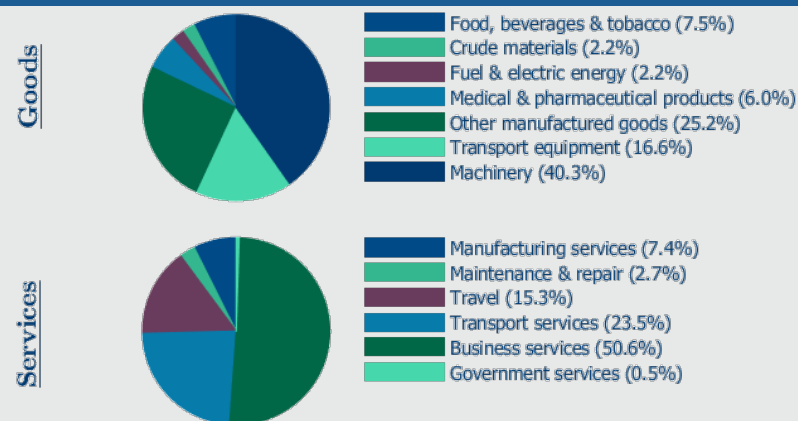
Source: NBH

Net external lending components and position (% of GDP)



Source: NBH

2020 goods trade - sectoral breakdown (%)



Source: HCSO

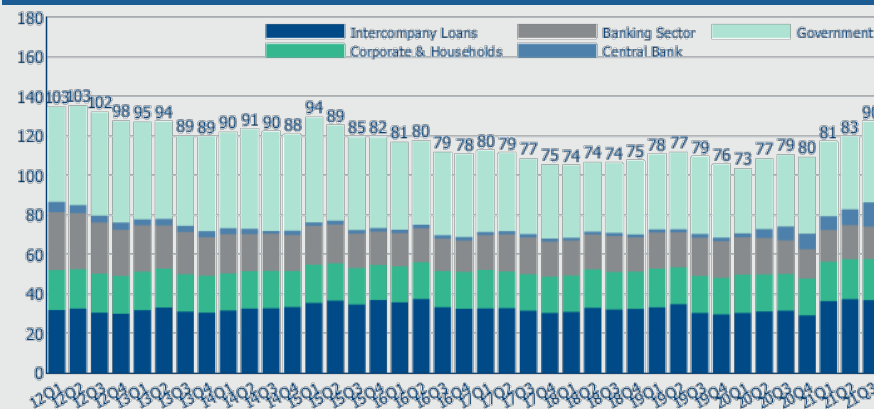
EXTERNAL DEBT HAS STEADILY DECLINED WHILE FX RESERVES HAVE INCREASED

Key highlights

- External debt indicators have been improving since 2012
 - Hungary's gross external debt decreased substantially between 2012 and 2019, notably on the back of active public debt management
 - The external debt has increased since early 2020 mainly as a result of the pandemic
 - The net external debt of Hungary also improved between 2012 and 2019 and has deteriorated since early 2020
- International reserves remain high and continue to considerably exceed the level considered as safe by the Guidotti-Greenspan rule
 - Hungary's FX reserves to short-term debt ratio has been above 1.0x since Q2 2012
 - FX reserves amounted to EUR 38.4 billion on December 31, 2021

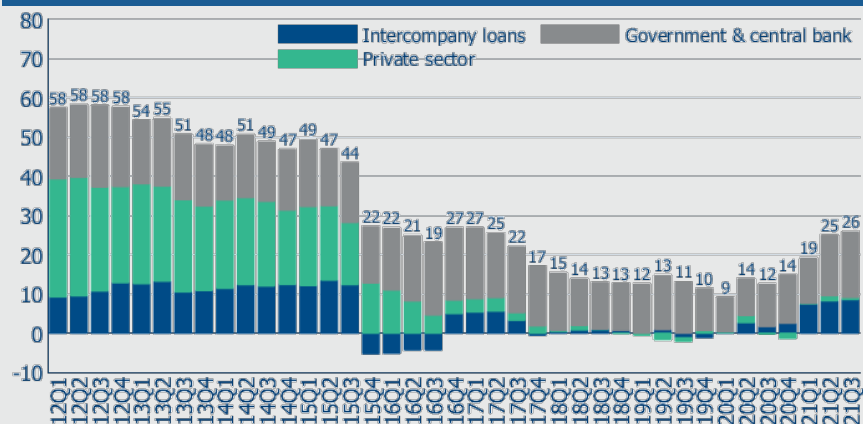
Source: NBH

Gross external debt (EUR billions)



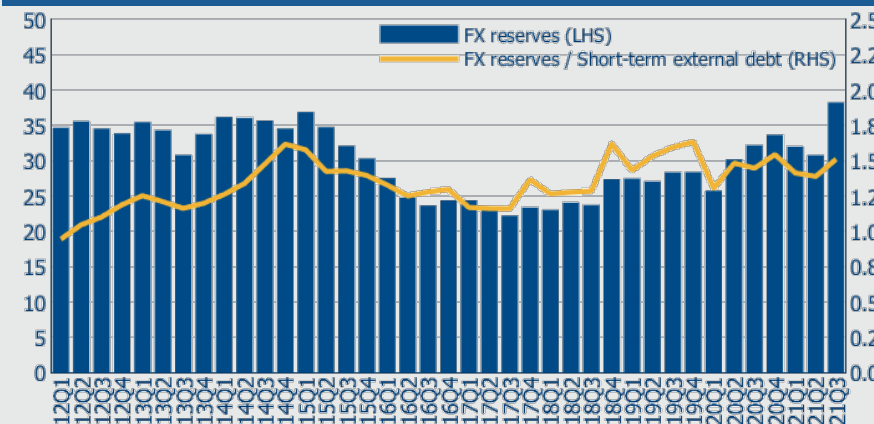
Source: NBH

Net external debt (EUR billions)



Source: NBH

International reserves level (EUR billion)



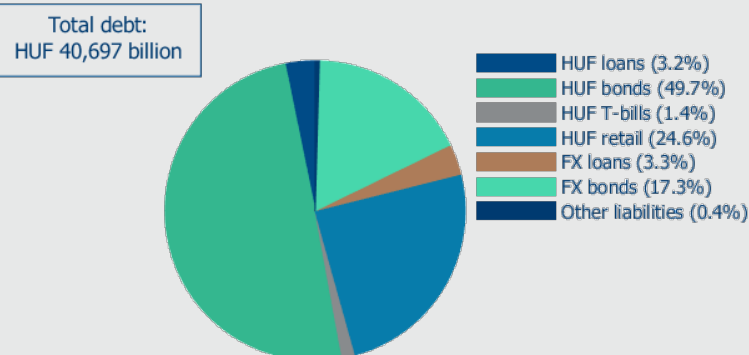
Source: NBH

V. EFFECTIVE DEBT MANAGEMENT

HUNGARY BENEFITS FROM A FAVOURABLE DEBT PROFILE

Hungary's government debt breakdown

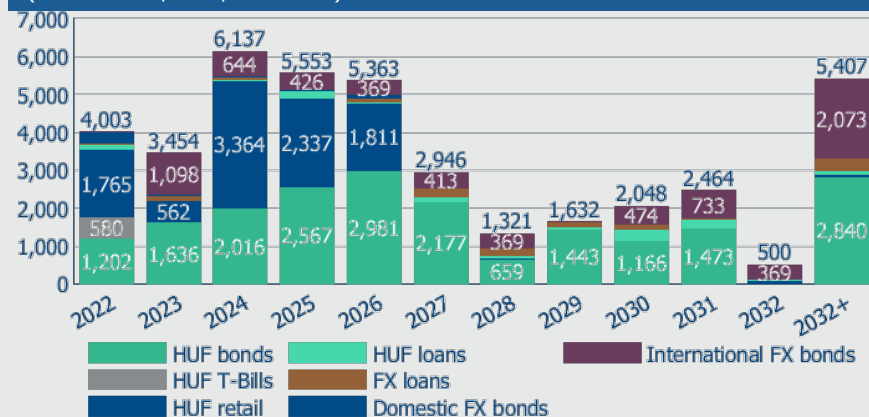
(December 31, 2021, % of total)



Source: AKK; Note: central government debt

Hungary's government debt redemption profile

(December 31, 2021, HUF billion)



Source: AKK; Note: Central government debt, excluding MtM, swap and Repo deals

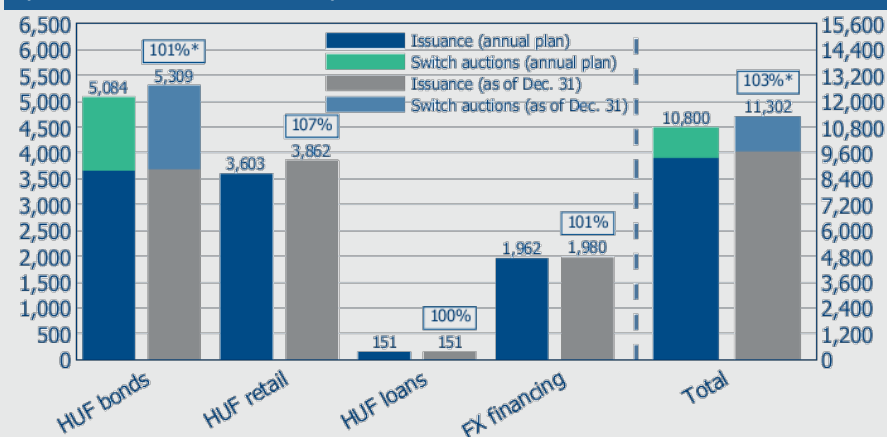
Key targets and characteristics of Hungary's government debt¹

	2021 benchmark targets	Dec 31, 2021 figures ²
Share of FX debt	Between 10% and 20%	20.9%
Currency mix of the FX debt (after swaps)	100% in EUR (with a 5% deviation allowed)	100% in EUR
Share of domestic and FX debt with a fixed coupon	Domestic: 70%-90% FX: 70%-90%	Domestic: 80.2% FX: 87%
Average time to re-fixing of domestic debt	Minimum 4.0 years	4.5 years
Average time to maturity of domestic debt	Minimum 4.5 years	5.1 years

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

2021 issuance vs 2021 financing plan approved in December 2021

(December 31, 2021, HUF billion)



Source: AKK * Excluding switches

LOCAL WHOLESALE MARKET REMAINS RESILIENT DESPITE RISING YIELDS

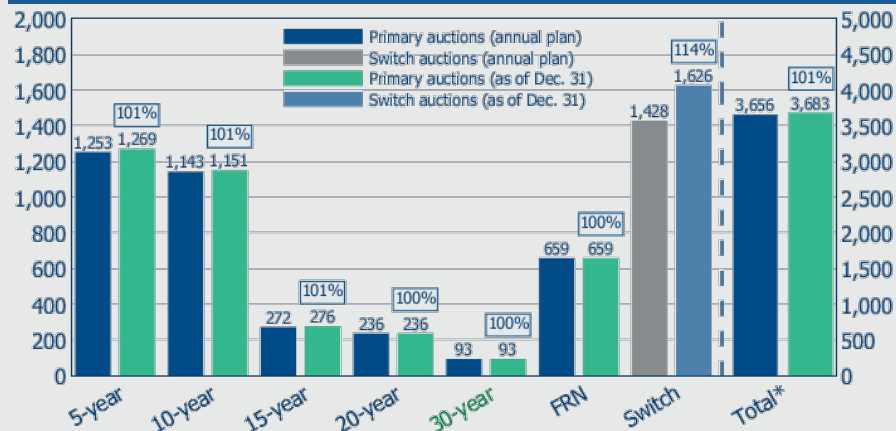
Key highlights

- 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, to manage the redemption profile and to reduce refinancing risk
- Hungary's local yields decreased between 2014-2020, but increased significantly in 2021 as a consequence of monetary policy tightening of the NBH to contain inflationary pressure
 - Yields have decreased across the entire yield curve until end-2020
 - Short-term yields increased by approximately 1.9-3.2 percentage points, long-term yields increased by approximately 2.3-3.5 percentage points between December 2020 and December 2021 as NBH increased the central bank base rate from 0.60% to 2.40% in several steps between June 2021 and December 2021

Source: AKK, NBH

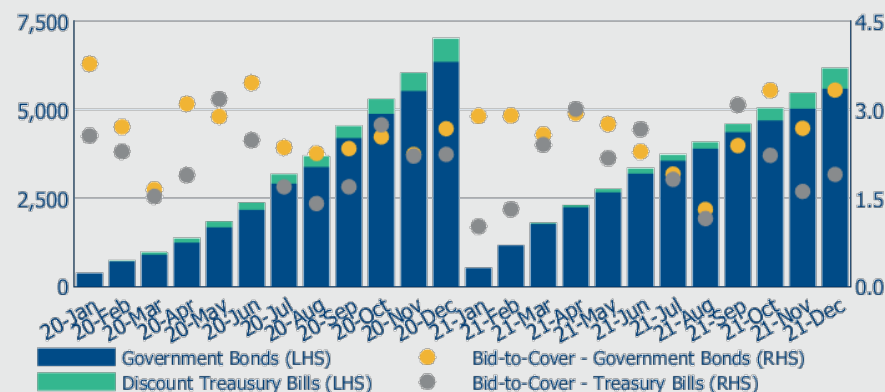
Government bond issuance on auctions by tenor

(2021 issuance vs 2021 financing plan approved in December 2021 excluding municipal bond sales, HUF billion)



Source: AKK; *Total primary auction issuance

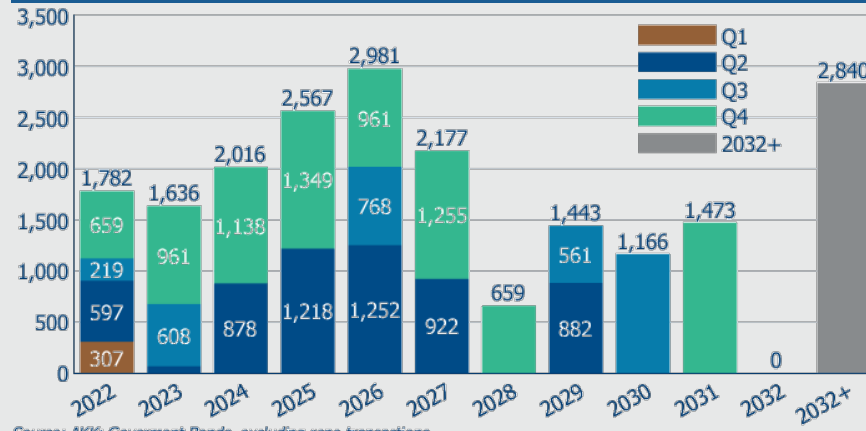
Cumulative monthly debt securities issuance and the ratio relative to the planned amount (HUF billion, %)



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

Redemption profile of wholesale government securities

(December 31, 2021, HUF billion)



Source: AKK; Government Bonds, excluding repo transactions

The debut issuance of the first Hungarian local currency denominated green government bond took place in April 2021.

LOCAL RETAIL MARKET IS AN IMPORTANT DIVERSIFICATION TOOL

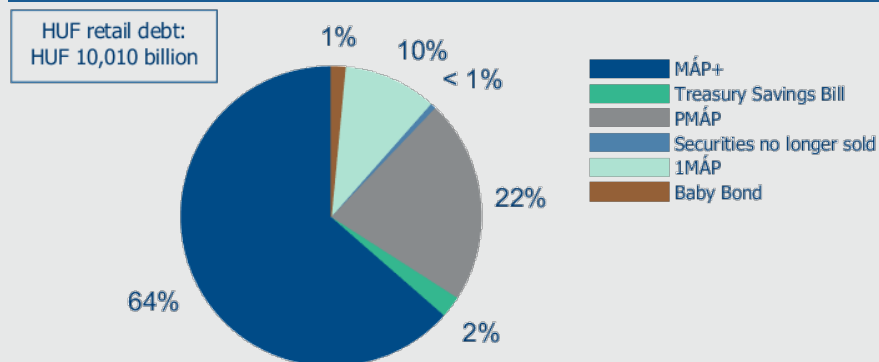
Key highlights

- **The retail debt programme 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 10,010 billion as of December 31, 2021
- **Hungary issues retail instruments with different characteristics, which attract diverse retail investors**
 - Maturities range from 1 to 19 years, securities have step-up, fixed or inflation-linked coupon and besides dematerialized 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, post offices and banks / investment companies

Source: AKK

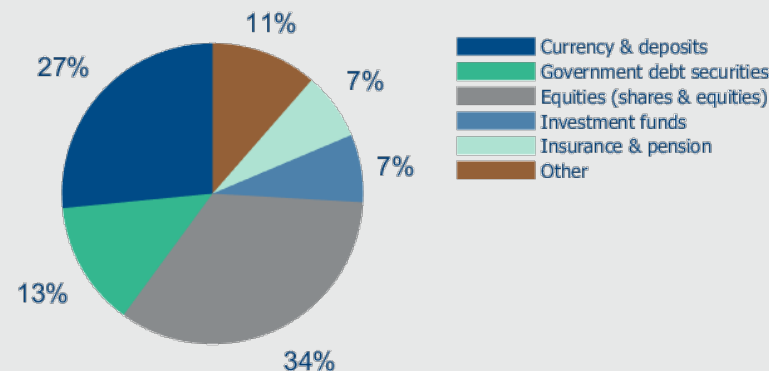
HUF retail portfolio by instrument

(December 31, 2021, % of total)



Source: AKK

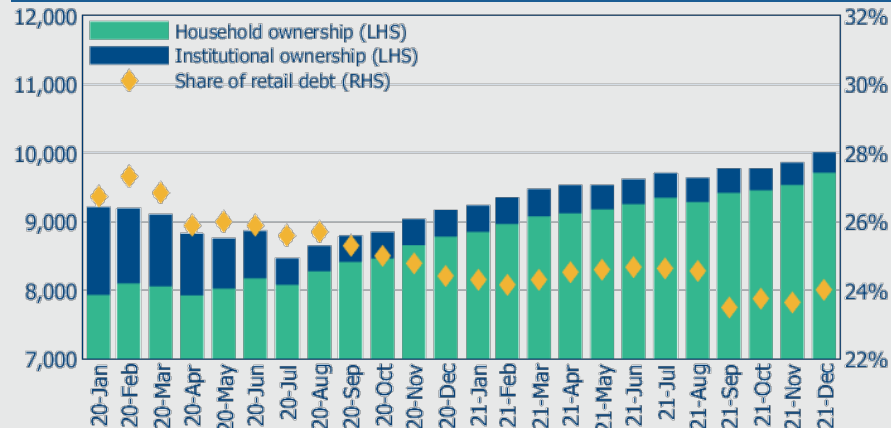
Households asset structure (Q3, 2021, % of total)



Source: NBH

HUF retail securities

(HUF billion and % of total)



Source: AKK

HUNGARY'S EXPOSURE TO INTERNATIONAL MARKETS IS CAREFULLY MANAGED

Key highlights

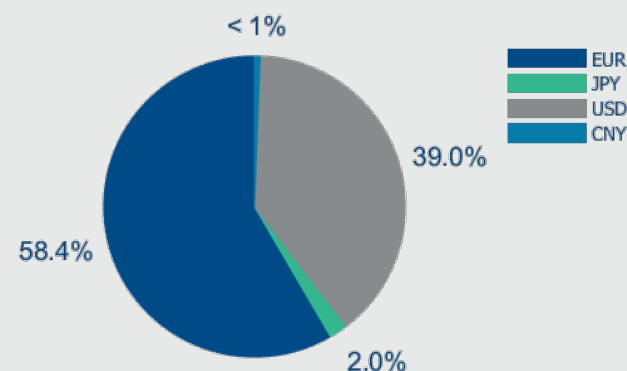
- **The share of Hungary's government debt in foreign currency is contained**
 - Buybacks implemented by AKK, both on public and OTC markets, have also contributed to this positive trend
 - Hungary strives to keep the share of FX exposure between 10% and 25% of total debt, but Hungary would also like to maintain its presence on the international capital markets to ensure diversification of funding sources
- **The FX debt is mainly denominated in EUR and USD, 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 November 2021, in line with AKK debt management target to mitigate exchange rate risk
- **Hungary issued green bonds denominated in EUR (in June 2020), in JPY (in September 2020) and in CNY (in December 2021)**

Source: AKK

FX debt composition by currency before swaps

(December 31, 2021, % of total)

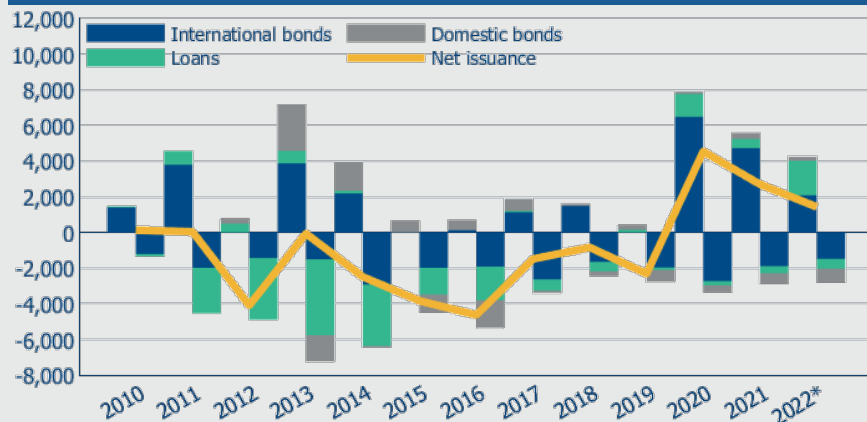
Total FX debt¹:
EUR 23.8 billion



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

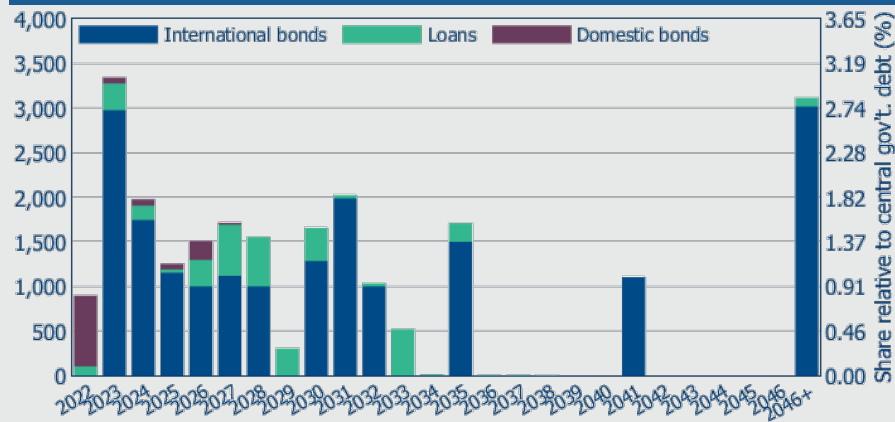
¹ Excluding CCIR swaps; total FX debt including CCIR swaps amounted to EUR 22.8 billion

FX Redemption, Issuance & Net Issuance (EUR million)



Source: AKK; Note: Central government debt; * According to the 2022 Financing Plan

Maturity profile of FX debt (December 31, 2021, EUR million)



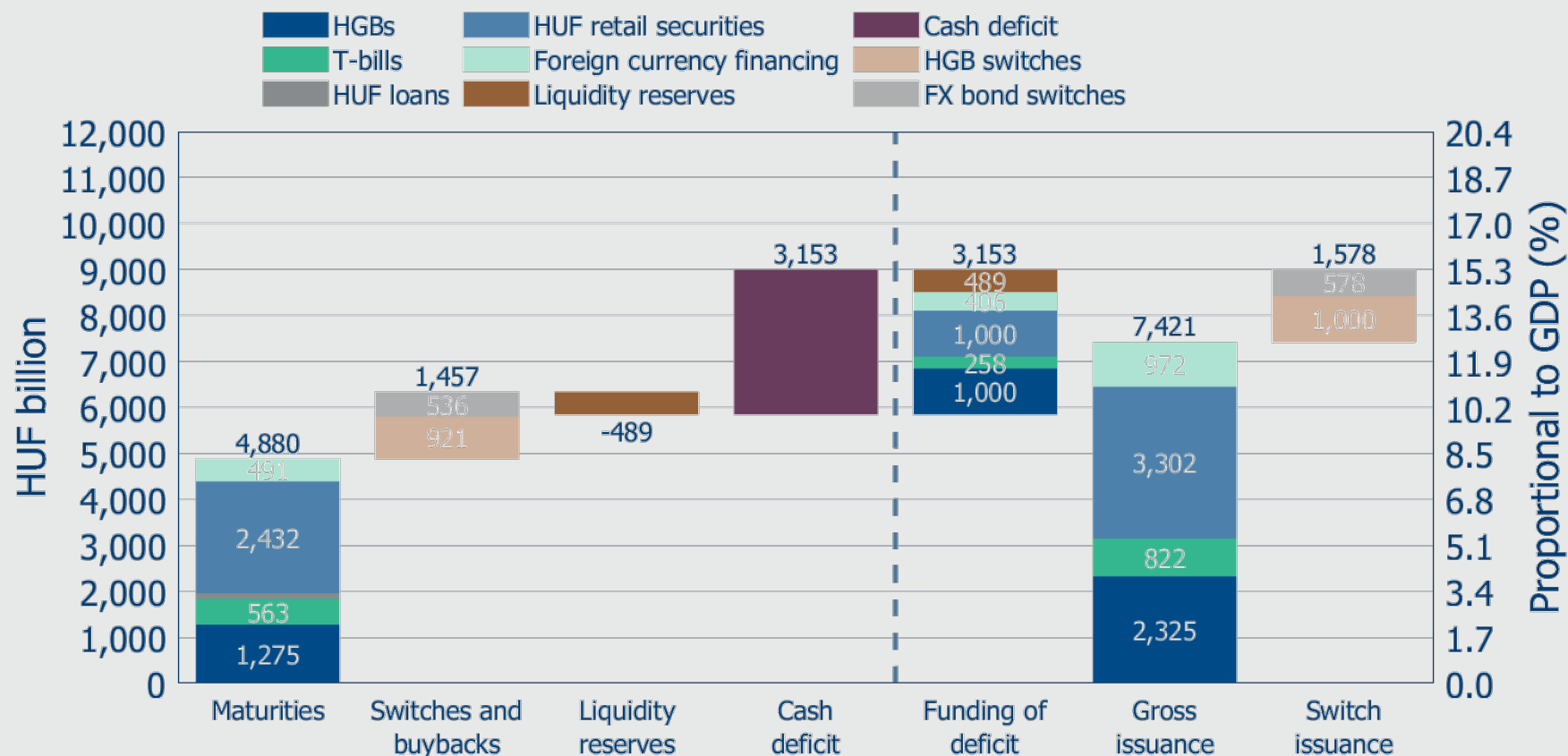
Source: AKK; Note: Central government debt

GOALS OF GOVERNMENT DEBT MANAGEMENT IN 2022

In 2022, the gross government security issuance and borrowing will be HUF 9,000 billion (15% of expected GDP) (including switch auctions) compared to the HUF 12,169 billion figure in 2021 and the HUF 11,311 billion average gross government borrowing volume in the last 5 years.

HUF Institutional Market	▪ Achieving 36% of institutional HUF bond issuance in the first quarter of 2022, mainly through the pro rata issuance of new (long) 5- and 10-year (2028 and 2032) benchmark bonds in the first quarter. ▪ Continuation of the switch auction programme with a volume of HUF 1,000 billion compared to the 2021 plan of HUF 1,500 billion. ▪ Monthly issuance of a new 10-year HUF green bond (similarly to the new 10-year benchmark also maturing in 2032), while continuing to issue the 30-year green bond on a quarterly basis. ▪ The development of the Hungarian government securities market with the introduction of the new Primary Dealer Framework from H2 2022.
Retail Market	▪ Reaching the goal of HUF 11 trillion in retail government securities owned by households until 2023. ▪ To develop and adapt a new retail government securities strategy in 2022.
FX	▪ Widening the tolerance band for the FX debt ratio from 10-20% to 10-25% to increase the optionality and room for manoeuvre of financing strategy, by taking into account the relative cost advantage of FX financing due to rising forint yields, while still aiming at a below 20% FX debt ratio in the medium term. ▪ FX bond switch of at least USD 2 billion in the second half of 2022 to pre-fund the 2023-24 FX bond maturities and further increase the average term-to-maturity of debt. ▪ AKK aims to strengthen Hungary's market presence in Asia further through new green bond issue(s), for example in Japanese Yen in Q1 2022. ▪ Up to EUR 2 billion equivalent FX project loan (e.g. EIB, CEB, AIIB, etc.) and syndicated loan financing.
ESG	▪ Incorporating sustainability considerations and ESG principles into the medium-term public debt management strategy, taking current market trends into account.

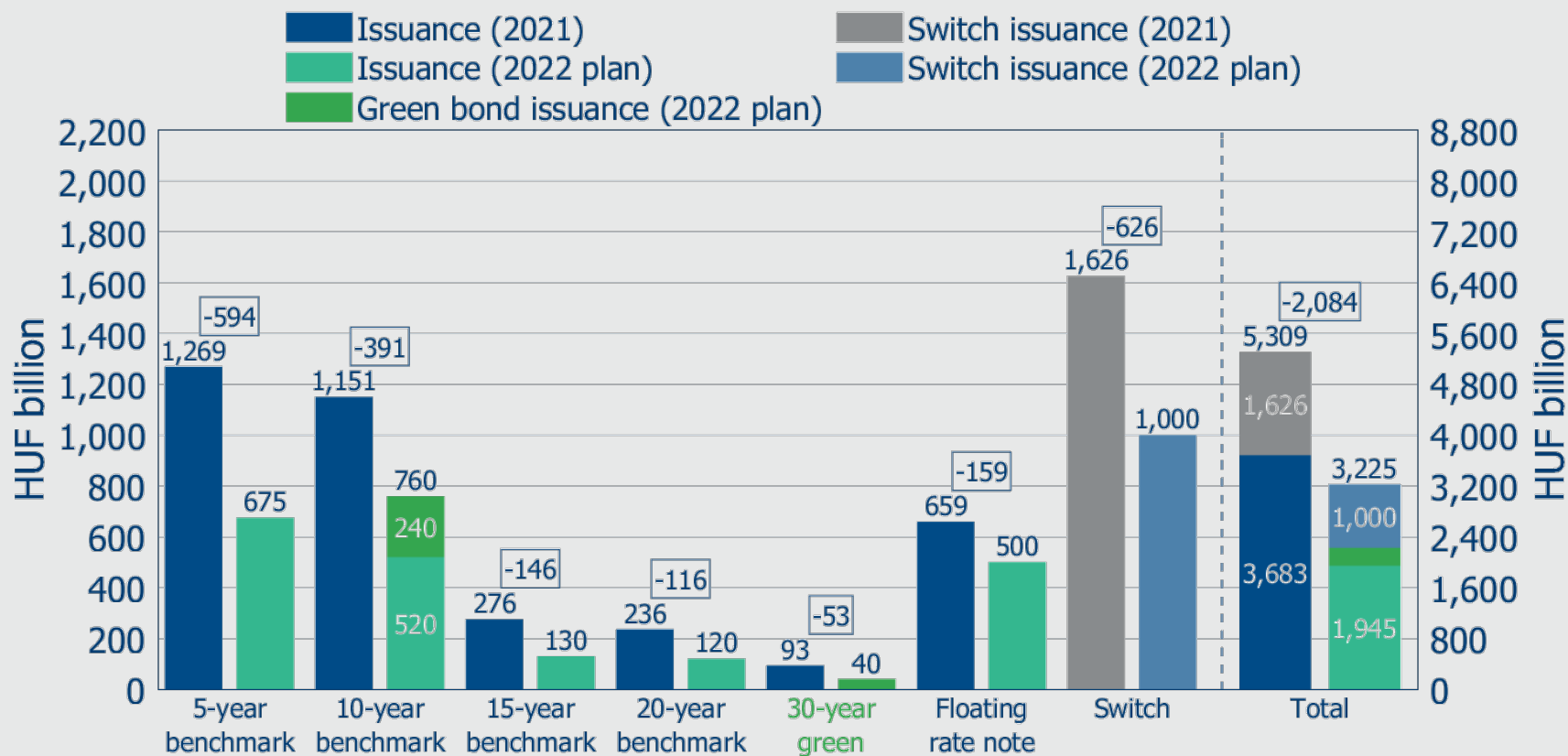
2022 FINANCING PLAN



Source: ÁKK; Note: outstanding amounts based on nominal values

The total net financing requirement for 2022 is HUF 3,153 billion, financed by net issuance of HUF 2,663 billion. Funding requirements exceeding the net issuance are financed by the use of liquidity reserves.

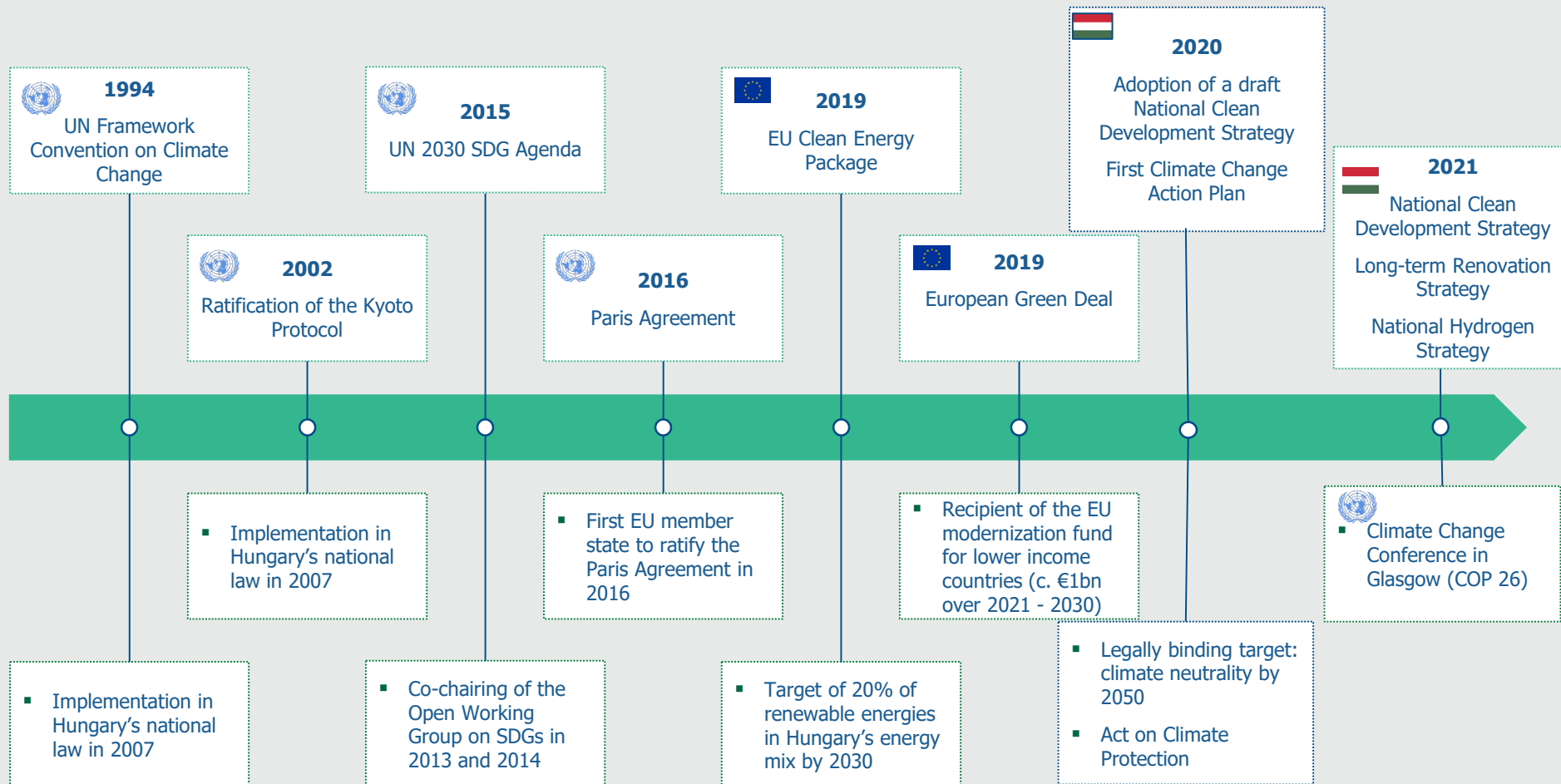
PLANNED VOLUME OF HUF WHOLESALE BOND ISSUANCES



Source: ÁKK; Note: Factual 2021 and planned 2022 values

VI. ESG

HUNGARY'S ENVIRONMENTAL COMMITMENTS AND INITIATIVES



NATIONAL STRATEGY TO ACHIEVE CLIMATE NEUTRALITY AND THE SDG

Hungary's strategies to mitigate climate change

Long term

National Clean Development Strategy

- This strategy aims to achieve **climate neutrality by 2050**
- To achieve this target, the additional annual investment need accounts for 4.8% of the GDP (early action scenario)

2nd National Climate Change Strategy

- This strategy consists in a **comprehensive framework of targets and policies** on climate and green economy development
- Focuses on 4 pillars for the 2018 – 2030 period

2nd National Climate Change Strategy: Four key pillars

Decarbonisation:

- Replacement of fossil fuel energy carriers
- Increase in energy efficiency
- Reducing natural resources consumption



Adaptation:

- Preservation of natural resources
- Adaptation of vulnerable regions and sectors



Analysis of climate vulnerability:

- Development of vulnerability methodologies
- Promoting climate-related research projects



Partnership for climate

- Horizontal integration in public administration
- Awareness-raising through Education



Short term

Milestones and achievements – Climate change

32% GHG reduction

Hungary reduced its greenhouse gas emissions by 32%¹ between 1990 and 2019

EU top-10 emissions reduction

Hungary is in the EU top-10 for greenhouse gas emissions reductions between 1990 and 2019 (10th place¹)

Low emissions per capita

The Hungarian GHG emission per capita is 82% of the EU average¹: the 7th lowest value in the EU (2019)

Ambitious GHG reduction target

The Government targets at least 40% GHG emissions reduction by 2030² (compared to the 1990 level)

Achievements of the SDGs

SDG Index Score (2021)

78.8%³

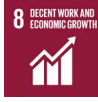
% of SDG achievement measuring progress towards the 17 SDGs

SDG index rank (2021)

25 / 165³

Country ranking relative to SDG achievements

OVERVIEW OF FLAGSHIP ESG PROJECTS

Project	Category	Objective	Description	UN SDGs	ICMA / EU Taxonomy
Development of electric cars	Green	Support the development and rapid adoption of electric cars in Hungary harnessing sustainable and modern energy	Government subsidies and registration tax credit to incentivize the shift to electric cars		 
Electrification of railway network	Green	Limit the environmental impact of Hungary's railway network improving sustainability of transport and settlements	Electrification of not yet electrified railway network lines		 
Support to families	Social	Provide financial support to large families promoting inclusive economic growth and social protection	Various subsidies and tax incentives supporting families with children		
Women / mothers employment	Social	Enable and incentivize the employment of women / mothers enhancing gender equality	Tax incentives and social benefits supporting full-time or part-time employment of women with children		
MAP Plus bond program	Governance	Enhance financial inclusion through the development of a retail domestic bond market	Retail bond issuance program giving access to citizens to HUF denominated instruments with attractive rates and easy access (sold via banks, post office, Treasury...)		

GREEN FINANCE IN HUNGARY

Key stakeholders



- **The Hungarian Government Debt Management Agency (AKK)**



- **The Hungarian Central Bank (NBH)**



- **The Hungarian corporate sector**

Initiatives

- **Hungary has adopted a green financing framework in May 2020**, which includes 6 green expenditure categories:
 - Renewable Energy
 - Energy Efficiency
 - Land Use and Living Natural Resources
 - Waste water Management
 - Clean Transportation
 - Adaptation

- **The NBH announced its Green Program in February 2019** aiming to reduce the risks associated with climate change and expand the financing of the green economy
- In July 2021, the NBH revamped its strategy through a "**Green Monetary Policy Toolkit Strategy**"

- **An increasing number of corporates are considering green issues** on the back of AKK and NBH efforts to help the sector grow

Achievements

- Since then, **the country has issued several green bonds in both local and foreign currencies**:
 - June 2020: issuance of a €1.5bn Eurobond
 - September 2020: issuance of 2 Samurai bonds for a total of JPY 20bn
 - April 2021: debut issuance of a HUF 41.2bn green bond with a 30 years maturity with the intent of developing the local green bond market
 - December 2021: issuance of a Panda bonds for a total of CNY 1bn
- The NBH was **among the first Central Banks worldwide to set up of a dedicated Green Bond portfolio in June 2019**
- Under its newly adopted strategy, the NBH will continuously examine how monetary policy can achieve **price stability and environmental sustainability objectives**
- Corporate Green Bonds **first issuance took place in August 2020**
- **12 Hungarian corporates issued Green Bonds** in both local and foreign currency

GREEN BOND ALLOCATION REPORT 2020

In March 2021, Hungary published the Green Bond Allocation Report 2020

- **Hungary strives to achieve climate neutrality by 2050**
 - Green Bond Framework
 - Act XLIV of 2020 on Climate Action
 - Foreign-currency Green Bonds issuance in 2020
 - Local-currency Green Bonds issuance in 2021
- **Hungary committed to annual reporting on the allocation and the impact of its Green Bonds**
- Green Bond Allocation Report 2020 was compiled in March 2021
- Total green bonds proceeds amounted to HUF 573,68 billion; total eligible expenditures amounted to HUF 1,204.52 billion

Green Budget Expenditures (HUF billions)

Sectors	2018 Fact	2019 Fact	2020 Plan
Renewable Energy	4.86	0.84	2.05
Energy Efficiency	2.24	4.48	15.26
Land Use and Living Natural Resources	32.58	35.32	35.64
Waste and Water Management	4.36	2.66	2.80
Clean Transportation	327.36	340.23	372.63
Adaptation	0.67	7.60	12.94
Eligible Green Expenditures	372.07	391.13	441.32
Allocated Amount	372.07	201.61	

HUNGARY Green Bond Allocation Report 2020



March 2021

- **Hungary selected projects according to the eligibility criteria defined in the Green Bond Framework, best market practices and the second party opinion provider CICERO**
- Eligible green expenditures include investment expenditures, intervention expenditures, tax expenditures and selected operating expenditures
- Budget expenditures which obtained dedicated funding were excluded
- Nuclear power, armament and defence sector, fossil fuel production and power generation related projects were excluded
- None of the expenditures harms significantly any environmental objective of the EU

GREEN BOND IMPACT REPORT 2020

In November 2021, Hungary published the Green Bond Impact Report 2020

- **Hungary committed to annual reporting on the allocation and the impact of its Green Bonds**
- Green Bond Impact Report 2020 was compiled in November 2021
- The report covers the allocations for the budget years 2018 and 2019 and the key environmental and social impacts resulting in budget years 2018, 2019 and 2020
- **The assessment of the environmental impacts was based on the ICMA Harmonized Framework for Impact Reporting Handbook (June 2021 edition)**
- The report summarizes the indicators on a project-by-project basis



Renewable Energy	Energy Efficiency	Land Use and Living Natural Resources	Waste and Water Management	Clean Transportation	Adaptation
8.2kt CO2 equivalent GHG was avoided	49.5kt CO2 equivalent GHG was avoided	More than 120 thousand projects supporting sustainable agricultural areas covering 794,438 hectares	Length of sewage system per kilometres of drinking water system increased to 761 meters	1,106.3kt CO2 equivalent GHG was avoided	1.8% decrease in air pollutant particular matter (PM10) between 2018 and 2019
7 AFFORDABLE AND CLEAN ENERGY	7 AFFORDABLE AND CLEAN ENERGY	15 LIFE ON LAND	6 CLEAN WATER AND SANITATION	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION
					
					
					



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