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## ÁKK has modified its 2025 Financing Plan

*Budapest, June 10, 2025* – In line with the Ministry for National Economy’s increasing the expected 2025 cash-flow-based-budget deficit to HUF 4,774 billion, the Government Debt Management Agency Pte. Ltd. („ÁKK”) has modified its financing plan for 2025. ÁKK plans to cover the resulting HUF 651 billion increase of funding needs for 2025 with FX bond issuance. The amended plan contemplates FX bond issuance in the amount of EUR 3 billion which exceeds the additional financing need which will facilitate the accumulation of intra-year liquid reserves and enhance the flexibility of debt management. Timing, currency, and maturity of any issuance will be determined by ÁKK based on market conditions. FX bond issuance will also allow ÁKK to reduce slightly the net issuance target for the institutional HUF market by HUF 344 billion. The planned net increase of retail government securities and institutional securities owned by households remains unchanged. Benchmark targets also remain unchanged.

ÁKK has completed 88% of the financing plan for 2025, as fine-tuned in March 2025. The planned total net issuance target will increase by 0.6 percent of GDP in line with the increased cash-flow based deficit from 4.7% of GDP to 5.3% of GDP. However, total net issuance will remain below the 2020-2024 period average. The main changes compared to the 2025 financing plan approved at the end of 2024 and fine-tuned in March are as follows:

- Planned auction issuance of institutional HUF bonds decreases by HUF 174 billion from gross HUF 4,258 billion to gross HUF 4,085 billion; the switch auction issuance plan remains unchanged at gross HUF 892 billion.
- Planned gross HUF retail securities issuance decreases by HUF 572 billion from HUF 5,595 billion to HUF 5,023 billion.
- Planned gross FX financing changes from HUF 1,558 billion to HUF 2,833 billion by an increase of HUF 1,274 billion.

As a result, the total volume of planned gross issuance in 2025 will increase by HUF 481 billion from HUF 12,503 billion to HUF 12,985 billion. The gross issuance plan by market segment according to the new financing plan is shown in Figure 1:

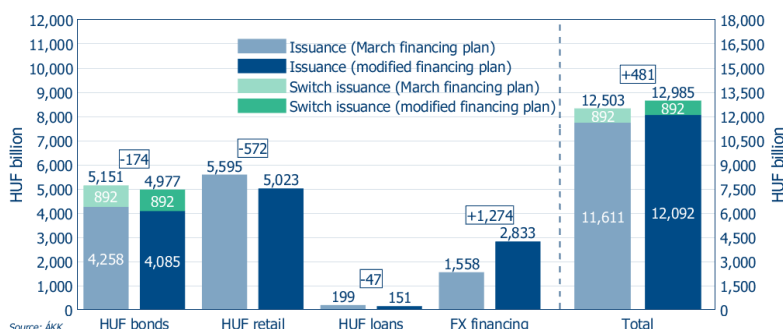


Figure 1: Changes in the gross financing plan across the market segments of public debt management

The planned amount of international FX bond issuance of up to EUR 3 billion in the modified funding plan will increase both the flexibility of debt management and the level of the liquid reserves within the year. Additional room to manoeuvre is favourable, especially during a turbulent global financial environment. Tapping the deep and easily accessible FX bond market is currently the optimal funding tool. In addition to covering increased funding needs, FX issuance will improve the flexibility of debt management, facilitate liquid reserve accumulation and contribute to the diversification of the debt portfolio.

According to the modified 2025 financing plan, ÁKK has reduced planned 2025 issuance on the institutional HUF government bond market – that contributes the bulk of the financing – by a net amount of HUF 297 billion. An additional HUF 47 billion decrease in expected HUF loan drawdowns will contribute to a decrease of HUF 344 billion in issuance on the HUF institutional market. The increased foreign currency funding facilitates the reduction of funding expected from the institutional HUF market. To pre-finance government bond maturities in 2026, ÁKK plans buy-back auctions in the second half of the year in case of favourable market conditions. The auction issuance plan for the rest of the year remains unchanged.

During the first five months of 2025, gross issuance of HUF retail government securities has reached HUF 3,271 billion. According to the modified plan, ÁKK has decreased planned HUF retail securities issuance from HUF 5,595 billion to HUF 5,023 billion. Conscious portfolio rebalancing by retail investors is the main reason for the gross issuance plan change. Retail investors have been purchasing institutional securities to a slightly greater extent compared to the prior expectations of ÁKK. As a result, the share of T-Bills and Hungarian Government Bonds (HGBs) in the government securities portfolio of households is increasing beside retail securities.

Despite the portfolio rebalancing on the retail government securities market during the first five months of the year, the share of inflation-linked bonds has remained the highest, still accounting for 40% of the total retail portfolio. Nevertheless, another result of the portfolio restructuring of households is the increase in share of the FixMÁP and the BMÁP products to around 20-20% of the total retail portfolio in 2025.

The shift in the structure of retail financing aligns with ÁKK's objective to promote a portfolio approach for the government securities investments of households. The net outflow expected initially by market participants did not materialise – in line with prior expectations of ÁKK; the market continues to grow steadily. Therefore, the expected net increase of retail securities and institutional securities owned by households remains unchanged in the updated 2025 financing plan.

As a result of the new financing plan, the share of FX debt relative to total debt could reach 30% by the end of the year, but the FX share could fall back below the 30% benchmark limit following the end of the year. The share of retail financing relative to total debt is adequate, and ÁKK expects the share of retail securities owned by households to reach 20.1% by the end of the year.

Government Debt Management Agency Pte. Ltd.