IMPORTANT NOTICE

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Confirmation of your representation: By accessing this Offering Circular you have confirmed to BNP Paribas, Citigroup Global Markets Europe AG, Erste Group Bank AG, J.P. Morgan SE and OTP Bank Nyrt. as joint lead managers (the "**Joint Lead Managers**") and to Hungary that (i) you have understood and agree to the terms set out herein, (ii) that the electronic mail address you have given to us is not located in the United States, its territories and possessions and (iii) you consent to delivery by electronic transmission.

This Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Joint Lead Managers nor any of their respective affiliates nor Hungary accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the United States Securities Act of 1933, (as amended) (the "**Securities Act**") or the applicable laws of other jurisdictions.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Any securities to be issued will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered in the United States (as such term is defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration.

HUNGARY

EUR 1,000,000,000 5.000 PER CENT. GREEN NOTES DUE 2027

The issue price of the EUR 1,000,000,000 5.000 per cent. green notes due 2027 (the "**Notes**") of Hungary (the "**Issuer**" or "**Hungary**") is 98.774 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 22 February 2027.

The net proceeds of the Notes will be allocated by the Issuer to Eligible Green Expenditure (as defined below). See "*Use of Proceeds*".

The Notes will bear interest from 21 November 2022 (the "**Issue Date**") at the rate of 5.000 per cent. per annum, payable annually in arrear on 22 February in each year commencing on 22 February 2024. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by Hungary to the extent described under "*Terms and Conditions — Taxation*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities law of any state of the United States or other jurisdiction and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered or sold, directly or indirectly, within the United States or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 275(2) of the SFA) that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes will be in registered form in the denomination of EUR 1,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of EUR 1,000 and integral multiples of EUR 1,000 in excess thereof. The Notes will be represented by a global registered note certificate (the "**Global Note Certificate**") registered in the name of a nominee of the common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream Luxembourg**"). Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes are intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

This Offering Circular does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**"). Application will be made for the Notes to be admitted on the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market (the "**Main Market**"). The Main Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"). The Notes will not be subject to the prospectus requirements of the UK Prospectus Regulation as a result of the Issuer's status as the government of a state, but will be issued in compliance with applicable Listing Rules of the Financial Conduct Authority (the "**FCA**").

Application may also be made by the Issuer for the Notes to be registered with the Budapest Stock Exchange BÉT XBond and be subject of secondary market trading on BÉT XBond subject to and in accordance with the provisions of Act No. CXX of 2001 on the Capital Markets, the rules and regulations of BÉT XBond and the requirements specified by the Budapest Stock Exchange as operator of BÉT XBond, 15 Hungarian business days after the Notes are admitted to listing on the Official List of the London Stock Exchange.

Joint Lead Managers

BNP PARIBAS **CITIGROUP** **ERSTE GROUP BANK AG**

J.P. MORGAN **OTP BANK NYRT.**

This Offering Circular is dated 17 November 2022

Hungary accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular to the best of its knowledge is in accordance with the facts in all material respects and contains no omission of any material fact likely to affect its import.

Hungary has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" that this Offering Circular contains all information regarding Hungary and the Notes which is (in the context of the issue of the Notes) material to investors in the context of their investment decision; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of Hungary are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Hungary has not authorised the making or provision of any representation or information regarding Hungary or the Notes other than as contained in this Offering Circular or as expressly approved for such purpose by Hungary. Any such representation or information should not be relied upon as having been authorised by Hungary or the Joint Lead Managers.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Hungary since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Hungary and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered in the United States.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Hungary of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes.

In this Offering Circular, unless otherwise specified, references to "**Euro**", "**EUR**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended, references to "**$**", "**USD**" and "**US dollars**" are to United States Dollars and references to "**HUF**" and "**forints**" are to Hungarian Forints. References in this Offering Circular to a "Condition" are to the numbered condition corresponding thereto set out in the "*Terms and Conditions*".

The National Bank of Hungary's foreign exchange rate for US dollars on 10 November 2022 was HUF 403.48 – USD 1.00, and the National Bank of Hungary's foreign exchange rate for Euro on the same day was HUF 401.91 – €1.00.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services. Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

In connection with the issue of the Notes, J.P. Morgan SE (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CONTENTS

Page

RISK FACTORS

You should read this entire Offering Circular carefully. Words and expressions defined elsewhere in this Offering Circular have the same meanings in this section. Investing in the Notes involves certain risks. In addition, the purchase of the Notes may involve substantial risks and be suitable only for investors who have the knowledge and experience in financial and business matters to enable them to evaluate the risks and merits of an investment in the Notes. You should make your own inquiries as you deem necessary without relying on Hungary or any Joint Lead Manager and should consult with your financial, tax, legal, accounting and other advisers, prior to deciding whether to make an investment in the Notes. You should consider, among other things, the following:

1. Risks relating to the Notes

The trading market for the Notes may be volatile and may be adversely impacted by many factors.

The market for the Notes issued by Hungary is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in the United States and European and other industrialized countries. There can be no assurance that events in the United States, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

There may be no active trading market for the Notes.

The Notes are a new issue of securities with no established trading market. There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Hungary. Although an application will be made to list and trade the Notes on the Official List and on the Main Market of the London Stock Exchange, respectively, there is no assurance that an active trading market will develop or will be maintained.

Certain economic risks are inherent in any investment denominated in a currency other than the currency of the country in which the purchaser is resident or the currency in which the purchaser conducts its business or activities.

An investment in a security denominated in a currency other than the currency of the country in which the purchaser is resident or the currency in which the purchaser conducts its business or activities may present currency related risks not associated with a similar investment in a security denominated in the home currency. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the home currency and the Euro. Such risks generally depend on events over which Hungary has only partial control, such as economic and political events and the supply of and demand for the Euro and the home currency. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of the Notes. Depreciation of the Euro against the relevant home currency could result in a decrease in the effective yield of a particular security below its coupon rate and, in certain circumstances, could result in a loss to the investor on a home currency basis.

This description of foreign currency risks does not describe all the risks of an investment in securities denominated in a currency other than the home currency. Prospective investors should consult their own financial and legal advisers as to the risks involved in an investment in the Notes.

Economic disruption in Europe could have an adverse effect on the value of the Notes.

The value of the Notes is affected by current global economic conditions, including regional and international rates of economic growth. Developments in the global economy, including the British exit from the European Union, have led to increased market volatility in Europe. As a result of the sovereign debt crisis in Europe, there was significant price volatility in the secondary market for sovereign debt of European and other nations at the beginning of the last decade. Europe has appeared to begin recovering from that sovereign debt crisis, with some Eurozone countries experiencing moderate growth, yet it continues to face uncertainty. If such price volatility resumes, it could lead to a decline in the recoverability and value of the Notes.

The COVID-19 pandemic and the measures taken to combat its spread adversely affected and may continue to adversely affect the economic performance of the Eurozone. Due to the strong trade and financial links between countries in the European Union, continued sluggish economic growth or negative growth in the European Union, and in particular in the Eurozone, could adversely affect the value of the Notes.

Additionally, the European economy has recently been impacted by Russia's military activity in Ukraine and the related economic sanctions imposed on certain Russian entities and persons by many countries. In particular, financial and commodity markets have experienced significant volatility and energy prices have increased mainly due to concerns regarding disruptions in oil and natural gas supply. The potential impact of these developments on the value of the Notes is uncertain.

The Notes may not be a suitable investment for all investors.

You must determine the suitability of investment in the Notes in the light of your own circumstances. In particular, you should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on your overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from your currency;

(iv) understand thoroughly the terms of the notes and be familiar with the behavior of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

The Notes are unsecured.

The Notes constitute unsecured obligations of Hungary.

The Notes will contain provisions that permit Hungary to amend the payment terms without the consent of all holders.

The Notes will contain provisions regarding acceleration and voting on amendments, modifications, changes and waivers, which are commonly referred to as "collective action clauses." Under these provisions, certain key provisions of the Notes may be amended, including the maturity date, interest rate and other payment terms, with the consent of the holders of 66.67% of the aggregate principal amount of the outstanding debt securities, as specified in the Terms and Conditions. See "*Terms and Conditions*".

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisers to determine whether and to what extent (1) the Notes are legal investments for you, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to your purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes may not be a suitable investment for all investors seeking exposure to green assets.

It is the Issuer's intention to apply the proceeds of the Notes to Eligible Green Expenditure (as defined under "*Use of Proceeds*"). A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and determine for itself the relevance of such information for the purpose of an investment in such Notes together with any other investigation it deems necessary.

No assurance is given by the Issuer or the Joint Lead Managers that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental impact of any project or uses, the subject of or related to, the Green Bond Framework (as defined under "*Use of Proceeds*").

It should be noted that there is currently no consistent definition or market consensus of what constitutes a "green" or equivalently-labelled project nor can any assurance be given that a clear definition or consensus will develop over time or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or the issues the subject of, or related to, any Eligible Green Expenditure. Accordingly, no assurance can be given that Eligible Green Expenditure will meet investor expectations or requirements regarding such "green" or similar labels. Each prospective investor should have regard to the factors described in the Green Bond Framework, seek advice from their independent financial adviser or other professional adviser on the relevance of the information contained in this Offering Circular regarding the use of proceeds and its purchase of the Notes and conduct any other investigations they deem necessary to reach their own conclusions before deciding to invest.

In connection with the issue of the Notes, the Issuer has appointed a specialist, CICERO Shades of Green, to issue an opinion (the "**Second Party Opinion**") confirming that the Green Bond Framework and intended use of proceeds on Eligible Green Expenditure are aligned with the Green Bond Principles of the International Capital Market Association ("ICMA") (the "**Green Bond Principles**"). The Second Party Opinion is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular. The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above or incorporated by reference herein and other factors that may affect the value of the Notes or the Eligible Green Expenditure. The Second Party Opinion does not constitute a recommendation to buy, sell or hold securities and would only be current as of the date it is released. Currently, the providers of this type of opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of the Second Party Opinion and/or the information contained therein and/or the provider of the Second Party Opinion for the purpose of any investment in the Notes. In particular, no assurance or representation is or can be given by the Issuer or the Joint Lead Managers to investors that the Second Party Opinion will reflect any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. The Noteholders have no recourse against the provider of the Second Party Opinion. A withdrawal of the Second Party Opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

In the event that any such Notes are listed or admitted to trading on a dedicated "green" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Issuer, the Joint Lead Managers or any other person that such listing or admission satisfies any present or future investment criteria or guidelines with which such investor is required, or intends, to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer, the Joint Lead Managers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of the Notes to Eligible Green Expenditure, there is no contractual obligation to do so. There can be no assurance that any such Eligible Green Expenditure will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Green Expenditure as intended. In addition, there can be no assurance that Eligible Green Expenditure will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the Notes to Eligible Green Expenditure or to report on the use of proceeds or Eligible Green Expenditure as anticipated or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with the Notes or the failure of the Notes to meet investors' expectations requirements regarding any "green" or similar labels, for whatever reason, will constitute an Event of Default or breach of contract with respect to the Notes.

A failure of the Notes to meet investor expectations or requirements as to their "green" or equivalent characteristics including the failure to apply proceeds to Eligible Green Expenditure, the failure to provide, or the withdrawal of, a third party opinion or certification, the Notes ceasing to be listed or admitted to trading on any dedicated stock exchange or securities market as aforesaid or the failure by the Issuer to report on the use of proceeds or Eligible Green Expenditure as anticipated, may have a material adverse effect on the value of such Notes and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the Notes as a result of the Notes not falling within the investor's investment criteria or mandate).

2. Risks relating to Hungary

The worldwide economic effects of the outbreak of the Coronavirus could adversely affect Hungary's economy.

The outbreak of Coronavirus disease 2019 ("**COVID-19"**) has had an adverse economic impact. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organization ("**WHO**") country office in China on 31 December 2019. On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and on 11 March 2020, declared the outbreak a pandemic. COVID-19 has had numerous worldwide effects on general commercial activity. In Hungary, following the discovery of the first case of COVID-19 in the country, the government implemented various protective measures, including declaring a state of danger to cope with the first wave of the pandemic with effect from 11 March 2020, decreeing a national curfew, suspending international passenger flights and extending tax amnesty. Thereafter, to combat the second wave of the pandemic, the government reintroduced the state of danger on 4 November 2020, and it expired on 1 June 2022.

As of 23 September 2022, 65.3 per cent. of the total Hungarian population received at least one vaccine dose. The cumulative uptake of the primary course reached 63.2 per cent. and the cumulative uptake of the first booster amounted to 39.7 per cent. in the total population. 73.7 per cent. of the Hungarian population over 18 years of age received at least one vaccine dose. The cumulative uptake of the primary course reached 71.4 per cent. and the cumulative uptake of the first booster amounted to 47.4 per cent. of the Hungarian population over 18 years of age.

As a result of the economic slowdown caused by the COVID-19 pandemic, Hungary's GDP contracted by 4.5 per cent. in 2020 and increased by 7.1 per cent in 2021. At this time, given the uncertainty of the lasting effect of COVID-19, any further impact on Hungary's economy cannot be determined. In the medium to long term, if the spread of COVID-19 is prolonged, it could continue to significantly adversely affect the economies and financial markets of Hungary and of many other countries, resulting in an economic downturn that could, among other effects, reduce international trade flows. The occurrence of these events could continue to have an adverse effect on Hungary's economy.

Hungary's economy and economic growth might be affected by eventual adverse external factors.

As with most countries, Hungary's economy and macroeconomic goals might be susceptible to eventual adverse external factors, including the ongoing instability in the European banking system and weakness of the sovereign debt market of certain members of the European Monetary System. The occurrence of disruptive external political events, including sanctions, embargoes and asset freezes, civil unrest, actual or threatened acts of war, escalation of current hostilities, or any other military or trade disruptions, may adversely impact Hungary's economy by causing, among other things, supply chain disruptions and market volatility. If global economic growth stalls and Hungary's primary trading partners experience economic difficulties, it could result in lower export earnings by Hungary, which relies on the export market. The European Union, particularly Germany, is Hungary's largest export market. A decline in demand for imports from Hungary's major trading partners, such as the European Union, from whatever source, could have a material adverse impact on Hungary's balance of trade and adversely affect Hungary's economic growth.

The ongoing conflict between Russia and Ukraine could negatively impact Hungary.

On 21 February 2022, Russia recognized the independence of the self-proclaimed republics of Donetsk and Luhansk in the Donbas region of Ukraine and in the following days ordered Russian troops into these regions, commencing a military operation against Ukraine. In response to Russia's military operation in Ukraine, the governments of the United States, the United Kingdom, the European Union, Japan and other countries have announced the imposition of extensive sanctions on certain industry sectors in Russia and the regions of Donetsk and Luhansk and on certain individuals in Russia and abroad. The sanctions announced to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia, severing Russia's largest bank from the U.S. financial system, removal of certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication ("**SWIFT**") system, barring some Russian enterprises from raising money in the U.S. market and blocking the access of certain Russian banks to financial markets. Additionally, on 3 June 2022, the European Commission announced the adoption of the sixth package of restrictive measures against Russia imposing an embargo on approximately 90 per cent. of Russian crude oil exports to the EU by the end of 2022. Russian pipeline oil exports to the EU (such as those to Hungary) are currently exempted from the embargo. However, if a more comprehensive embargo is put into effect, substitution may not be possible because Hungary's refinery is not set up for other types of oil. The United States and other countries could also impose wider sanctions and take other actions should the conflict escalate further.

With effect from 25 May 2022, the Government declared a state of danger in relation to the armed conflict in Ukraine, after the Parliament approved an amendment to the Fundamental Law determining armed conflict, war, or humanitarian disaster in a neighboring country as causes of such a measure. The state of danger is in effect until 30 November 2022 but may be extended in the future.

The amendment of the Fundamental Law, effective from 1 November 2022, authorised the Government to adopt or extend the effect of any emergency decree until the end of the state of danger (unless such decree is annulled by the Parliament). It aims to ensure that the Government has all the necessary tools and authorisations to protect Hungary from the negative social and economic effects of the war.

Hungary has economic relations with both Ukraine and Russia. Hungary's primary external source of energy is gas and oil imported from Russia. Hungary and Russia also cooperate on other matters, including the ongoing construction of the Paks Nuclear Power Plant in Hungary. Because of Hungary's close relationship with, and geographic proximity to, both countries, the current hostilities between Russia and Ukraine are likely to have an increasingly adverse effect on Hungary's political, economic and financial position, especially if Hungary were to be required to source its energy needs elsewhere.

Further, Hungary has contractual obligations with Russian counterparties that may be affected by current sanctions. Due to the broad economic sanctions imposed on Russian entities and persons, Hungary could experience increased credit risk and defaults on loans to counterparties in Russia. Although Hungary has established policies to ensure that these activities are conducted in compliance with applicable laws and regulations, including applicable sanctions, any actual or perceived failure to comply with applicable laws and regulations could result in regulatory actions against Hungary, such as secondary sanctions. In addition, Hungary's participation in transactions with sanctioned entities may lead some potential counterparties and investors to avoid doing business with Hungary or investing in its securities.

As a result of these factors, Hungary's budgetary and financial condition could be negatively impacted.

Hungary is highly dependent on Russian energy imports and a disruption in energy imports from Russia could have a material adverse impact on Hungary's economy and adversely affect Hungary's financial and economic stability.

Hungary is highly dependent on Russian energy imports. The Russian share of natural gas imports to Hungary is approximately 85 per cent. to 95 per cent., while that of crude oil is approximately 60 per cent. to 75 per cent. Russian natural gas and crude oil imports cannot be replaced in the short term. The transition to alternative oil supply would require an estimated investment of several hundred million dollars and a 2- to 4-year transition period for the Hungarian oil industry. Hungary is a land-locked country with an established pipeline system for natural gas and oil imports from Russia. Hungary has pipeline connection with all neighbouring countries (except Slovenia), although has only limited possibilities to fully replace Russian imports, since except from Croatia, Russian gas molecules flow from all directions. While imports of LNG from Croatia have the potential to gradually reduce the share of Russian gas imports, this would require a substantial increase in supply from Croatia. The recently launched Romanian Black Sea offshore gas platform can also help to achieve this goal. Nuclear energy accounts for 44 per cent. of the total electricity generation in Hungary and nuclear fuel is imported in its entirety from Russia.

A possible failure, disruption or material decrease in energy imports from Russian energy would adversely affect the country. However, the Hungarian gas storages are currently 72% full, which covers approx. 42% of the total annual domestic consumption well exceeding the 35% target of EU set by 1st of November. In proportion to consumption, the level of gas storage is among highest in the EU.

The tapering of the ongoing quantitative easing programs of the European Central Bank or other changes to EU funding could have a material adverse impact on Hungary's capital market and adversely affect Hungary's financial stability.

The monetary policy of the European Central Bank has substantial indirect effect on the Hungarian capital market. The possible termination of the ongoing quantitative easing programs of the European Central Bank could set the stage for higher interest rates in the future. A tighter ECB monetary policy stance could have a material adverse impact on Hungary's capital markets and the government's borrowing costs, negatively impacting Hungary's fiscal position. Hungary's ESA-based fiscal deficit was 7.8 per cent. of GDP in 2020 and 6.8 per cent. of GDP in 2021, and Hungary currently has high fiscal financing requirements, partly due to the COVID-19 pandemic.

On 27 April 2022, the European Commission sent a formal notification to the Hungarian Government on the launch of the conditionality mechanism which would condition a portion of the disbursement of EU funds on Hungary's compliance with the rule of law. The formal notification is an initial step in the process of activating the conditionality mechanism. After receiving the notification, Hungary will have several (at least one to three) months to comment, provide relevant information and propose remedial measures in response to the Commission's findings. Then, the process involves a lengthy (at least approximately six to nine month) dialogue between the Commission and Hungary, during which the European Commission will assess whether a rule of law deficiency exists, and whether a direct link can be established between any rule of law deficiency and European budget interests. If, at the end of the procedure, the Commission determines that such deficiencies still exist, a proportionate part of the EUR 5.85 billion from the EU's Recovery and Resilience Facility ("**RRF**") funding that Hungary expects to receive between 2022 and 2026 could be withheld to offset the budgetary effects of such deficiencies, if any. The exact proportion of the funds that may be withheld, if any, is uncertain. The objective of the process to remedy any identified deficiencies and its consultative nature gives ample opportunity to both parties to find the appropriate compromise remedial solutions.

Following a dialogue between the European Commission and the Hungarian authorities, on 18 September 2022, the European Commission proposed to the European Council to approve certain budget protection measures against Hungary, including the suspension of 65% of the commitments in three operational programmes for the period 2021-2027 financed from the European Regional Development Fund (ERDF), Cohesion Fund (CF), Just Transition Fund (JTF), European Social Fund Plus (ESF+). The European Council will decide whether to adopt such measures within one month (which may be extended by a maximum of further two months in exceptional circumstances). Subsequently, the Justice and Home Affairs Council extended this deadline by two months to 19 December 2022.

Any deterioration in the relationship between Hungary and the European Commission, or any material reduction in EU funds to be disbursed to Hungary going forward (e.g., if the European Council, upon the proposal of the European Commission, ultimately adopts a decision on implementing the measures (e.g. reduction of foreseen payments)), could have a material adverse impact on Hungary's budgetary and financial condition.

There can be no assurance that Hungary's credit rating will not change.

Long-term foreign currency and local currency debt of Hungary is currently rated BBB by Standard & Poor's and Baa2 by Moody's. Hungary's foreign currency and local currency sovereign credit rating issued by Fitch Ratings is currently BBB. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Rating agencies continue to assess rating levels, including to monitor the potential impact of the COVID-19 pandemic generally. There can be no assurance that the rating or outlook of Hungary will not be placed on watch or be subject to change in the future, whether due to the economic impact of the COVID-19 pandemic, the macro-economic environment or otherwise. A downgrade in rating or a negative change in outlook could have a materially adverse impact on the cost of funding of Hungary, and could have a further impact on the Hungarian economy including on the GDP and budget.

Hungary is a sovereign state and accordingly it may be difficult to enforce judgments or awards against certain assets.

Hungary will irrevocably submit to the jurisdiction of the English courts and in addition accepts that disputes may be referred to arbitration. Hungary will irrevocably waive immunity in connection with any action arising out of or based upon the Notes brought by any holder of Notes. In the absence of a waiver of immunity by Hungary with respect to such actions, it would not be possible to obtain a judgment or award in such an action against Hungary unless a court or arbitral tribunal were to determine that Hungary is not entitled to sovereign immunity with respect to such action. Hungary has also waived immunity in connection with enforcement against Hungary and its assets. However, such waiver of immunity is subject to exclusions in respect of certain assets as set out below. For further information see Condition 17(f) (*Jurisdiction – Waiver of Immunity*).

In the event that a claimant enforces a judgment or award against Hungary by attempting to attach assets located outside Hungary, such assets may be immune from attachment notwithstanding Hungary's waiver of sovereign immunity. Save as necessary to ensure the effectiveness of service, Hungary does not agree to waive immunity with respect to: (i) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely for official non-commercial state purposes in Hungary or elsewhere; (iv) military property or military assets of Hungary related thereto; or (v) any non-transferable national assets and national assets with priority importance as defined in or in accordance with applicable Hungarian laws.

There is a risk that, notwithstanding the waiver of sovereign immunity by Hungary, a claimant will not be able to enforce a court judgment or arbitral award against certain assets of Hungary in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Hungary having specifically consented to such enforcement at the time when the enforcement is sought.

The recognition or enforcement of judgements rendered by a non-EU foreign court by Hungarian courts

The recognition or enforcement of any judgment rendered by a non-EU foreign court may be limited in accordance with the Convention on Choice of Court Agreements done at The Hague on 30 June 2005 (the "**Hague Convention**") and Act XXVIII of 2017 on Private International Law (the "**Conflicts Law**"). However, given the asymmetric nature of the jurisdiction clause of the Notes (Condition 18(d) (*Non-exclusivity*)), it is uncertain whether the Hague Convention will apply.

Based on the provisions of the Conflicts Law, judgments of a non-EU foreign court can be recognised and enforced by the Hungarian courts if the parties to the dispute have agreed to the jurisdiction of the non-EU foreign court and the agreement on jurisdiction satisfies the formality requirements of Hungarian law. Under Hungarian law, an agreement on jurisdiction can be made by the parties (i) in writing, (ii) verbally, if evidenced in writing, (iii) in a form which complies with the practices previously formed among the parties or (iv) in terms of international trade, also in a form which complies with commercial practice in such trade and of which the parties should have been aware.

INFORMATION INCORPORATED BY REFERENCE

The investor presentation entitled "Hungary Investor Presentation – November 2022" (the "**Investor Presentation**") shall be deemed to be incorporated in, and to form part of, this Offering Circular.

Copies of the Investor Presentation incorporated by reference in this Offering Circular may be inspected, free of charge, at www.akk.hu. For the avoidance of doubt, unless specifically incorporated by reference into this Offering Circular, information incorporated by reference in the Investor Presentation or contained on the website does not form part of this Offering Circular.

USE OF PROCEEDS

The net proceeds of the issue of the Notes is expected to amount to EUR 986,490,000 after deduction of the combined management and underwriting fee.

An amount equal to the proceeds of the Notes will be allocated to finance or refinance, in whole or in part, Eligible Green Expenditure.

For the purposes of this section:

"**Eligible Green Expenditure**" means expenditure within Hungary's central government budget contributing to Hungary's transition to a low carbon, climate-resilient and environmentally sustainable economy, as further described in the Green Bond Framework; and

"**Green Bond Framework**" means the framework for the issuance of Green Bonds published by Hungary, available at akk.hu. The Green Bond Framework has been subjected to external review by CICERO Shades of Green and the Second Party Opinion is available at www.akk.hu.

None of the Green Bond Framework nor any of the above reports, opinions or contents of any of the above websites are incorporated in, nor shall be deemed to be incorporated in, and/or form part of this Offering Circular and do not constitute enforceable contractual obligations of the Issuer.

Hungary is expected to issue reports on (i) the allocation of the proceeds of the Notes to Eligible Green Expenditure and its breakdown by green sectors (the "**Allocation Report**") and (ii) the environmental impact of the Eligible Green Expenditure (the "**Impact Report**"). These reports are expected to be issued once a year until full allocation of the proceeds of the Notes to Eligible Green Expenditures. The Allocation Report will be reviewed by a third party consultant.

The Joint Lead Managers make no assurances as to: (i) whether any Notes will meet investor criteria and expectations regarding environmental impact for any investors; (ii) whether the net proceeds from any Notes will be used for Eligible Green Expenditure; or (iii) the characteristics of the Eligible Green Expenditure, including its environmental criteria.

TERMS AND CONDITIONS

The following is the text of the Terms and Conditions of the Notes which, upon issue, will represent the terms and conditions applicable to all Notes, and, subject to completion and amendment, will be endorsed on each Note in definitive form and will be attached and (subject to the provisions thereof) apply to each Global Note representing the Notes.

The EUR 1,000,000,000 5.000 per cent. green notes due 2027 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of Hungary (the "**Issuer**") are constituted by a deed of covenant dated 21 November 2022 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of a fiscal agency agreement dated 21 November 2022 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denominations of EUR 1,000 ("**Authorised Denominations**").

(b) *Status of the Notes*: The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured and unsubordinated External Indebtedness of the Issuer, from time to time outstanding, *provided, further*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge and Covenants

(a) So long as any Note remains outstanding (for the purposes of these Conditions, "**outstanding**" shall have the meaning ascribed to such term in the Fiscal Agency Agreement), Hungary undertakes that, if it or the National Bank of Hungary creates or permits to subsist any Security Interest upon the whole or any part of its or their assets or revenues, present or future, to secure: (i) any Public External Indebtedness of Hungary having an original maturity of at least one year; or (ii) any Public External Indebtedness of the National Bank of Hungary having an original maturity of at least one year and incurred on or prior to 31 December 1998, the Issuer shall, at the time or prior thereto, secure equally and rateably therewith the obligations of the Issuer under the Notes.

(b) So long as any Note remains outstanding, the Issuer shall: (i) continue to procure that either the Issuer or the National Bank of Hungary exercises full ownership, power and control over the International Monetary Assets as they exist from time to time; and (ii) duly obtain and maintain in full force and effect all governmental consents, licences, approvals and authorisations, and/or make or cause to be made all (if any) registrations, recordings and filings, which may at any time be required to be obtained and/or made in Hungary for the execution, delivery or performance of all obligations arising under the Notes and the validity or enforceability thereof.

In these Conditions:

"**External Indebtedness**" means any obligation in respect of existing or future Indebtedness denominated or payable, or at the option of the holder thereof payable, in a currency other than the lawful currency of Hungary provided that, if at any time the lawful currency of Hungary is the Euro, then any Indebtedness as described herein, expressed in or payable or optionally payable in Euro, more than 50 per cent. of the aggregate principal amount of which is initially placed outside Hungary and issued after the date on which the Euro becomes the lawful currency of Hungary, shall be included;

"**IMF**" means the International Monetary Fund;

"**Indebtedness**" means any indebtedness of any Person (whether incurred as principal or surety) for money borrowed;

"**International Monetary Assets**" means all of Hungary's official holdings of gold and all of Hungary's, and Hungary's Monetary Authorities', holdings of: (i) Special Drawing Rights; (ii) Reserve Positions in the IMF; and (iii) Foreign Exchange; the terms "Special Drawing Rights", "Reserve Positions in the Fund" and "Foreign Exchange" have, as to the types of assets included, the meanings given to them in the IMF's publication entitled "International Financial Statistics" or such other meaning as shall be formally adopted by the IMF from time to time;

"**Monetary Authorities**" means the National Bank of Hungary and, if and to the extent that it performs the functions of a monetary authority for or on behalf of Hungary or the government thereof, any currency board, exchange stabilisation fund or treasury;

"**National Bank of Hungary**" means Magyar Nemzeti Bank, the central bank of Hungary or any other entity which, from time to time, acts as a central bank of Hungary, as the case may be;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Public External Indebtedness**" means External Indebtedness which: (i) is in the form of, or represented by, bonds, notes or other similar securities; and (ii) is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market; and

"**Security Interest**" means any lien, pledge, hypothecation, mortgage, security interest, charge or any other encumbrance, agreement or arrangement which has a similar legal and economic effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. Interest

The Notes bear interest from 21 November 2022 (the "**Issue Date**") at the rate of 5.000 per cent. per annum (the "**Rate of Interest**"). Interest on the Notes is payable in arrear on 22 February in each year (the "**Interest Payment Date**") from and including 22 February 2024 (the "**First Interest Payment Date**") to and including the Maturity Date.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable shall be EUR 62.74 per Calculation Amount in respect of each Note on the First Interest Payment Date, and EUR 50 per Calculation Amount in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant

Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means EUR 1,000;

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"**Day Count Fraction**" means:

(a) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

(b) if the Calculation Period is longer than one Regular Period, the sum of:

  (i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

  (ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

"**Regular Date**" means 22 February in any year; and

"**Regular Period**" means each period from (and including) any Regular Date to (but excluding) the next successive Regular Date.

5. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 22 February 2027 (the "**Maturity Date**"), subject as provided in Condition 6 (*Payments*).

(b) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraph (a) (*Scheduled redemption*) above.

(c) *Purchase*: The Issuer may at any time purchase Notes in the open market or otherwise and at any price.

(d) *Cancellation*: All Notes so redeemed or purchased by the Issuer shall be cancelled and may not be reissued or resold.

6. **Payments**

(a) *Principal*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Interpretation*: In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

and

"**TARGET System**" means the TARGET2 system.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) *Payments on business days*: Where payment is to be made by transfer to a Euro account (or other account to which Euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph "**business day**" means:

(i) in the case of payment by transfer to a Euro account (or other account to which Euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and

(ii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(f) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(g) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hungary or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Hungary other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hungary, references in these Conditions to Hungary shall be construed as references to Hungary and/or such other jurisdiction.

8. Events of Default

If any of the following events occurs and is continuing:

(a) *Events of Default:*

(i) Non-payment: the Issuer fails to pay any amount of interest in respect of the Notes within 15 days of the due date for payment thereof; or

(ii) Breach of other obligations: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Fiscal Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(b) *Events of Acceleration:*

(i) Failure to take action etc: any action, condition or thing at any time required to be taken, fulfilled or done in order: (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) subject to their official translation into the Hungarian language, to make the Notes admissible in evidence in the courts of Hungary is not taken, fulfilled or done within 30 days of receipt by the Issuer of written notice thereof; or

(ii) Unlawfulness: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes and such unlawfulness is not remedied by the Issuer within 30 days' written notice thereof;

then, in the case of any event mentioned in either (a) or (b) above, all of the Notes may by written notice addressed and delivered by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes to the Fiscal Agent, be declared immediately due and payable, whereupon, unless prior to such date the Issuer shall have cured or otherwise rectified the relevant event, all of the Notes shall become immediately due and payable at their principal amount together with accrued interest. The Issuer shall ensure that it will use all reasonable endeavours to give prompt notice of any such declaration to all Noteholders.

(c) *Rescission of the Declaration of Acceleration:* if the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes and/or a resolution is passed at a meeting of Noteholders duly convened and held in accordance with the Fiscal Agency Agreement to the effect that the Event(s) of Default and/or Event(s) of Acceleration giving rise to a declaration of acceleration made pursuant to Condition 8 (a) or (b) above is or are cured or is or are waived by them following any such declaration and that such holders request the Issuer to rescind the relevant declaration, the Issuer shall, by notice in writing to the Noteholders (with a copy to the Fiscal Agent), rescind the relevant declaration whereupon it shall be rescinded and shall have no further effect. No such rescission shall affect any other or any subsequent Event of Default and/or Event of Acceleration or any right of any Noteholder in relation thereto.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

(a) *Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions:*

The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Fiscal Agency Agreement. The Issuer will determine the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

The Fiscal Agency Agreement contains the provisions for convening meetings of Noteholders to consider matters relating to the Notes including, without limitation, the modification of any provision of these Conditions. Any such modification may be made if, having been approved in writing by Hungary, it is sanctioned by an Extraordinary Resolution. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

The meeting of Noteholders shall be convened by the Fiscal Agent upon the request (addressed to the Fiscal Agent or to the Issuer, with a copy to the other, and setting out the purpose of the requested meeting) in writing of the Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes (as defined in Condition 12(j) (*Notes controlled by the Issuer*)). The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(F) whether Condition 12(b) (*Modification of this Series of Notes only*), or Condition 12(c) (*Multiple Series Aggregation – Single limb voting*), or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with Condition 12(f) (*Information*);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(g) (*Claims Valuation*); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

All information to be provided pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

"**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and Condition 12(k) (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(b) *Modification of this Series of Notes only*

Any modification of any provision of, or any action in respect of these Conditions may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or in several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) *Multiple Series Aggregation – Single limb voting*

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, of each other affected series of Debt Securities Capable of Aggregation.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(vi) It is understood that a proposal under Condition 12(c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under Condition 12(c)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) *Multiple Series Aggregation – Two limb voting*

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

(A) at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, of each other affected series of Debt Securities Capable of Aggregation.

(v) Any modification or action proposed under Condition 12(d)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) *Reserved Matter:*

In these Conditions "**Reserved Matter**" means any proposal to:

(i) change any date, or the method of determining the date, fixed for payment of principal or interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal or interest or any other amount payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(ii) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(iii) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(iv) to change the definition of "Uniformly Applicable";

(v) to change the currency in which any amount due in respect of the Notes is payable or the place of payment in which any payment in respect of the Notes is to be made;

(vi) amend the status of Notes under Condition 1 (*Form, Denomination and Status*);

(vii) amend the obligation of the Issuer to pay additional amounts under Condition 7 (*Taxation*);

(viii) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 8 (*Events of Default*);

(ix) amend the law governing the Notes, the courts to the jurisdiction to which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder set out in Condition 16 (*Governing Law*) and Condition 17 (*Jurisdiction*);

(x) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(xi) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xii) change the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution" in the Conditions and/or Fiscal Agency Agreement;

(xiii) change the definition of "outstanding" or modify Condition 12(j) (*Notes controlled by the Issuer*);

(xiv) instruct any Noteholder or committee appointed on behalf of all Noteholders pursuant to Condition 12(e) to withdraw, settle or compromise any proceeding or claim being asserted pursuant to Condition 8 (*Events of Default*);

(xv) confer upon any committee appointed pursuant to Condition 12(e) any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;

(xvi) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(xvii) amend this definition.

(f) *Information*

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 12(k) (*Aggregation Agent; Aggregation Procedures*), and provide the Fiscal Agent with the following information:

(i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of securities representing External Indebtedness that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 12(a) (*Convening Meetings of Noteholders; Conduct of meetings of Noteholders; Written Resolutions*).

(g) *Claims Valuation*

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) and Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) *Manifest Error*

The Notes and these Conditions may, subject to the prior written approval of the Issuer, be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not material.

(i) *Noteholders' Representative Committee*

(i) *Appointment*: The Noteholders may, by a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Fiscal Agency Agreement by a majority of more than 25 per cent. in aggregate principal amount of the Notes then outstanding, or by notice in writing to the Fiscal Agent signed by or on behalf of the holders of more than 25 per cent. in aggregate principal amount of the Notes then outstanding, appoint any persons as a committee to represent the interests of the Noteholders if any of the following events shall have occurred:

(a) an Event of Default or an Event of Acceleration;

(b) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*) become an Event of Default or an Event of Acceleration;

(c) any public announcement by the Issuer, to the effect that the Issuer is seeking or intends to seek a rescheduling or restructuring of the Notes or any other affected series of debt securities (whether by amendment, exchange offer or otherwise); or

(d) with the agreement of the Issuer, at a time when the Issuer has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Notes or any other affected series of debt securities are outstanding.

(ii) Upon receipt of a written notice that a committee has been appointed in accordance with Condition 12(i)(i) (*Appointment*), and a certificate delivered pursuant to Condition 12(i)(v) (*Certification*), the Issuer shall give notice of the appointment of such a committee to:

(a) all Noteholders in accordance with Condition 12(j)(vii) (*Manner of publication*); and

(b) the holders of each affected series of debt securities in accordance with the terms and conditions of such affected series of debt securities,

as soon as practicable after such written notice and such certificate are delivered to the Issuer.

(iii) *Powers*: Such committee in its discretion may, among other things, (i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders, (ii) adopt such rules as it considers appropriate regarding its proceedings, (iii) enter into discussions with the Issuer and/or other creditors of the Issuer, (iv) designate one or more members of the committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer. The Issuer shall pay any reasonably incurred fees and expenses of any such committee as may be agreed with it (including, without limitation, the fees and expenses of the committee's legal advisers and financial advisers, if any) within 30 days of the delivery to the Issuer of a reasonably detailed invoice and supporting documentation.

Except to the extent provided in this Condition 12(i)(iii) (*Powers*), such committee shall not have the ability to exercise any powers or discretions which the Noteholders could themselves exercise.

(iv) *Engagement with the committee and provision of information*

The Issuer shall:

(a) subject to Condition 12(i)(v), engage with the committee in good faith;

(b) provide the committee with information equivalent to that required under Condition 12(f) (*Information*) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and

If more than one committee has been appointed by holders of affected series of debt securities in accordance with the provisions of this Condition 12(i) (*Noteholders' Representative Committee*) and/or equivalent provisions set out in the terms and conditions of any affected series of debt securities, the Issuer shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Issuer shall engage with such steering group.

(v) *Certification*

Upon the appointment of a committee, the person or persons constituting such a committee (the "**Members**") will provide a certificate to the Issuer and to the Fiscal Agent signed by the authorised representatives of the Members, and the Issuer and the Fiscal Agent may rely upon the terms of such certificate.

The certificate shall certify:

(i) that the committee has been appointed;

(ii) the identity of the initial Members; and

(iii) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of the Issuer and the Fiscal Agent may rely on conclusively, will be delivered to the Issuer and the Fiscal Agent identifying the new Members. Each of the Issuer and the Fiscal Agent will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 12(i)(v) shall apply, *mutatis mutandis*, to any steering group appointed in accordance with Condition 12(i)(iv) (*Engagement with the committee and provision of information*).

In appointing a person or persons as a committee to represent the interests of the Noteholders, the Noteholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of debt securities.

(j) *Notes controlled by the Issuer:*

For the purposes of (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorize the signature of, any Written Resolution, and (ii) Condition 8 (*Events of Default*), Condition 12 (*Meetings of Noteholders; Modification*) and Schedule 4 (*Provisions for Meetings of the Noteholders*) to the Agency Agreement, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer, shall be disregarded and be deemed not to remain outstanding, where:

(i) "**public sector instrumentality**" means any department, ministry or agency of the government of Hungary or any corporation, trust, financial institution or other entity owned or controlled by the government of Hungary or any of the foregoing; and

(ii) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to paragraph (iv) (*Certificate*) of Condition 12(k) (*Aggregation Agent; Aggregation Procedures*), which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

(k) *Aggregation Agent; Aggregation Procedures*

(i) *Appointment:* The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(ii) *Extraordinary Resolutions:* If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(iii) *Written Resolutions:* If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(iv) *Certificate*: For the purposes of paragraph (ii) (*Extraordinary Resolutions*) and paragraph (iii) (*Written Resolutions*) of this Condition 12(k), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in paragraph (b) (*Modification of this Series of Notes only*), paragraph (c) (*Multiple Series Aggregation – Single limb voting*) or paragraph (d) (*Multiple Series Aggregation – Two limb voting*) of Condition 12 (*Meetings of Noteholders; Modification*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of paragraph (j) (*Notes controlled by the Issuer*) of Condition 12 (*Meetings of Noteholders; Modification*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(v) *Notification:* The Aggregation Agent will cause each determination made by it for the purposes of this Condition 12(k) (*Aggregation Agent; Aggregation Procedures*) to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(vi) *Binding nature of determinations; no liability:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition (Aggregation Agent; Aggregation Procedures) by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(vii) *Manner of publication:* The Issuer will publish all notices and other matters required to be published pursuant to the bond documentation including any matters required to be published pursuant to Condition 12 (*Meetings of Noteholders; Modification*), this Condition 12(k) (*Aggregation Agent; Aggregation Procedures*), Condition 12(i) (*Noteholders' Representative Committee*) and Condition 8 (*Events of Default*):

(a) on www.akk.hu;

(b) through the systems of Clearstream Banking S.A. and Euroclear Bank SA/NV and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared; and

(c) in such other places and in such other manner as may be required by applicable law or regulation.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

15. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. **Governing Law**

The debt obligations represented by the Notes, the Notes and any non-contractual obligations arising out of or in connection with such debt obligations and the Notes are governed by English law.

17. **Jurisdiction**

(a) *Jurisdiction*: The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings ("**Proceedings**"), and to settle any dispute or difference arising out of or in connection with the Notes, or any non-contractual obligations arising out of or in connection with them, including any question as to the existence, validity or termination of the Notes (a "**Dispute**"), which may arise out of or in connection with the Notes, or any non-contractual obligations arising out of or in connection with them, and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(b) *Appropriate forum*: The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

(c) *Process agent*: The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to the Embassy of Hungary in London at 35 Eaton Place, London SW1X 8BY. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(d) *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if, and to the extent, permitted by law.

(e) *Consent to enforcement etc*: Subject to paragraph (f) below, the Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

(f) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or arbitral award, or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, provided that (save as necessary to ensure the effectiveness of service under Condition 17(c) (*Process agent*) above) the Issuer does not waive any immunity with respect to: (i) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely for official non-commercial state purposes in Hungary or elsewhere; (iv) military property or military assets of Hungary related thereto; or (v) any non-transferable national assets and national assets with priority importance as defined in or in accordance with applicable Hungarian laws.

18. **Arbitration**

(a) *Disputes may be settled by arbitration*: Without prejudice to the provisions of Condition 17 (*Jurisdiction*) above, any Noteholder may, at its discretion, refer any Dispute to be settled by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"), which are deemed to be incorporated by reference into this Condition 18 (and copies of which may be obtained free of charge from the Specified Office of the Paying Agent in London).

(b) *Appointment of the arbitral tribunal*: The arbitral tribunal shall be composed of three (3) arbitrators, one of whom shall be the presiding arbitrator. The claimant(s) and the respondent(s) shall nominate an arbitrator respectively. The third arbitrator, who shall be the presiding arbitrator, shall be nominated by the two party-nominated arbitrators within thirty (30) days of the last of their appointments.

(c) *Place and language of the arbitration proceedings*: The place and seat of the arbitration shall be London, England and the language of the arbitral proceedings shall be English.

(d) *The award*: All and any awards of the arbitral tribunal shall be made in writing in accordance with the LCIA Rules and shall be final and binding on the relevant parties. The parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996. If the arbitral tribunal fails to agree on any issue in the award, the arbitrators shall decide that issue by a majority. Failing a majority decision on any issue, the presiding arbitrator shall decide that issue. The final award shall be made within six (6) months from the appointment of the third arbitrator, but insofar as this is impractical it shall be made as soon as possible thereafter.

(e) *Notice of arbitration*: In relation to any arbitration proceedings, the provisions of Condition 14 (*Notices*) shall apply in respect of this Condition 18 in addition to the notification provisions of the LCIA Rules.

(f) *Expedition of arbitration*: The arbitral tribunal shall conduct the arbitration in accordance with the LCIA Rules and at all times in such a manner as to ensure a speedy resolution of the Dispute.

The **ISSUER** expressly agrees and consents to each of the provisions of Condition 17 (*Jurisdiction*) and Condition 18 (*Arbitration*).

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will each be represented by a Global Note Certificate which will be registered in the name of a nominee of the common safekeeper for Euroclear and Clearstream, Luxembourg.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate (the "**Holder**"), Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or

(b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments on business days: In the case of all payments made in respect of the Global Note Certificate "**business day**" means any day on which the TARGET System is open.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Notices: Notwithstanding Condition 14 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"): notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System; furthermore, any notices to be delivered to the Issuer may be delivered through the Fiscal Agent.

DESCRIPTION OF HUNGARY

The description of the Issuer is set out in the Investor Presentation which has been incorporated by reference into this Offering Circular (see "*Information Incorporated by Reference*"), as supplemented by the events set out under "*Recent Developments*" below.

Recent Developments

Developments Related to EU Funding and the Rule of Law

On 27 April 2022, the European Commission sent a formal notification to the Hungarian Government on the launch of the conditionality mechanism which would condition a portion of the disbursement of EU funds on Hungary's compliance with the rule of law. The formal notification is an initial step in the process of activating the conditionality mechanism. After receiving the notification, Hungary will have several (at least one to three) months to comment, provide relevant information and propose remedial measures in response to the Commission's findings. Then, the process involves a lengthy (at least approximately six to nine months) dialogue between the Commission and Hungary, during which the European Commission will assess whether a rule of law deficiency exists, and whether a direct link can be established between any rule of law deficiency and European budget interests. If, at the end of the procedure, the Commission determines that such deficiencies still exist, a proportionate part of the EUR5.85 billion from the EU's Recovery and Resilience Facility ("RRF") funding that Hungary expects to receive between 2022 and 2026 could be withheld to offset the budgetary effects of such deficiencies, if any. The exact proportion of the funds that may be withheld, if any, is uncertain. The objective of the process to remedy any identified deficiencies and its consultative nature gives ample opportunity to both parties to find the appropriate compromise remedial solutions.

On 29 April 2022, after having reviewed the European Commission's letter about activating the conditionality mechanism and linking EU funding to the rule of law, the Government communicated that, in its view, it saw no obstacle to signing the EU budget and recovery fund agreement, as the conditionality mechanism process would run in parallel to, and thus should not delay, the initial assessment of the Hungarian Recovery and Resilience Plan submitted in the frame of the EU RRF.

On 22 August 2022, Hungary submitted a letter to the European Commission describing remedial measures. Subsequently, on 13 September 2022, Hungary sent a letter containing additional clarifications about its proposed measures.

On 24 August 2022, the Government announced that it had been engaged in intensive consultations with the European Commission, holding talks on a daily basis over the past two weeks. The Government sent a response to the European Commission on August 22, 2022 that established a common position on all of the European Commission's recommendations.

On September 18, 2022, the European Commission proposed to the European Council to approve certain budget protection measures against Hungary under the conditionality mechanism, including the suspension of 65% of the commitments in three operational programs for the period 2021-2027 financed from the European Regional Development Fund, the Cohesion Fund, the Just Transition Fund and the European Social Fund Plus, which amount to approximately EUR7.5 billion in the aggregate. The European Council will decide whether to adopt such measures within one month (which may be extended by a maximum of further two months in exceptional circumstances).

On 22 September 2022, Judit Varga, the Minister of Justice announced that the European Union has not cut any funds from Hungary up to this time. According to the announcement, the Hungarian Government had tabled 17 proposals addressing the European Commission's concerns raised within the EU's conditionality mechanism against Hungary. The proposals focus on improving anti-corruption measures, the transparency of public procurements, and certain regulations on conflict of interest.

On 10 October 2022, two acts entered into force to address certain concerns identified by the European Commission when the EU conditionality procedure launched.

The first act established an Integrity Authority and an Anti-Corruption Task Force to supervise the use of EU funds in order to expedite an agreement with the European Commission on the outstanding compliance issues. The Integrity Authority is a state administrative body, autonomous of the government and other state organisations, headed by a chairman and two deputies, appointed by the President of Hungary based on the recommendation of the head of the State Audit Office, for a period of six years. The chairman and the deputies may not be appointed for a second term. The Integrity Authority's board must report on the body's activities once a year to the Parliament as well as the European Commission.

The Integrity Authority must inform other authorities, such as the European Anti-Fraud Office or the European Public Prosecutor's Office, if it suspects graft, conflict of interest, corruption or other legal violations or irregularities. The Integrity Authority is planned to be in operation from 19 November 2022.

The Anti-Corruption Task Force would support the work of the Integrity Authority by providing analyses, making recommendations, issuing opinions and contributing to the decision-making process. The members of the Anti-Corruption Task Force would include representatives of anti-corruption non-governmental organisations ("**NGOs**") as well as of state institutions. The Anti-Corruption Task Force would be headed by the chairman of the Integrity Authority, but its deputy would be elected by the non-governmental members of the Anti-Corruption Task Force. Invitees may participate in the Anti-Corruption Task Force on a permanent or an *ad hoc* basis.

The first act also set up a three-member Eligibility Committee to ensure independent and objective selection of people involved with the operation of the Integrity Authority and the Anti-Corruption Task Force.

The second act amends various pieces of legislation regarding the supervision and control of the use of EU funds, including the rules on requests for information of public interest. It would also institutionalise and establish an Internal Oversight and Integrity Directorate operating within the portfolio of the minister in charge of use of EU funding. The head of the directorate would be appointed by the prime minister, based on the recommendation of the minister in charge of use of EU funding for a period of four years. The Internal Oversight and Integrity Directorate would report on its activities once a year to the Integrity Authority.

On 9 November 2022, Gergely Gulyás, Head of the Prime Minister's Office, reported that in line with EU requirements, Hungary envisages to introduce a judicial reform to clarify the jurisdictions of various judicial branches planned to be adopted in the spring parliamentary session in 2023. The envisaged amendments would mainly pertain to the competencies of the National Judicial Council and the National Office of the Judiciary.

Legal Proceedings

On 22 July 2019, the United States Securities and Exchange Commission ("**SEC**") issued an order instituting cease-and-desist proceedings against certain subsidiaries of Microsoft Corporation, including its subsidiary in Hungary, for violations of the books and records and internal accounting controls provisions of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and the Foreign Corrupt Practices Act of 1977 (the "**FCPA**"). According to the SEC's order, Microsoft's subsidiary in Hungary, among others, provided discounts on software licenses to its resellers, distributors and other third parties. Instead of passing on the discounts to Microsoft's government customers, the discounts were allegedly used to fund improper payments intended for foreign government officials to secure software license sales for Microsoft. On 22 July 2019, the Microsoft entities involved reached a resolution of the matter with the SEC and the U.S. Department of Justice. The Hungarian public prosecution service announced on 23 August 2019, the launch of an investigation into allegations of fraud against certain unidentified parties in connection with certain violations under the FCPA. The investigation is still ongoing.

HUNGARIAN TAXATION

The following is a general discussion of certain Hungarian tax consequences of the acquisition, holding and disposition of the Notes by the Holders. It does not purport to be a comprehensive description of all tax considerations, and, in particular, does not consider any specific facts or circumstances that may apply to a particular Holder. This summary is based on the laws of Hungary currently in force and as applied on the date of this Offering Circular which are subject to change, possibly with retroactive effect.

Prospective Holders are advised to consult their own tax advisers as to the tax consequences of the acquisition, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country where they are tax residents.

Non-Hungarian Tax Residents

Private individual Holders

The interest paid by the Issuer upon the Notes to a non-Hungarian tax resident private individual Holder can only be subject to 15 per cent withholding tax in Hungary, if the disburser (such as the Paying Agent) of the interest (proceeds) is a tax resident in Hungary, in which case it is obliged to assess, withhold, pay and report this tax liability to the Hungarian Tax Authority, if any. In the absence of a Hungarian paying agent withholding the tax, the Holder himself must assess, file a tax return on, and pay the applicable tax in Hungary.

The provisions of any applicable tax convention may exempt the Holder from the withholding tax or may reduce its rate. Holders claiming exemption from withholding tax or the application of a reduced withholding tax rate are required to furnish the paying agent with a certificate of their tax residence and a declaration of beneficial ownership. Tax withheld by the paying agent in excess of the rate allowed by the applicable double tax convention can be reimbursed by the Hungarian tax authority at the request of the Holder.

Holders other than private individuals

A non-Hungarian tax resident holder other than a private individual is not subject to tax in Hungary with respect to any income resulting from the acquisition, holding, redemption or sale of the Notes, provided that it does not have a permanent establishment in Hungary to which such transaction with the Notes can be related.

Hungarian Tax Residents

Individual holders

In the event the Notes are publicly offered and or traded (within the meaning of the Hungarian Personal Income Tax Act and the Hungarian Capital Markets Act), the income of a Hungarian tax resident private individual Holders, arising from the acquisition, holding, redemption or sale of the Notes and qualifying as interest income in accordance with the provisions of Act CXVII of 1995 on Personal Income Tax, is subject to personal income tax in Hungary at the rate of 15 per cent. Preferential tax rate or tax exemption is available for long term investments, subject to specific conditions laid down by the applicable laws.

In the event the Notes are not publicly offered and/or traded (within the meaning of the Hungarian Personal Income Tax Act and the Hungarian Capital Markets Act), the income of Hungarian tax resident private individual Holders, arising from the acquisition, holding, redemption or sale of the Notes and qualifying as other income under Act CXVII of 1995 on Personal Income Tax, is subject to personal income tax in Hungary at the rate of 15 per cent. In addition, such income can be subject to social contribution tax in Hungary at the rate of 13 per cent, subject to specific conditions laid down by the applicable laws.

Holders other than private individuals

The income of Hungarian tax resident entities (companies, partnerships and any other business entities) arising from the acquisition, holding, redemption or sale of the Notes is subject to corporate income tax in Hungary at the rate of 9 per cent in accordance with the provisions of Act LXXXI of 1996 on Corporate Income Tax and Dividend Tax (unless that entity has opted for a special tax regime available to such entity).

Transfer Tax

The receipt of the Notes is subject to Hungarian transfer tax when the Notes are transferred gratuitously (by way of gift or otherwise for no consideration) and delivered in Hungary. The general rate of transfer tax is 18 per cent.

Inheritance of the Notes is exempt from inheritance tax in Hungary.

SUBSCRIPTION AND SALE

BNP Paribas, Citigroup Global Markets Europe AG, Erste Group Bank AG, J.P. Morgan SE and OTP Bank Nyrt. (together the "**Joint Lead Managers**") have, in a subscription agreement dated 17 November 2022 (the "**Subscription Agreement**") and made between the Hungary and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Notes at their issue price of 98.774 per cent. of their principal amount less a combined management and underwriting fee of 0.125 per cent. of their principal amount. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of Hungary in such jurisdiction.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Notes is subject to, among other conditions, the delivery of certain assurances by Hungary and the delivery of legal opinions by Hungary's and the Joint Lead Managers' counsel.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. The Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes within the United States. In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that each Joint Lead Manager represents, warrants and undertakes to Hungary that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hungary

Each Joint Lead Manager has represented and warranted that it has not offered or sold and undertaken that it will not offer for sale to the public in Hungary, nor sell the Notes in Hungary in a public offer (offer of securities to the public) and has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes for sale to the general public in Hungary, nor distribute the Offering Circular or any other material relating to the Notes in Hungary to any person other than a qualified investor as defined under point (e) of Article 2 of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**").

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

No action has been or will be taken in any jurisdiction by Hungary or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by Hungary and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. **Authorisation**

The creation and issue of the Notes has been authorised by the Minister of Finance of Hungary in accordance with Act XC of 2021 on the central budget of Hungary for the year 2022, paragraph 2 of Section 5 of Act CXCV of 2011 on Public Finances and point a) of paragraph 1 of Section 13 of Act CXCIV of 2011 on Economic Stability of Hungary (the "**Authorisation**").

2. **Litigation**

There are no litigation or arbitration proceedings against or affecting Hungary or any of its assets, nor is Hungary aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.

3. **Material Change**

Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of Hungary since 31 December 2021 that is material in the context of the issue of the Notes.

4. **Documents available for inspection**

For so long as any of the Notes are outstanding, copies of the following documents may be inspected (and in the case of (a), obtainable) during normal business hours at the Specified Office of each Paying Agent:

(a) this Offering Circular;

(b) the Fiscal Agency Agreement;

(c) the Deed of Covenant; and

(d) the Authorisation.

5. **Notes**

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

6. **Enforceability of Judgments**

Under Act XXVIII of 2017 on International Private Law, the parties may freely agree on a choice of a non-Hungarian jurisdiction and of foreign law in commercial matters provided that there is a foreign element in their legal relationship. The agreed courts have exclusive jurisdiction, unless otherwise provided by the parties.

Under Hungarian law, a judgment of a court established in a country other than Hungary may be enforced in the Hungarian courts, if: (i) the jurisdiction of the foreign court is legitimate under the rules of jurisdiction of Hungarian law; (ii) the decision is final under the foreign law under which it was made; (iii) there is reciprocity between Hungary and the state of the foreign court; and that (a) such judgment does not contravene the basic principles of public policy in Hungary; (b) the losing party or its representative had proper or timely notice of the proceedings; (c) the proceedings in which the judgment was made did not seriously breach general principles of Hungarian procedural rules; (d) litigation between the same parties involving the same dispute was not commenced in Hungary prior to the initiation of the foreign litigation; and (e) Hungarian courts have not already determined the matter (*res judicata*). However, Hungarian courts must recognise and enforce judgments of a foreign court chosen by the parties in a commercial matter (in Hungarian: *vagyonjogi határozat*) even if there is no reciprocity between Hungary and the state of the foreign court, provided that the choice of forum by the parties is valid under Hungarian law.

The United Kingdom left the European Union on 31 December 2020. Currently there is no agreement governing the relationship between the United Kingdom and the EU with respect to the enforcement of foreign judgments. Accordingly, from 1 January 2021, the United Kingdom is considered as a third country for the purposes of Hungarian law and the enforcement regime outlined above, set forth in Act XXVIII of 2017 on International Private Law applies.

It should also be noted that Hungary is a party to the New York Convention on the Recognition and the Enforcement of Arbitration Awards, dated 10 June 1958, and therefore the recognition and enforcement of the arbitration awards obtained by a Noteholder in a country being a party to such treaty is possible in Hungary on the basis of and subject to the conditions set out in that treaty. No award will be recognised and enforced however, if the provisions therein are contrary to Hungarian public policy.

7. **ISIN and Common Code**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The ISIN of the Notes is XS2558594391 and the common code of the Notes is 255859439.

The CFI and FISN Codes in respect of the Notes shall be as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN Code.

7. **The Legal Entity Identifier**

The Legal Entity Identifier (LEI) Code of the Issuer is 5299003F3UFKGCCMAP43.

THE ISSUER

HUNGARY as represented by the Government Debt Management Agency Private Company Limited by Shares
Krisztina tér 2.
1013 Budapest
Hungary

JOINT LEAD MANAGERS

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

Erste Group Bank AG
Am Belvedere 1
Vienna 1100
Austria

J.P. Morgan SE
Taunustor 1 (TaunusTurm)
60310 Frankfurt am Main
Germany

OTP Bank Nyrt.
Nádor Street 16
Budapest H-1051
Hungary

FISCAL AGENT

Bank of New York Mellon, London Branch
160 Queen Victoria Street
London
EC4V 4LA

LEGAL ADVISERS

To the Issuer as to Hungarian law:

Dr. Zsolt Szita Law Office
H-1011 Budapest
Markovits I. u. 4.
Hungary

To the Joint Lead Managers as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Joint Lead Managers as to Hungarian law:

Lakatos, Köves and Partners Law Firm
Madách Trade Center
Madách Imre út 13-14
H-1075 Budapest
Hungary