

Ms. Christine Lagarde
Managing Director
International Monetary Fund
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Registry number: ELN-MGY/ 01-10 /2013
Reference No: MNB/ 13106 /2013

Budapest, 15 July 2013

Dear Managing Director,

Considering that the Hungarian SBA is almost complete, we have come to the conclusion that it is not necessary to maintain the Fund's Resident Representative Office in Budapest. Further to this aim, we are considering a possible early repayment of Hungary's outstanding obligations. This conclusion notwithstanding, we do appreciate the constructive cooperation with Ms Iryna Ivaschenko, whose contribution was instrumental to the success of the Hungarian SBA.

Against this backdrop I am just initiating the closing down the Fund's Resident Representative Office.

In 2008, the vulnerable economy of Hungary was seriously hit by the global financial crisis. The Hungarian Government which formerly had not paid sufficient attention to the warnings by the International Monetary Fund turned to the Fund and concluded a Stand-By Arrangement. As a result of bold fiscal consolidation measures, implemented in parallel to a structural reform programme in 2011-2012, the budget deficit was contained and, following a technical surplus in 2011, stabilized well below 3 percent of GDP in 2012.

We appreciate the valuable support of the Fund in times when Hungary was hit by the crisis and the financing of its public debt above 80 percent of GDP became questionable. Since then Hungary has already repaid significant part of its obligations. Having successfully concluded the Third Post-Program Monitoring discussions in early 2013, the outstanding obligations will be below 200 percent of Hungary's quota by August 2013.

Last but not least, let me use this opportunity to personally congratulate you for your efforts in making the most of the Fund's mandate stipulated in Article 1 (ii) to promote economic growth (i.e. high levels of employment and real income). Let me assure you that at the Magyar Nemzeti Bank, the central bank of Hungary we put equal emphasis on this goal, in line with our legal mandate.

Sincerely yours,

György MATOLCSY