REPORT ON INSURANCE, FUNDS, CAPITAL MARKET RISKS AND CONSUMER PROTECTION

2026

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Pursuant to Act CXXXIX of 2013 on the Magyar Nemzeti Bank, the MNB supervises the financial intermediary system in order to ensure, amongst other things, the smooth, transparent and efficient functioning of the financial intermediary system, to foster prudent operations, to identify undesirable business and economic risks, to protect the interests of users of financial services and to strengthen public confidence in the financial intermediary system. In alignment with these tasks and in accordance with the requirements defined by Article 135 (2) of the MNB Act, the MNB has prepared this risk and consumer protection report, which presents the key characteristics and risks of insurance companies, funds, intermediaries, non-bank financial enterprises and the markets of capital market participants. The purpose of the 'Report on Insurance, Funds, Capital Market Risks and Consumer Protection' is to inform the public and the institutions in the financial system in relation to current prudential and consumer protection issues, thereby raising risk awareness and maintaining and strengthening confidence in the financial system. With its regulatory activities aimed at identifying and mitigating risks, as well as its awareness-raising and educational activities and its work to promote the development of Hungarian financial literacy, the Magyar Nemzeti Bank intends to ensure that appropriate information is available to stakeholders for decisions affecting financial institutions and products, thus strengthening the stability of the financial system as a whole.

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Executive Summary

In terms of the **macro environment**, growth in Hungarian household consumption continued, in line with the favourable income trends. In 2025, Hungary's economic output expanded by 0.5 percent. The unemployment rate was 4.4 percent in 2025, while the gross average wage in the national economy increased by 9.0 percent. The global economy was characterised by moderate disinflation until the end of 2025. In Hungary, inflation averaged 4.4 percent in 2025. Mild increases were seen in the short and medium segments of the yield curve in 2025, while the long end remained almost the same as in the previous year. By the end of 2025, the gross wealth of households, including financial instruments and housing, reached nearly HUF 232,000 billion, reflecting an increase of 17 percent versus the end of the previous year. Among financial instruments, the most dynamic expansion (21 percent) continued to be observed in investment fund shares. Life insurance products and pension fund reserves together grew at a double-digit rate (10.2 percent). In terms of the composition of products, it can be stated that – compared to other EU countries – Hungarian households prefer government securities, cash and, more recently, investment fund shares. Risks may arise due to geopolitical uncertainty and the Iranian conflict.

Growth trends were observed in the **insurance sector**. Significant, 15-percent growth was recorded for premium income in the sector again in 2025, reaching HUF 2,115 billion with the earned premiums of branches included. Premium income in the non-life segment increased by 8 percent and by 28 percent in the life segment. The outstanding growth in the life segment stemmed from a surge in single-premium insurance and top-up premiums. The value of domestic insurers' total fixed assets also rose substantially in 2025, expanding by 11 percent. The sector's 2025 profit after tax more than doubled compared to the previous year, rising from HUF 48 billion in 2024 to HUF 115 billion. This improvement is largely due to the fact that insurers took advantage of the opportunity to reduce the insurance surtax through purchases of government securities, which resulted in the surtax paid by the sector declining from HUF 102 billion in 2024 to HUF 55 billion. Accordingly, on a Solvency II basis, which is relevant in terms of the economic capital at risk, RoE was 12 percent. At the end of 2025, the sectoral capital adequacy ratio was 196 percent, almost twice the level required by the relevant legislation. All requirements of the Ethical 2.0 regulatory package came into force on 1 January 2026 to increase the value for money of insurance products. The first stage of implementation that entered into force on 1 July 2025 involved requirements for the asset funds of unit-linked (UL) life insurance products, setting minimum thresholds for the performance of these asset funds. As a result of the Ethical 2.0 regulatory package, the expected average net performance of UL asset funds on the market has improved strongly. Over the recommended holding period, the arithmetic mean of the annual average return under the moderate scenario as per the document containing key information (KID) rose from 3.36 percent (end of 2023) to 4.56 percent (January 2026), which, when weighted by net asset value, stood at 5.56 percent. The insurance risk is, however, increased by the fact that the MTPL combined ratio (94 percent) increased compared to the previous year.

Following the thematic inspection led by EIOPA (European Insurance and Occupational Pensions Authority) and its warning regarding credit protection insurance, the MNB assessed the domestic credit protection insurance market and deemed it necessary to launch a comprehensive, market-level inspection. In 2024–2025, the MNB conducted a thematic inspection to explore the causes of poor quality of credit protection insurance and examined whether customers were provided with adequate information during the sale of the products. The inspection concluded that, due to the incomplete implementation of product oversight and governance (POG) rules, the intended customer protection functions of the regulation were not adequately achieved. Consequently, insufficient application of POG requirements resulted in the products being inspected providing inadequate value for money. The MNB found that every product inspected, including those still available on the market, showed weak value for money. In July 2025, the MNB initiated negotiations regarding the draft POG recommendation supplemented by Annex II on credit protection insurance, with external partners involved in professional consultation (Ministry for National Economy, Association of Hungarian Insurers, Hungarian Actuarial Society, Hungarian Banking Association) and also held bilateral negotiations with the representatives of insurance companies. The MNB took into account the feedback received in the market consultation and on 11 December 2025 it published the following recommendation on product oversight and governance measures for insurers and insurance distributors: MNB Recommendation 14/2025 (XII.9.). Under the two-phase implementation plan, new credit protection insurance products may be introduced only in accordance with this recommendation starting from 1 January 2026, while financial institutions will be required to ensure that products already on the market and currently being sold comply with the recommendation starting from 1 January 2027.

The 2025 household property insurance campaign affected over 400,000 contracts, of which 150,000 existing contracts were updated, while in the case of 176,000 contracts a switch between insurers took place. The decrease in market concentration and intensification in competition was supported by the fact that the four insurers with the largest household property insurance portfolio accounted for a larger share of the portfolio of contracts terminated during the campaign than of the volume of new offers. In 2025, the campaign period once again succeeded in drawing the attention of property owners to the need to review their contracts, thereby resulting in increased activity.

The total cost ratio (TCR) is of paramount importance in the presentation and transparency of the costs of unit-linked life insurance products. Due to the measures taken by the MNB over the past nine years, the TCR value of the fixed term regular premium unit-linked products fell significantly, and at the end of 2025 it ranged between 0.1 and 5.74 percent.

The number of institutions in the **voluntary pension funds sector** dropped to 25 in 2025 as a result of two institutional mergers. The membership of the sector numbered 1,082,000, nearly 7,800 more than at end-2024. In 2025, the increase in membership fee revenues and the positive sector-level investment result offset the impact of real estate-related payments resulting in a rise in coverage reserve to HUF 2,386 billion, representing an increase of 6.6 percent versus the end of the previous year. In 2025, weighted by closing assets, the voluntary pension funds sector delivered an average net rate of return of 9.0 percent. The sum total of membership fee payments credited to voluntary pension funds' coverage reserve and tax credits transferred from the tax authority amounted to HUF 185.9 billion, up 12.6 percent on 2024. Voluntary pension funds' operating profit amounted to HUF 1.2 billion in 2025. The sector-level loss absorbing capacity remained at an appropriate level.

The number of institutions in the **health and mutual aid fund sector** fell to 15 in 2025 as a result of one institutional merger. The membership numbered 1,259,000 at end-2025, up 6.0 percent (71,500 members) compared to end-2024. Although the amount allocated to individual accounts (coverage reserve) from membership fees paid was exceeded by the amount of benefit payments, the amount of tax credits claimed plus the institutions' investment result was enough to offset this effect, resulting in an increase in the coverage reserve. There were no significant changes in benefit composition. The largest share of payments in 2025 was still represented by medicine purchase price support, with a share of 38.7 percent. The second largest category is the financing of supplementary private healthcare benefits such as dental care and imaging diagnostics, accounting for 37.1 percent. Health and mutual aid funds realised an operating profit again in 2025, in the amount of HUF 1.2 billion, with an adequate level of reserves.

Risk is posed by the fact that the 20-percent tax credit for payments may be reduced or eliminated for members who in the future will be exempt from paying personal income tax (PIT) or liable for a decreased tax burden. PIT allowances may weaken the motivation of those concerned to invest in savings for health and retirement.

In the **capital markets, investment service providers** recorded total capital market turnover of HUF 1,177.1 trillion, which represented a decline of 10.6 percent compared to the total capital market turnover of the previous year, similarly to all the other segments. Strong turnover growth of around 43.1 percent was registered for the Budapest Stock Exchange (BSE) in 2025, supported by the performance of both the spot and derivative trading markets. The composition and ranking of the top three most traded stocks remained unchanged, while the high concentration of the stock market continued to decline, as a result of an increase in small cap turnover. The stock of client securities continued to grow dynamically in 2025 again, expanding by approximately 14 percent. Investment firms, which exhibit excellent capitalisation, posted a profit after tax of HUF 35.9 billion, a figure nearly 19 percent higher than last year's result.

Investment fund managers recorded assets under management amounting to HUF 27,096 billion, up 14.7 percent versus the previous year. This robust growth can be essentially attributed the sharp rise in the net asset value of investment funds, which reached HUF 21,440 billion, mainly due to capital inflows into absolute return funds, mixed funds and equity funds. The stock of public real estate funds and the ratio of liquid assets and real estate to total net asset value at public real estate funds remained largely unchanged. The profit after tax of investment fund managers rose by nearly 27 percent, in line with the growth in assets under management.

The total assets of **non-bank financial enterprises** fell by a modest 1 percent compared to 2024. While the share of domestic credit institutions' holdings increased by 9 percent, foreign credit institutions' holdings narrowed by 10 percent, and the share of the total (domestic and foreign) credit institutions' holdings remains outstanding (52 percent). The largest decrease was observed in the volume of funds from domestic financial enterprises, amounting to 21 percent, which thus constituted 8 percent of the total liability. Equity has recorded a continuous increase since 2021, and capitalisation stood at 18 percent in 2025. A modest 1-percent decline in receivables was mainly due to a drop in the volume of lending (0.1 percent) and financial leasing (3 percent), while there was an increase in the work-out stock (5 percent). Although the nominal profit after tax increased to a small extent, profitability fell moderately in proportion to equity, to reach 15 percent in 2025.

2025 was a good year for **intermediaries**. Mediated insurance premiums as well as mediated loan and financial leasing amounts increased significantly in the case of both insurance and money market intermediaries. Insurance intermediaries and multiple agents mediated HUF 334 billion of insurance premiums in the reporting period, of which the proportion of non-life products reached 91 percent, further increasing the shift in sales in that direction.

In the case of money market intermediaries, the loan and leasing amounts mediated in the reporting period exceeded HUF 1,500 billion, a record-setting amount. The driving force behind this performance was clearly mortgage lending, with new government support introduced in 2025.

The number of **consumer complaints** received by market participants rose by 38 percent at funds and by 23 percent at capital market participants, while it fell by 7 percent in the insurance sector and by 17 percent at non-bank group financial enterprises. Similarly to previous years, the number of complaints submitted to the MNB increased (by 51 percent for insurance companies, by 233 percent for funds, by 56 percent for capital markets, and by 171 percent for non-financial enterprises). This growth typically cannot be attributed to a single or specific problem; rather, it is due to better consumer awareness and the fact that the anomalies – real or perceived – that form the basis of complaints affect consumers more sensitively. In the majority of complaints, consumers ask for the MNB's procedure also in individual contractual disputes in which the MNB – due to lack of jurisdiction – cannot make a substantive decision (e.g. disputes about the amount of damage, liability issues, claims for compensation).

Among the risks present in the insurance sector, the following are highlighted: administrative shortcomings, inadequate customer information, delays in claims settlement and complaint handling, deficiencies in the implementation of quality assurance telephone calls (welcome calls) in line with the MNB expectations, unfair commercial practices and other anomalies related to complaint handling.

In the case of funds, although the number of complaints remains low, the number of settlement and payment complaints has increased. The majority of complaints fell within the category of administrative deficiencies. The number of procedures initiated by the MNB at consumer requests increased, typically targeting inadequate information.

The number of complaints received by capital market participants regarding the quality or deficiencies of information increased, while the number of complaints related to the execution of orders decreased. The inspections conducted by the MNB at the request of consumers typically identified infringements related to complaint handling.

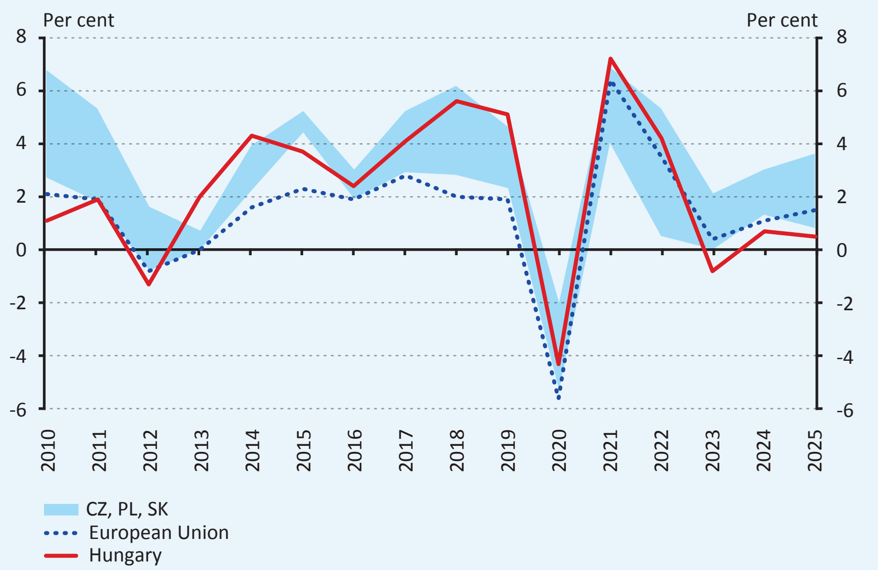
1 Macroeconomic Environment and Developments in Household Savings

1.1 INTERNATIONAL AND DOMESTIC MACROECONOMIC TRENDS

1.1.1 In Parallel with Favourable Income Trends, Household Consumption Continued to Grow in Hungary

As in previous years, the generally tense geopolitical situation continued to play a major role in the evolution of global economic trends in 2025. The uncertainty resulting from the Middle East and Russian-Ukrainian conflicts as well as the trade policy measures of the new US administration led to considerable volatility. According to both IMF and OECD estimates, global growth amounted to 3.3 percent last year, with GDP expanding by 1.4 percent in the euro area and 1.5 percent in the EU. The largest contributor to GDP growth in the EU was household consumption. In line with the elevated tariff levels and considerable trade uncertainty, the expansion of exports remained moderate, and net exports restrained growth overall. The economy of Hungary's most important trading partner, Germany, grew at a moderate pace of 0.2 percent, after two years of contraction. Among the countries in the region, GDP in Poland (+3.6 percent), the Czech Republic (+2.6 percent), Slovakia (+0.8 percent) and Romania (+0.7 percent) increased faster than in Hungary.

Chart 1.1
Annual change in GDP



Source: Eurostat.

Hungary's economic output expanded at a rate of 0.5 percent in 2025. The domestic real economy continues to be characterised by two trends: GDP growth is primarily fuelled by rising household consumption, while investment and net exports are restraining factors. In addition to rising real wages and income-boosting fiscal measures, the 3.1-percent expansion in household consumption was also supported by a declining propensity to save relative to historically high levels. Retail sales accelerated and consumer confidence improved. By contrast, there has been a prolonged decline in investments in recent years, with a 2.8-percent drop recorded in 2025. The investment activity of companies producing for foreign markets may have been strongly restrained by low capacity utilisation in industry and the significant uncertainty about international trade and growth prospects. Last year, net exports had a negative growth impact due to the decline in exports and the expansion of imports. Overall, industrial export sales fell by 2.5 percent, while domestic sales decreased at a year-on-year rate of 4.6 percent. In December 2025, however, industrial orders exceeded the prior-year level by 19.1 percent, which may be a favourable sign.

Despite the uncertain international environment, the economy is expected to recover in 2026. The output of the Hungarian economy may increase by 1.7 percent in 2026. Strong consumer spending will remain an important growth driver, supported by rising real wages and revenue-increasing budget measures. Household final consumption expenditure is expected to expand by 4.1 percent this year. This year's 2.3-percent growth in gross fixed capital formation is primarily supported by investments in the household sector. As the contract size available under the Home Start Programme and the broad range of eligible applicants generate significant demand for housing loans, the amount of loans outstanding in the sector is growing rapidly, which contributes to the rise in household investments. Exports may be restrained by the less favourable-than-expected industrial fundamentals and the negative effects of the Iranian conflict. Similarly to Hungary, most of Hungary's trading partners are energy importers which means that a surge in energy prices may also dampen growth in Hungary's export markets. Starting in the latter half of this year, however, new manufacturing industry capacities are expected to come online and support domestic exports. Sales of electric and hybrid vehicles recently surpassed sales of conventional models in Europe, and this may create demand for the production capacities of these large-scale investments.

Hungary's current account surplus amounted to 1.6 percent of GDP in 2025. The deficit on the balance of goods decreased for most of the year, due to the favourable trend in the energy balance and the lower volume of imports related to declining investment. The income balance deficit gradually increased during the year to reach 3 percent of GDP by end-2025, while the transfer balance improved the net lending position by 0.7 percent of GDP. In 2026, rising energy prices and expanding imports driven by a revival in domestic demand will undermine the trade balance. At the same time, improving capacity utilisation from the second half of the year will lead to growth in exports.

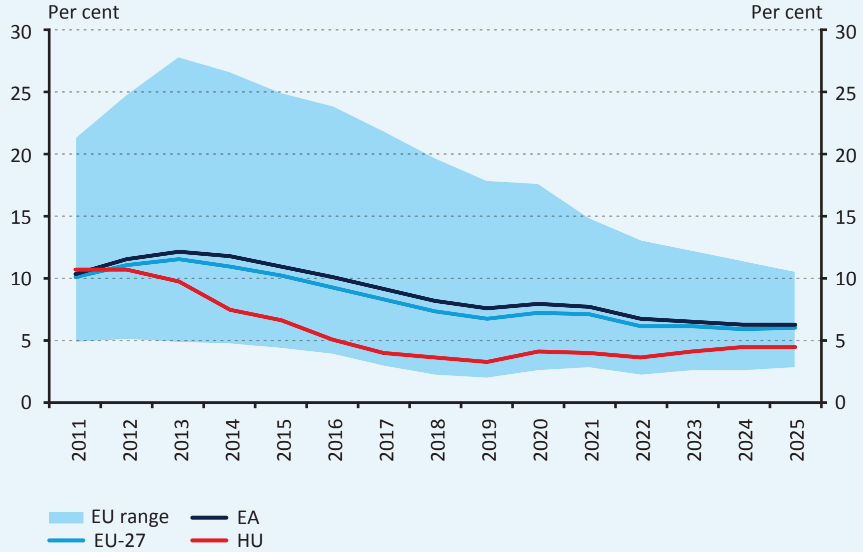
The 2025 improvement in the general government balance was due primarily to a sharp decline in accrual-based interest expenses, which fell from 4.9 percent in 2024 to 3.8 percent as a percentage of GDP. The primary balance calculated excluding interest expenses shows a deficit of 0.9 percent of GDP, which was probably one of the most favourable figures in the region. The budget deficit may increase to 5.2–5.7 percent of GDP in 2026. This higher deficit path is mainly attributable to the newly announced fiscal measures and the less favourable macroeconomic parameters.

1.1.2 Unemployment Rate Remains Low, Despite a Decline in Employment

In line with the recent subdued economic situation, employment also fell in 2025. Companies initially responded by cutting job vacancies, followed by reductions in working hours. Subsequently, adjustments took place on the extensive side, and the number of people employed in the national economy decreased by 0.7 percent in 2025.

In 2025, the unemployment rate remained moderate both in a historical and an international comparison, at 4.4 percent. The European Union labour market was characterised by heterogeneity. In 2025, the unemployment rate was 10.5 percent in Spain and 9.7 percent in Finland. In the Czech Republic, the proportion of unemployed within the active population was 2.8 percent in the Czech Republic, 3.1 percent in Poland, and 3.5 percent in Bulgaria. Last year, the unemployment rate of the euro area was 6.3 percent.

Chart 1.2
Unemployment rates in the European Union



Note: Seasonally adjusted data.
Source: Eurostat, HCSO, MNB.

In 2025, gross average wages increased by 9.0 percent in the national economy and by 8.8 percent in the private sector. Real wages, which express the purchasing value of wages, increased by 4.4 percent in the national economy in 2025. Among the countries in the region, Hungary recorded the strongest growth in the national gross average wage in 2025, and the increase in real wages was also among the highest in the region.

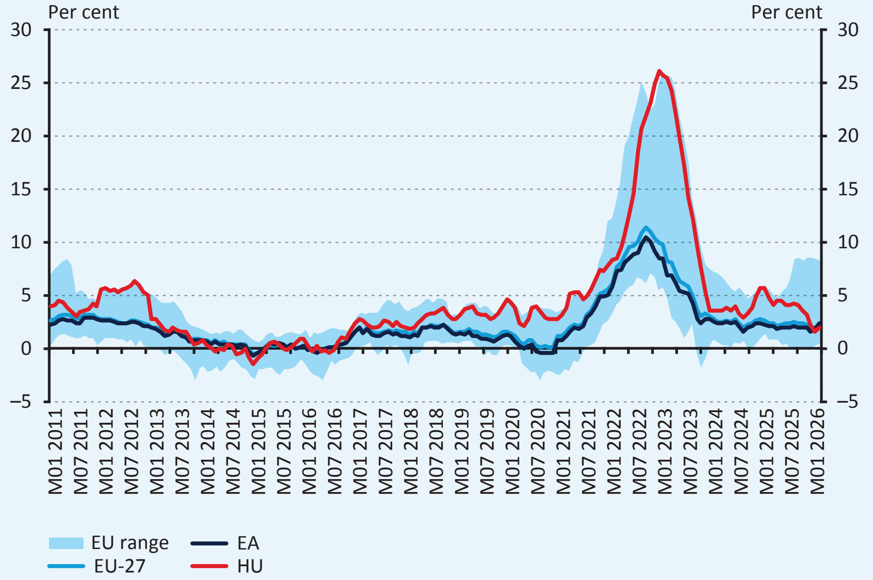
The recovery in economic growth from 2026 H2 may first stabilise the number of employees and then moderately increase it. Wage growth for this year and next year will be shaped by loose labour market conditions, minimum wage increases, and the service benefit for military and law enforcement personnel disbursed this year. Following the rapid wage outflows of previous years, it is expected that companies will implement more modest wage increases. Due to the spillover effects of the more moderate underlying wage trend and the significantly higher minimum wage increase, average gross earnings in the private sector may rise by 8.7 percent in 2026.

1.1.3 Impact of the Iranian Conflict on Commodity Markets Boosts Inflation Temporarily

The global economy was characterised by moderate disinflation until the end of 2025. In 2025, nearly one-half of the 37 OECD member states (15 countries) recorded inflation rates close to or below the central bank target. Prices rose by an average of 2.5 percent across the European Union last year. Inflation in 2025 increased in most countries of the region compared to the previous year. Romania recorded the highest harmonised consumer price index (6.8 percent) in 2025. The average price increase was 4.4 percent in Hungary, 4.2 percent in Slovakia, 3.3 percent in Poland and 2.3 percent in the Czech Republic.

Inflation averaged 4.4 percent in Hungary in 2025. The rate of price increase was above 5 percent in the first months of the year, and then, after a gradual decrease, it remained within the central bank's tolerance band from November (Chart 1.3). Gradual disinflation was supported by both domestic and global trends. Voluntary price restrictions and profit margin caps slowed down the pace of price increases in the short term. Appreciation of the forint and lower food prices in the final months of the year also contributed to this process. Over the past six months, corporate price expectations generally reflected moderate trends, while household inflation expectations decreased. Disinflation continued until the outbreak of the Iranian conflict, with the rate reaching 1.4 percent in February 2026. The smallest January and February repricing in recent decades played a significant role in the moderation of the pace of price increases. In March, inflation then advanced to 1.8 percent. The acceleration in price dynamics was caused by an increase in fuel prices, which was partially offset by disinflation in industrial goods and market services. The increase in fuel prices is linked to higher oil prices due to the conflict in Iran, but the impact was temporarily mitigated by the price cap effective from 10 March.

Chart 1.3
Annual change in the Harmonised Index of Consumer Prices, HICP



Note: HICP data.
Source: Eurostat.

The impact of the Iranian conflict on commodity markets temporarily increases the inflation rate. Inflation may rise above the tolerance band from 2026 Q3 before returning sustainably to the central bank's target of 3 percent in 2027 H2. The timing of the phasing out of price control measures (fuel pricing caps, margin restrictions) and the extent of the subsequent price adjustments generate uncertainty about the inflation path for this year. In accordance with the current legislation, we expect the measures in force to be phased out in mid-May in the case of fuel price caps and in late May in the case of margin restrictions. Based on exchange market futures prices, oil and gas prices may normalise by mid-2027, causing domestic inflation to return sustainably to the central bank's target in 2027 H2. Inflation will average 3.8 percent this year and 3.7 percent in 2027.

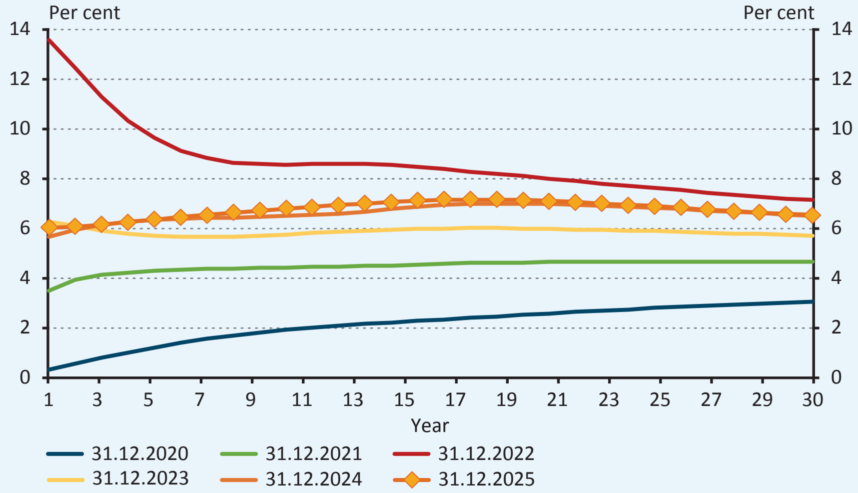
1.1.4 Stabilising Yield Environment

The higher yield environment due to macroeconomic developments poses a significant risk to the Hungarian insurance sector. On the one hand, it causes a devaluation of insurers' assets, and on the other hand, the impact of yield changes is also reflected on the liabilities side. A rise in the risk-free rate of the yield curve, which is a key determinant for reserve calculation, may reduce institutions' S2 provisions via the discount effect and thus also their liabilities. This may increase the available own funds of insurers, which in itself may have a positive effect on capital adequacy. At the sector level, a significant portion of insurers' non-unit-linked assets is invested directly in government bonds.

The risk-free rate (RFR) of the Hungarian forint has undergone significant changes in recent years: 2020 was still characterised by a low yield environment, but then yields moved upwards in 2021, reaching a peak at the end of 2022 Q3. In 2023, the yield level shifted downwards over the entire time horizon, while the inversion of the curve decreased significantly, i.e. the curve flattened. The downward trend continued over the short term in 2024, in line with the MNB's interest rate policy, but due to long-term inflation expectations and international factors, over the long term, an increase was observed again (falling short of the 2022 level), and the shape of the yield curve returned to normal in 2024. In 2025, the yield curve rose moderately in the short and medium segments, while the long end of the curve was almost the same as the previous year.

The RFR is calculated on the basis of government bond yields with maturities of 1–15 years, as these meet the criteria for depth, liquidity and transparency. From the last observation point, the curve is calculated by extrapolation to the Ultimate Forward Rate (UFR). As a result, the value of the UFR for the forint fell to 4.2 percent in 2025 and remained the same in 2026. The normative UFR is also 4.2 percent and is expected to remain at this level in 2027.

Chart 1.4
Shift in the risk-free yield curves of the Hungarian forint



Source: EIOPA.

1.1.5 Changes in the Sovereign Debt Market

As a result of uncertainty about the global economic situation and geopolitical tensions, investor sentiment remained volatile throughout the year. In the latter half in particular, risks related to international trade dampened global growth expectations and, due to interest rate cut cycles by major central banks, risk-free rates of return in developed markets mostly declined, while regional yields partly increased due to emerging risk aversion. The yield on German 1-year government securities fell by 28 basis points over the span of one year, while the 10-year yield rose by nearly 44 basis points. Looking at US government securities yields, the 1-year yield fell by 67 basis points, while the 10-year yield dropped by 42 basis points. Regional short yields developed differently: Polish yields declined significantly in parallel with the central bank's interest rate cuts, while Czech and Hungarian short yields increased over the course of 2025. Long-term government securities yields in the region were mixed: Hungarian yields rose by around 76 basis points and Czech yields by 47 basis points, while Romanian and Polish long-term yields fell by 51 and 75 basis points, respectively.

Secondary market turnover for government securities in 2025 was similar to the previous year, but market liquidity remained above the historical average for most of the period. Average daily turnover was around HUF 362 billion, compared to HUF 354 billion in the previous year. It was mostly maturities longer than five years that were traded, but turnover was similar to the previous year in the case of securities with shorter maturity as well. In terms of government securities held by major sectors, credit institutions increased their HUF-denominated government securities holdings by HUF 1,556 billion in 2025, while the non-resident sector expanded its holdings by HUF 949 billion.

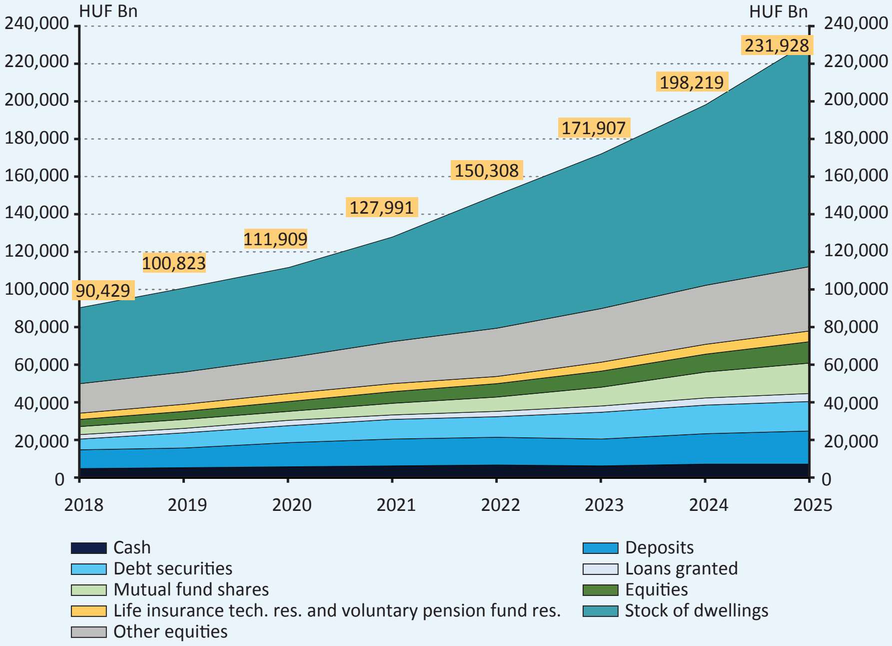
1.2 EVOLUTION OF HOUSEHOLD SAVINGS

1.2.1 The Increase in Household Wealth in 2025 Mainly Consisted of Real Assets

By end-2025, the gross wealth of households, including financial instruments and housing, amounted to nearly HUF 232,000 billion, showing an increase of 17 percent compared to the end of previous year (Chart 1.6). This wealth increase significantly exceeded the 3.3-percent inflation rate registered at the end of 2025. Last year, the increase in the value of the housing stock owned by households contributed the most to the growth in wealth, while the stock of financial instruments expanded to a lesser extent.

Among financial instruments, the most dynamic expansion continued to be observed in investment fund shares (+21 percent), but the stock of equities also increased significantly (+16 percent). The value of bank deposits, insurance and pension fund reserves, as well as business shares increased by an average rate during the year. The expansion of pension fund investments was offset by the fact that households withdrew and used HUF 105 billion for real estate purposes in 2025. Debt securities held by households remained unchanged.

Chart 1.5
Developments in households' gross assets



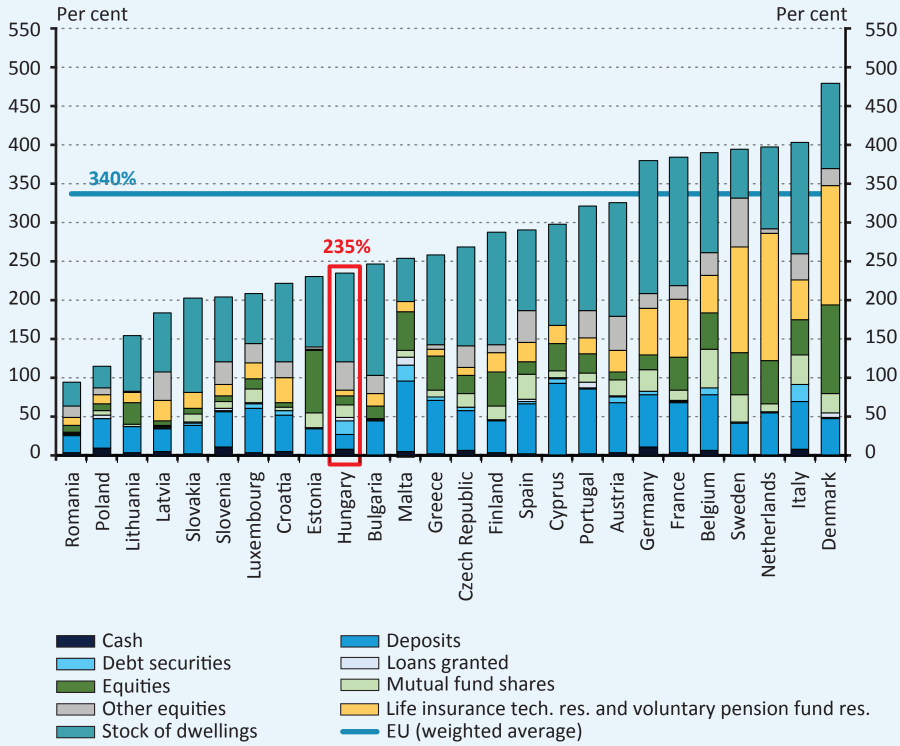
Note: 2024 and 2025 data for the stock of dwellings are MNB estimates.

Source: HCSO, MNB.

1.2.2 Compared to Other EU Member States, Hungarian Households Still Prefer Cash and Government Securities

The gross wealth of Hungarian households, including financial instruments and housing stock, amounted to 235 percent of GDP at end-2024 (Chart 1.7), placing it at the boundary between the lower and middle thirds of European Union countries according to Eurostat data. Average gross household wealth in the EU, calculated as the GDP-weighted average of the Member States, was 340 percent, representing a minimal increase compared to the figure of 336 percent recorded for 2023. The average gross household wealth of the other countries in the region (Czech Republic, Poland and Slovakia) amounted to 162 percent of GDP. Thus, as a share of GDP, household wealth in Hungary is higher than in the countries with similar levels of development, according to statistical data. At the same time, compared to the Visegrád countries, Western European countries (e.g. Denmark, Sweden, the Netherlands, Belgium, Italy, France) continued to exhibit significant surpluses (these six countries had the highest values in the EU at the end of 2024, averaging 398 percent). In terms of GDP shares by instrument category, Hungary ranked third after Malta and Italy for debt securities (mainly sovereign debt securities). Additionally, Hungary was at the forefront in terms of cash and other equities. Domestic households rank in the middle regarding investment fund shares and housing (in 12th place). By contrast, Hungary was ranked at the bottom of the field in terms of deposits (26th), insurance technical reserves and voluntary pension fund reserves (25th) and equities (19th) out of the 26 countries reviewed in 2024. In terms of composition of the products, it can be stated that Hungarian households prefer government securities, cash, and, more recently, investment fund shares, compared to other EU Member States.

Chart 1.6
Gross assets of EU households as a percentage of GDP, at end-2024



Note: The stock of dwellings data related to 2023.
Source: Eurostat.

2 Insurance Market and Associated Risks

2.1 OVERALL MARKET SITUATION

2.1.1 Growing Market Size

The institutional structure is virtually unchanged: In 2025, following the dissolution of two small associations and the establishment of one small association, the number of supervised institutions in the Hungarian insurance sector decreased to 26 (Table 2.1 does not include one supervised joint-stock company which is not subject to Solvency II (S2)). Of these, 22 institutions operate as joint-stock companies, two as large associations and two as small associations. In addition to the above, insurance branch offices also operate on the Hungarian market, in which case the MNB has jurisdiction exclusively from a consumer protection perspective. Due to their size and activities, one joint-stock company and two small insurance associations are not covered by S2. Of the 23 institutions covered by S2, there are four life insurance companies, ten non-life insurance companies and nine composite insurance companies.

Significant premium growth: In 2025 – taking into account the Hungarian branches of foreign-based insurance companies – the premium income of the insurance sector amounted to HUF 2,115 billion, reaching an annual growth rate of 15 percent. Sector-level premium income calculated without branches was HUF 1,961 billion, of which 59 percent was accounted for by the non-life segment and 41 percent by the life segment. The share of branch offices in total premium income (7.3 percent in 2025) decreased by 0.7 percentage point compared to the previous year.

Moderate rise in the number of contracts: The number of contracts managed was 15.3 million, although the increase in the number of contracts (+0.7 percent) once again lagged significantly behind premium growth. The number of life insurance products was 2.3 million (+1.8 percent), while the number of non-life insurance products was 13 million (+0.5 percent).

Significant increase in S2 reserves: S2 technical reserves at the sector level amounted to HUF 3,348 billion, reflecting an annual increase of 19 percent. A significant portion (80 percent) of these reserves (HUF 2,677 billion) were life segment reserves, which exceeded the value for the same prior-year period by HUF 292 billion (+12 percent). The value of non-life segment reserves increased to HUF 671 billion (+59 percent).

Stable capital: The sector's capital adequacy ratio is 196 percent, which is virtually identical to the capital level at the end of 2024.

Sector-level S2-ROE is above 10 percent: The sector's accounting profit is HUF 115 billion, meaning insurers' profitability more than doubled in 2025, reaching an S2-ROE of 12 percent. This improvement is largely due to the fact that insurers took advantage of the opportunity to reduce the insurance surtax through purchases of government securities, which resulted in a decrease of the surtax paid by the sector from HUF 102 billion in 2024 to HUF 55 billion.

Table 2.1
Key data of the insurance sector

	2024	2025		
	Total	By institution type		Total
Number of institutions *	26	Total S2 insurers	23 –	25
		Life	4 –	
		Non-life	10 –	
		Composite	9 –	
		Small insurance association	2 ↓	
	Total	**Life segment**	**Non-life segment**	**Total**
Gross written premium (HUF billion) *(including branch offices)*	*1,695.0 (1,843.3)*	809.0 ↑ (864.0)	1,152.3 ↑ (1,250.7)	1,961.2 ↑ (2,114.8)
Number of contracts (thousand) *(number of contracts per capita) ***	*15,200 (1.59)*	2,342 ↑	12,944 ↑	15,336 ↑ (1.61)
Technical provision S2 (HUF billion)	*2,806.6*	2,677 ↑	671 ↑	3,347.8 ↑
Balance sheet total (HUF billion)	*4,189.4*			4,626.1 ↑
Eligible own funds (HUF billion)	*880.2*			957.9 ↑
Capitalisation level (percent)	*196*			196 ↑
Profit after tax (HUF billion)	*47.8*			115.2 ↑
Return on solvency capital (S2-ROE) ***	*5.4%*			12.0% ↑

Note:
** The number of institutions does not contain one supervised joint-stock company falling outside S2.*
*** For the insurance policies per capita ratio we used the total population indicated on the HCSO website.*
**** The S2-ROE index compares the profit after tax to the available capital under Solvency II.*
Source: MNB

Table 2.2
Key data of the small insurance associations

	Small insurance associations		
	2023	**2024**	**2025 ***
Number of institutions	4	3 ↓	2 ↓
Gross written premium (HUF millions)	25	71 ↓	-
Number of contracts – also shorter than 1 year	29	34 ↓	-

*Note: * 2025 data for small insurance associations are not yet available.*
Source: MNB

Box 2.1
Solvency II review and key changes

The Solvency II system, which has been in effect since 1 January 2016, is a multi-tiered regulatory package: the first level is a directive containing general principles and key rules, while the second level consists of a delegated regulation containing detailed rules, as well as technical standards for regulation and implementation; there are also EIOPA recommendations to assist in the application of the law. The functioning of the system was reviewed, resulting in the publication of amendments to the directive on 8 January 2025 and amendments to the delegated regulation on 18 February 2026. Work on the regulatory and implementing technical standards will be completed in 2026. All amendments and new rules must be applied from 30 January 2027. In addition to strengthening stability, the main objectives of the amendments are to encourage investment, simplify the rules and reduce the administrative burden (with particular regard to small and non-complex insurers (SNCU)). As a result of the amendments, insurers will need to fine-tune the models they use and their SCR calculations, rethink their investment strategies, modify their reporting systems and expand their risk management (e.g. to include macroprudential risks).

In 2026, the implementing regulation containing the detailed implementing rules and amending the principal delegated regulation supplementing the S2 Directive (Commission Delegated Regulation (EU) 2026/269) was adopted and published. The regulation introduces new and amended provisions relating to technical provisions, long-term guarantee measures, own funds, equity risk, spread risk for securitisation positions, other capital requirements under the standard formula, reporting and disclosure, proportionality and group solvency. The detailed rules have been refined with regard to best estimate and the calculation of risk margins. The rules on long-term guarantees have also been amended to reduce procyclical effects in the financial system. To promote securitisation, the capital requirement for STS securitisations will be reduced.[1] It is important to note that insurers not classified as SNCUs – provided they hold a supervisory authorisation – may also apply certain proportionality measures. The factors to be considered in the licensing process can be divided into two groups: general and specific criteria (all criteria apply *mutatis mutandis* to the groups as well). In evaluating the general criteria, supervisory authorities assess the need for supervisory intensity regarding the insurer's activities, the nature of the business model, corporate governance and the extent of the capital surplus available to the insurer, also taking quantitative criteria into account. The specific criteria evaluate the relevant area in relation to the measure in question. In the course of the licensing procedure – similar to the SNCU's evaluation of notifications – the supervisory authorities have two months to review the application (for applications submitted during the first six months after implementation, the deadline is four months).

The amended rules also include additional regulatory and implementation standards. Their purpose is to further clarify certain prudential rules contained in the directive (such as liquidity management plans), strengthen the supervision of cross-border activities and cooperation between home and host authorities, and reduce the reporting and data disclosure burdens on insurers.

In light of the revised data reporting framework, EIOPA has developed technical specifications for the application of the proportionality measures contained in the directive. The formulation of proportionality principles helps reduce the regulatory burden on the sector, as well as promote supervisory convergence and the prioritisation of risk-based supervision. The technical specification was published on the EIOPA website on 7 April 2026.[2]

2.1.2 Positive Trends in the MNB's Vision Analysis

In February 2018, the MNB released a publication entitled '10-Year Future of the Insurance Sector in 7 Points' (hereinafter: 'FIS'). The points in the publication set out trends and targets for converging to mature markets, which can also serve as a sector-wide strategic plan and guidance for market players. As in previous years, this report also shows the evolution of the FIS target figures, assessing them in relation to the 10-year targets and the projected paths (summarised in the table below).[3]

[1] STS securitisation (*Simple, Transparent and Standardised*) is a form of securitisation regulated by the European Union that features a lower-risk, more transparent structure.

[2] https://www.eiopa.europa.eu/eiopa-publishes-technical-specifications-small-and-non-complex-insurance-undertakings-and-groups-2026-04-07_en

[3] Backtesting has been carried out, taking into account the development of macroeconomic data.

Table 2.3
Target values and actual data of the insurance sector

Objective	Target variable	2016 actual data	2025 target / optimal value	2025 actual data
1. Broad-based self-provision More savings, greater security	Life insurance and voluntary pension fund contracts/economically active persons	**54%** 2.46 million contracts	**77%** 3.5 million contracts	**49%** 2.36 million contracts
	Ratio of reserves as a percentage of GDP (life technical reserve + voluntary pension fund individual accounts)	**8.7%** HUF 3,054 bn	**9.7%** HUF 5,991 bn	**6.3%** HUF 5,488 bn
2. Market size convergence Back to the forefront of the region	Penetration (gross written premium/ GDP)	**2.5%** HUF 889 bn	**2.9%** HUF 1,776 bn	**2.3%** HUF 1,961 bn
3. Competitive market Increasing competition	Share of TOP 5	**60%** HHI 8.9%	**55%** HHI 8.5%	**61%** HHI 9.6%
4. Efficient sales Half of sales via an innovative channel	Ratio of innovative channels	**37%**	**50%** and above	**45.6%** (2024)
5. Economies of scale Institutions operating more cost efficiently with dropping margins	TCR values of UL contracts	**0.53–9.97%**	**0.5–5.75%** consistently	**0.1%–5.74%**
	Non-life combined ratio (net of tax)	**81%**	**85–90%** consistently	**87.0%**
	Cost ratio	**30%**	**20–30%** consistently	**33.3%** (2024)
6. Fair and competitive profitability Long-term confidence and stability	ROE	**ROE 20%** S2 ROE 11%	**ROE: 10–15%** consistently	**ROE 22.4%** S2 ROE 12.0%
7. Well-capitalised insurers Safe and prudent operation	Capitalisation level	215%	**>150%** consistently	**196%**

Note: Values linked to Objectives 1 and 2 were evaluated compared to the trends projected in the publication.
Source: MNB

In terms of coverage of life insurance and voluntary pension fund contracts – instead of converging – stagnation has been observed for years. In 2025, however, penetration improved by 1.1 percentage points (to 49 percent), as the number of contracts increased by 0.8 percent, while the number of economically active persons declined by 1.4 percent over the course of the year. At the same time, the indicator has moved further away from the convergence path projected in the FIS, as efforts to reach potential self-providers continue to be unsuccessful, and short-term yields, which remain high compared to the years before 2022, still do not support an increase in long-term savings coverage.

The ratio of self-provision reserves to GDP began to rise again after 2024 (from 6.2 percent to 6.3 percent). After nominal GDP growth remained consistently higher than previous forecasts for several years, this indicator lagged significantly. In 2024 and 2025, the 15-percent and 9-percent increases in reserves, respectively, exceeded both the projected rate of growth in reserves (in line with international trends) and nominal GDP growth. In 2025, this trend was once again largely driven by rising prices for underlying assets and, to a lesser extent, by the combined positive cash flow of the two sectors. Within this, a moderately negative cash flow was observed for pension funds in 2025, due to the one-time impact of utilising real estate-related benefits, but the insurance sector experienced significantly higher inflows compared to previous years. Of the three paths presented in the FIS, the inflation-adjusted and empirical paths exceeded their original values, but still fell short of the international trend.

Insurance premium income penetration rose to 2.3 percent in 2025, continuing the upward trend that began in 2024 after the declines in 2022–2023. The trend was similar to the evolution of reserves: the decline in penetration in earlier years was driven by high GDP growth at current prices, while premium growth in 2024 and 2025 exceeded both the projected rate of premium growth (consistent with the rising penetration trend) and nominal GDP growth. The premium income of HUF 1,961 billion, calculated excluding branches, was higher than the nominal values for all three originally projected growth paths.

After decreasing by 1.8 percentage points, **the share of the five largest market players (TOP 5) still exceeded the projected path by 6 percentage points in 2025**. The Herfindahl-Hirschman Index (HHI) also fell by 0.3 percentage points, bringing it closer to the projected path featuring a steady, gradual decline.

Innovative channels accounted for a 45.6-percent share in the composition of insurers' sales channels[4] in 2024. Compared to the figure of 43.6 percent in 2023, the rise of online sales is striking. However, the sector is still far from the targeted value of over 50 percent projected in the FIS.

Fixed term **unit-linked contracts**[5] with regular premium payments covered by the MNB's unit-linked Recommendation[6] **had TCR values that complied with the limits at the end of 2025**. Thanks to the MNB's measures over the past nine years, the TCR values for the fixed term regular premium unit-linked products dropped significantly and was ranging between 0.1 percent and 5.74 percent at the end of 2025.

The sectoral combined ratio for non-life insurance was 87 percent, which is within the optimal range.

The insurer cost ratio was 33.3 percent in 2024, meaning that the sector remains above the target range of 20–30 percent. This indicator was above 33 percent for the second year in a row, reflecting the decline in life insurance premium income in 2023, while costs rose at a similar rate as premiums in 2024. Nevertheless, the cost ratio remains unevenly distributed between the insurance segments: While the life segment was characterised by a cost ratio of 24.7 percent, the cost ratio for the non-life segment was 38.7 percent.

The insurance sector's S2-ROE reached 12 percent and thus returned to the optimal range. The sector took advantage of the opportunity to reduce its surtax liability via purchases of government bonds maturing after 2030, resulting in a decrease in the sector's surtax payments from HUF 102 billion in 2024 to HUF 55 billion. Despite the voluntary premium freeze and storm damage, no institution is operating at a loss.

The sector's capital adequacy ratio is at 196 percent, still far exceeding expectations. A sustained high level of capital adequacy of institutions provides the basis for the safe, prudent operation of the sector.

2.1.3 Market Volume of HUF 2,100 Billion, with Increased Penetration

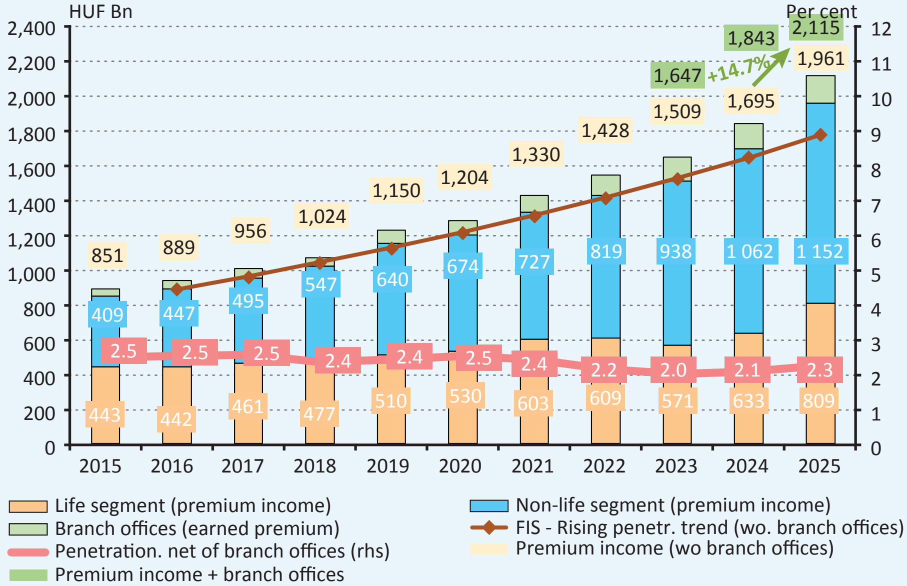
Insurers' premium income showed significant growth in all segments in 2025. Premium income in the life insurance segment rose by 28 percent overall compared to the previous year, reaching HUF 809 billion. This exceptional growth resulted from a surge in sales of single-premium policies and top-up premiums, made possible by the 100-percent reduction in the insurance surtax on the life insurance sector effective in 2025. Premium income in the non-life segment closed the year with an 8-percent increase, to reach HUF 1,152 billion.

Premium income from household property insurance contributed 6.5 percent to the growth in the non-life segment (following a 14.5-percent increase in 2024), while MTPL contributed 4.3 percent, after a 13.1-percent increase last year. Premium income from travel insurance rose by 12.2 percent.

Penetration, calculated excluding branch offices, continued to rise to 2.26 percent, though it has not yet reached the 2021 level.

[4] Innovative channels: bank insurance, direct sales, online mediation.
[5] Of term policies, this includes those with a duration of 10, 15 and 20 years.
[6] Recommendation 13/2024 (XII.10.) of the Magyar Nemzeti Bank on the application of prudential and consumer protection principles related to unit-linked life insurance products.

Chart 2.1
Gross written premium and penetration in the insurance sector



Source: HCSO, MNB.

Table 2.4
Premium changes in insurance market segments in 2025

Insurance market (including branch offices)	15%
Non-life	8%
Life	28%
regular premiums	10%
single premiums	134%
top-up premiums	52%
Branches	4%

Source: MNB

Box 2.2
Cross-border activities of EEA insurers in Hungary (2024)

The Solvency II harmonised prudential framework for insurers and reinsurers operating in the European Union allows the insurers subject to its provisions to operate throughout the EU. European insurers may conduct cross-border business in another Member State either through a branch (freedom of establishment) or without establishing a branch, by providing services directly (freedom to provide services). EIOPA provides EU supervisory authorities – including the MNB – with information on the activities of other European insurers in a given country. Based on the latest data from 2024, the premium income of insurers and reinsurers established in the European Economic Area (hereinafter: 'EEA') stemming from cross-border business in Hungary amounted to HUF 451 billion, representing a 24-percent increase compared to 2023.

A portion of the cross-border business directed to Hungary (HUF 190 billion) consists of reinsurance, with Hungarian insurers as the parties involved, who cede a portion of their risks through reinsurance. The premium presented here represents only about two-thirds of the total premiums ceded by Hungarian insurers; in addition, risk transfer and premium payments also occur to reinsurers established in countries outside the EEA. The range of home countries – to which premiums are transferred – is diverse; intra-group reinsurance is common among Hungarian insurers.

Insurance premium income from direct business – i.e. services provided directly to customers – originating from abroad and directed to Hungary amounts to HUF 261 billion, which represents 17 percent of Hungarian insurers' premium income from direct business. The vast majority of these insurance premiums – 79 percent (HUF 207 billion) – is related to non-life products, while the life insurance segment accounts for only 21 percent (HUF 54 billion). In the non-life sector, the most significant premium income from cross-border insurance activities directed to Hungary went to Austrian, Luxembourgian and French insurers in 2024. In the life insurance segment, a major portion of cross-border premium income is attributable to an Irish insurer.

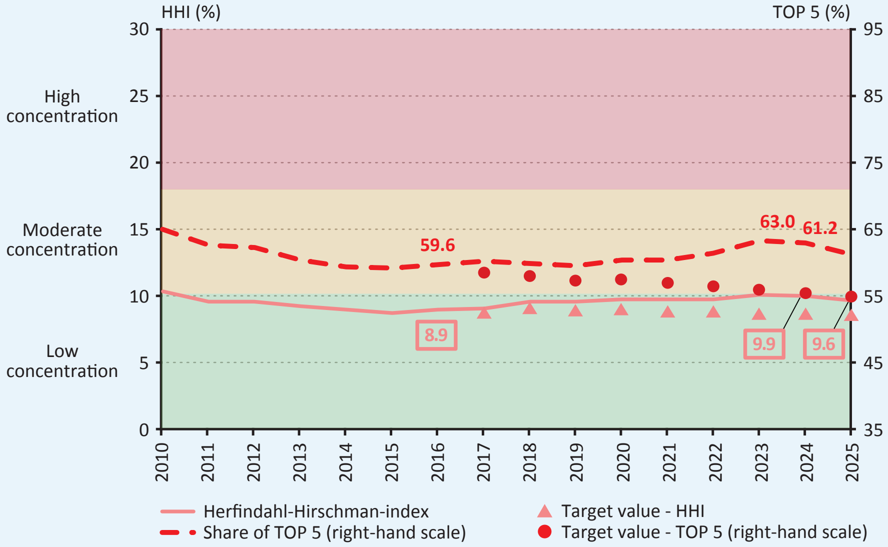
In the life insurance segment, the most significant direct business regarding cross-border activity of EEA insurers is unit-linked insurance, with premium income of HUF 41 billion, which accounts for 75 percent of premium income earned by EEA insurers in the Hungarian life insurance segment. In the non-life segment, EEA insurers' participation is most significant in the fire and other property damage business (which includes, for example, household and corporate property insurance), generating HUF 102 billion in premium income in 2024. In this line of business, Hungarian insurers hold a 73-percent share of premium income, while EEA insurers have a share of 27 percent. By contrast, for example, there is no cross-border insurance towards Hungary in the motor third party liability insurance line of business. At the same time, there are lines of business – typically those with lower premium income – where cross-border insurance is more common than domestic insurance. Examples include the credit and suretyship lines of business, where 86 percent of premium income in Hungary is attributable to EEA insurers (HUF 14 billion cross-border premium income), as well as the assistance business, where 61 percent of premium income (nearly HUF 9 billion cross-border premium income) is attributable to EEA insurers. With regard to insurance policies purchased as cross-border services, it is worth noting that the MNB supervises these from a consumer protection perspective, while the prudential supervision of the foreign insurers providing the service is carried out by the home country.

Premium income earned by EEA insurers in Hungary in the non-life (direct) insurance and non-life reinsurance segments – which account for the largest share of EEA insurers' premium income from Hungary – grew at similar rates (25 percent and 27 percent, respectively). This represents significant growth, but it is also important to note that changes over time in premium income from abroad are often in close connection with the premium income of Hungarian insurers. Recently, there have been cases where cross-border premium income directed toward Hungary decreased because a foreign branch transferred a large portfolio to a Hungarian insurer. However, the opposite has also occurred, when, as a result of a Hungarian insurer's strategic decision (to withdraw from a certain area), a significant portion of customers turned to a foreign branch for insurance. These are cases that do not affect total premium revenue in Hungary, but do affect the market shares from it of Hungarian and EEA insurers.

2.1.4 Insurer Concentration in the Low Concentration Range

The share of the five largest market players (TOP 5) was 61.2 percent, down 1.8 percentage points in 2025, while the HHI value changed from 9.9 percent in 2024 to 9.6 percent. The TOP 5 still consists of the same insurers, but two insurers have switched places. Both concentration indicators continued to substantially outperform the (declining) concentration paths projected in the FIS, but as a result of the declines in 2025, these indicators moved closer to the target values.

Chart 2.2
Share of the five largest insurers (TOP 5) and Herfindahl-Hirschman index (HHI) of the entire sector based on gross written premium



Note: The colour of the background illustrates the strength of concentration under HHI.
Source: MNB

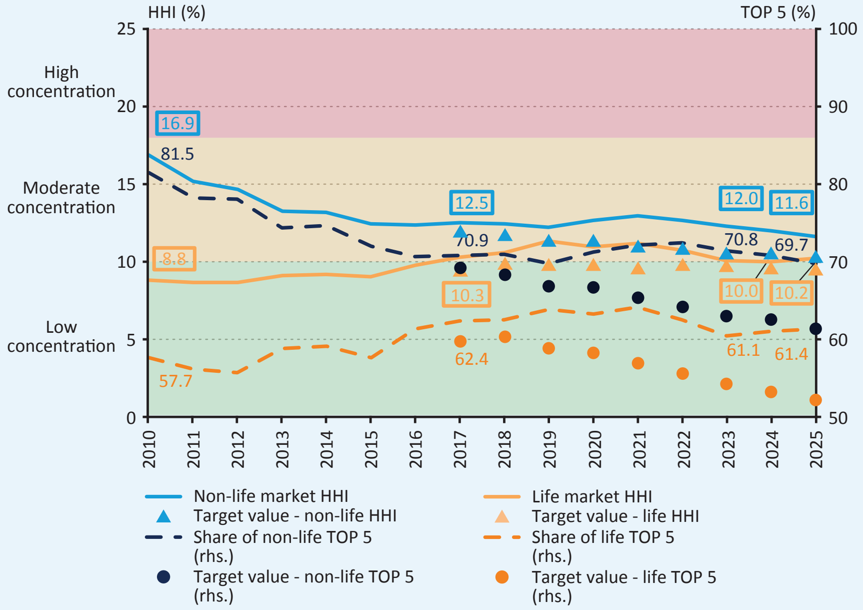
2.1.5 Concentration Indicators in the Non-life Segment Declined, While Those in the Life Segment Rose Moderately But Remained Favourable

Compared to the previous year, the market weight of the five largest non-life insurers decreased by 1.1 percentage point in 2025, while the HHI reflected declining concentration, with a drop of 0.4 percentage point. In this regard, the scope of the TOP 5 insurers also changed, but the improvement was largely attributable to the market penetration of smaller insurers.

In the life insurance sector, the market share of the TOP 5 insurers increased by 0.3 percentage point, while the HHI rose by 0.2 percentage point, but the indicators remain favourable. The composition and ranking of the TOP 5 insurers changed here as well; in the otherwise relatively concentrated single/top-up premium market, the market share of the TOP 5 increased significantly, whereas it remained virtually unchanged in the regular premium market.

The concentration ratios of individual segments exceeded the figures for the (declining) life and non-life paths projected in the FIS. The FIS expected a continued increase in competition, but this has not materialised.

Chart 2.3
Share of the five largest insurers (TOP 5) and the Herfindahl-Hirschman index (HHI) of the entire sector based on gross written premium by segment



Note: The colour of the background illustrates the strength of concentration under HHI.

Source: MNB.

Box 2.3
The amendment to Solvency II raises sustainability requirements to a new level starting in 2027

Following banking regulations, sustainability considerations are now being systematically integrated into the European Union's regulatory framework for the insurance sector. The new provisions of the Solvency II Directive – adopted in 2025 and applicable starting from 30 January 2027 – put an end to the separate treatment of ESG risks: sustainability will henceforth become a fundamental requirement for prudent operations. However, this change should not catch insurers operating in Hungary off guard, as the MNB's 'Green Insurance' Recommendation – issued in 2023 and applicable from 2025 – already partially incorporated the relevant supervisory requirements regarding risks arising from climate change and environmental risks.

The cornerstone of this integration is the identification and materiality assessment of sustainability (i.e. environmental, social and governance, or ESG) risks in the short, medium and long term. Pursuant to the legislator's decision, insurers must also prepare sustainability risk management plans. Although at first glance this may seem like yet another administrative burden, the supervisory approach is aimed at efficiency. The goal is for insurers to manage these plans – which contain quantifiable objectives and measures – as an integral part of their existing risk assessment, reporting and disclosure processes, so that sustainability risks can be addressed with as little additional administrative burden as possible. The principle of proportionality serves the same purpose: simplified rules will apply to small, non-complex insurers; for example, they will not be required to conduct extremely resource-intensive, long-term climate change scenario analyses, thereby ensuring that the regulatory burden remains proportionate to the insurer's size and risk profile.

Sustainability risks must be integrated into the overall corporate governance system. It is important that this not result in a separate 'ESG silo' within the organisation. The goal is to enable existing risk management systems and processes to also address the sustainability dimension. **The amendment to Solvency II also requires the combined application of these two perspectives in investment activities**: on the one hand, it is necessary to consider how sustainability risks affect the value of the investment portfolio (risks acting from the outside in); on the other hand, it is necessary to analyse how the insurer's investment decisions impact sustainability factors (risks acting from the inside out). **The integration of sustainability risks does not stop with internal processes; it must also be reflected in insurers' external communications.** In their disclosures (SFCR reports), insurers must provide a clear picture of the ESG risks they face and the methods they use to manage such risks.

The MNB's Green Insurance Recommendation provides a solid foundation for the comprehensive integration of climate change-related and environmental risks; however, full compliance with the new regulatory requirements will require further preparation on the part of insurers. The MNB will monitor the practical implementation of the Recommendation during its comprehensive inspections, and in 2026 H2, it will conduct a follow-up assessment of the Recommendation in order to obtain a comprehensive picture of the sector's preparedness. Based on all of this, it will be possible to identify the critical areas where the authority's proactive involvement may be necessary to facilitate the application of the law and harmonise market practices.

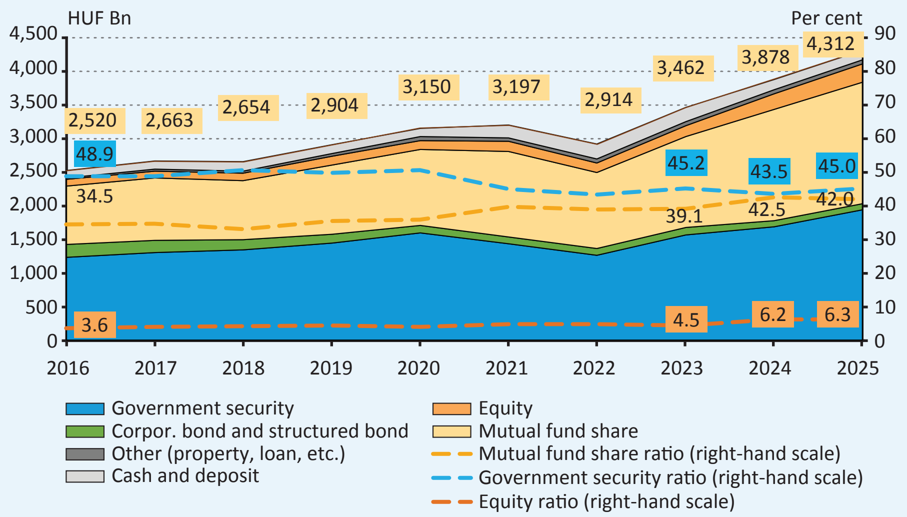
2.1.6 Significant Asset Growth, 77 Percent of Investments are Domestic

Insurers' invested assets exceeded HUF 4,300 billion, showing an increase of more than 11 percent again, following growth of 19 percent in 2023 and 12 percent in 2024. Of these assets, 53 percent serve as coverage for unit-linked life insurance reserves, while the remainder was made up of instruments underlying traditional life insurance and non-life insurance, as well as the institutions' own assets.

Lower-risk, conservative assets (government securities, bank accounts) accounted for 48.4 percent of insurers' total assets. Within this category, the share of government bonds rose by 1.5 percentage points, largely as a result of the increase in the portfolio of government bonds maturing after 1 January 2030, which reduce the surtax. The remaining assets were mostly made up of investment fund shares, equities and corporate bonds (including structured bonds), of which investment fund shares comprised the largest share, accounting for 42.0 percent of total assets at end-2025.

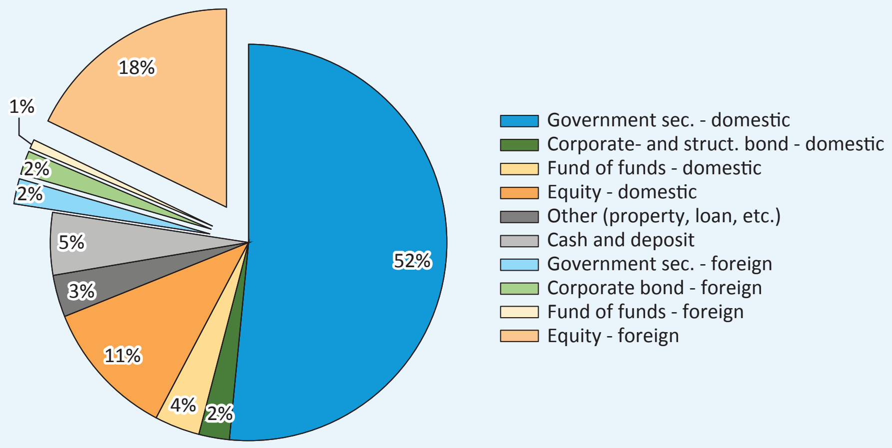
A breakdown of indirect investments shows that 77 percent of the investments are in domestic assets. The pie chart shows the data for the entire portfolio after the screening of investment funds.

Chart 2.4
Composition of assets of Hungarian insurers



Note: Based on S2 data, which are available since 2016.
Source: MNB.

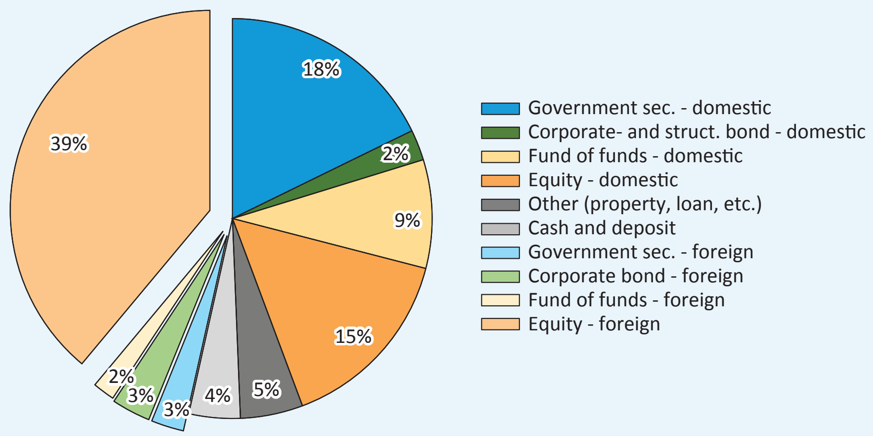
Chart 2.5
Composition of assets of Hungarian insurers using the 'look-through' approach at end-2025



Source: MNB.

Almost one-half of the assets underlying investment fund shares are foreign assets, with foreign equities being the most significant.

Chart 2.6
Composition of assets of Hungarian insurers' mutual fund shares at end-2025

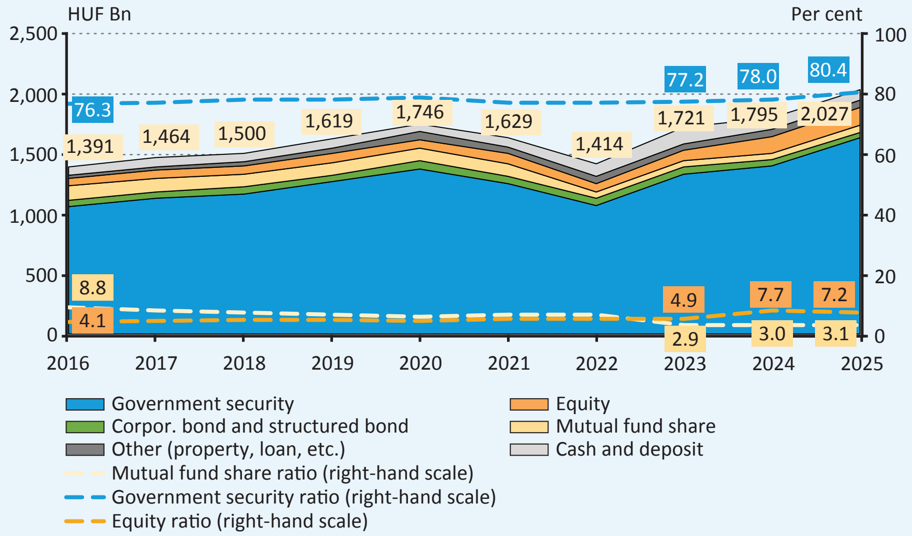


Source: MNB.

2.1.7 Government Securities Continued to Account for a Substantial Part of Non-UL Reserves

For investments underlying non-unit-linked reserves, there was also a shift towards government bonds. The share of these assets rose to 80.4 percent, up from 78 percent in the previous year. The share of equities declined moderately.

Chart 2.7
Composition of assets underlying reserves other than unit-linked reserves



Megjegyzés: S2 adatok alapján, amelyek 2016-tól állnak rendelkezésre.
Source: MNB.

Box 2.4
The European Union recovery and resolution framework for insurance and reinsurance companies

On 8 January 2025, Directive (EU) 2025/1 of the European Parliament and of the Council (EU) (hereinafter: 'IRRD' or 'Directive') was published in the Official Journal of the European Union, with the aim of establishing a crisis management framework for insurance and reinsurance undertakings (hereinafter collectively: 'insurers'). Member States are required to transpose the Directive by 29 January 2027 and must already apply the implemented rules starting 30 January.

Modelled on existing legislation for credit institutions, investment firms and central counterparties, the regulations being introduced distinguish between two phases: the preventive recovery phase and the resolution phase. In the recovery phase, the Supervisory Authority seeks to prevent the affected insurer from experiencing a crisis by requiring it to implement various measures. However, if the conditions for resolution are met (the insurer is already insolvent or is expected to become so, there is no alternative to resolution to manage the crisis, and resolution is justified in the public interest), the resolution authority will apply resolution measures.

To protect public funds, the burdens of crisis management and the losses are borne primarily by the insurers' owners and, secondarily, by their creditors. In line with these characteristics, one of the key objectives of the regulation is to protect the collective interests of policyholders, beneficiaries and claimants.

The main provisions of the IRRD are as follows:

- It provides supervisory authorities with preventive measures to enable early intervention.
- **As part of recovery planning, the Supervisory Authority will set requirements for insurers**, taking into account size, business model, risk profile, interconnectedness, substitutability and, in particular, cross-border activities. **In this context, insurers will have an important obligation to prepare recovery plans.**
- **The scope of resolution planning will – as a general rule – extend only to those insurers for which, in the event of insolvency, the so-called 'public interest' resolution condition is likely to apply, or which perform critical functions.**
- Insurers with a market share of at least 60 percent, calculated separately for both the life and non-life insurance markets in each Member State, must prepare **preventive recovery plans**; **by contrast, the preparation of resolution plans will be the responsibility of the resolution authorities** for insurers covering at least 40 percent of both the life and non-life insurance markets. In the case of the life insurance market, these percentages are determined based on gross technical reserves, and for the non-life insurance market, based on gross written premiums.
- **Small and non-complex undertakings are not subject to the ex-ante recovery requirements and must be exempted from the resolution planning requirements**, unless the supervisory or resolution authority determines that the undertaking in question poses a risk at the national or regional level.
- **Resolution tools available to resolution authorities**: asset sale, bridge institution tool, asset and liability separation, and write-off or conversion tool. In addition, a new element introduced compared to the bank resolution framework is the solvent wind-down tool, which aims to wind down the operations of an insurer that is still solvent but undergoing resolution, while maintaining the minimum capital requirement.
- The Directive requires the establishment of **resolution colleges** to ensure that the relevant authorities are able to take coordinated and timely action in addressing crisis situations affecting cross-border (re)insurance groups.
- Each Member State must establish one or more **resolution financing fund(s)**, consisting primarily of contributions from insurers, which, in cases specified by law, will compensate the policyholders of (re)insurers, beneficiaries of (re)insurers, and, subject to a decision by the Member State, may also be used to cover costs related to resolution tools.

2.2 LIFE SEGMENT

2.2.1 Increase in Reserves in Both Traditional and Unit-linked Portfolios

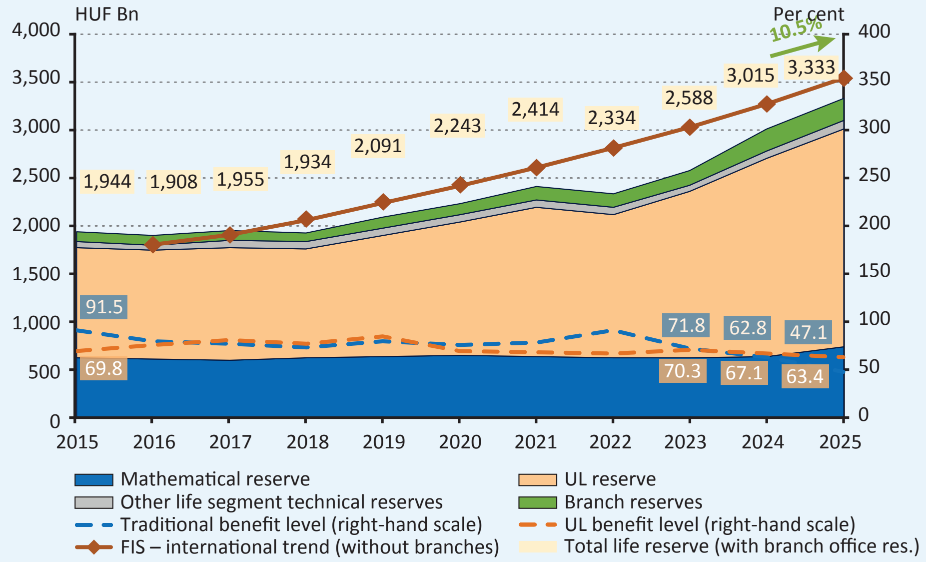
Although the increase in reserves related to life insurance was smaller than in the previous year, it still exceeded 10 percent. By the end of 2025, the amount of technical reserves in the life segment amounted to HUF 3,102 billion (HUF 3,333 billion including branch offices), reflecting an increase of 11.2 percent (10.5 percent including branch offices) versus the previous year. In terms of growth, reserves for unit-linked products, which comprise a significant portion of life segment reserves, increased by HUF 203 billion, or 9.8 percent. Mathematical reserves for traditional life insurance policies grew significantly in 2025, rising by 16.8 percent, which corresponds to an increase of HUF 106 billion. Although this increase is smaller in absolute terms than that of unit-linked reserves, it represents an exceptionally large increase relative to the near stagnation of mathematical reserves in previous years; a significant portion of this growth was attributable to new, single-premium life insurance policies.

There are two main categories of savings products (primarily for investment purposes) offered by insurance companies: unit-linked and traditional products. The ratio of inflows to outflows continues to move in the direction of asset accumulation, with inflows exceeding payouts for both product segments, contributing to stable reserve growth. The benefit level of life insurance, i.e. the ratio of payouts to gross premiums, decreased for both groups, albeit to varying degrees. For unit-linked (UL) products, the benefit level was 63.4 percent (67.1 percent in the previous year), while in the traditional portfolio, this indicator dropped significantly to 47.1 percent (62.8 percent in the previous year), due to a high volume of new single-premium policies.

Favourable capital market effects primarily impact the value of savings held by clients with unit-linked products. Since insurance companies cover a wide range of options in the spectrum of their investment asset funds, they can also make available asset funds with very volatile price movements for their clients seeking riskier but higher investment performance. A higher-yield environment may dampen the rate of surrenders, but in an unfavourable, low-yield (or potentially loss-making) environment, it may intensify the pace of surrenders. The MNB monitors surrenders on a monthly basis.

Compared to the previous year, 2025 saw an increase in surrenders in terms of both the number of units and the total amount. The increase in surrenders primarily affected the unit-linked portfolio; however, this was offset by investment returns, and thus the actual level of surrender risk remained unchanged.

Chart 2.8
Developments in life insurance reserves and the related insurance benefit levels

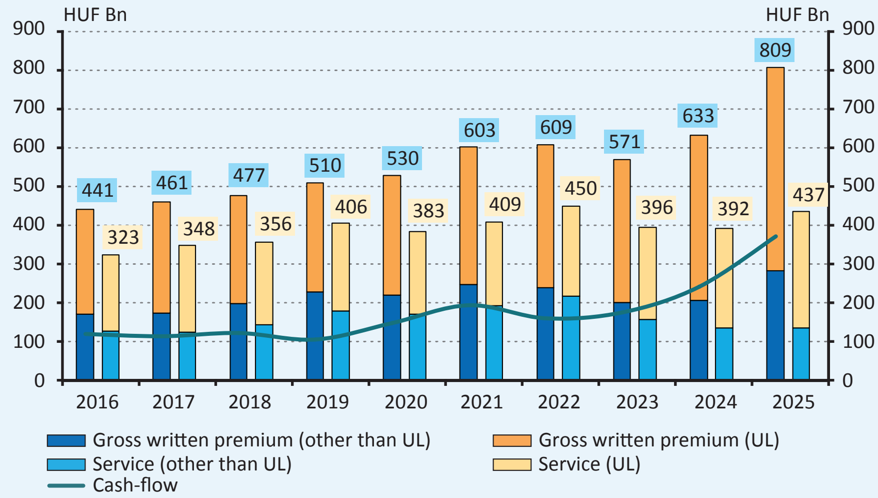


Note: From 2016, the benefit level (claim payment until 2015) is the ratio of the payouts compared to the gross written premium. In calculating the benefit level, the gross written premium of branch offices has not been taken into consideration. Total of life reserve (including branch reserve) is presented with yellow background. Other life insurance reserves include the following reserve components: unearned premium reserve, outstanding claim reserve, reserve for premium refund depending on and independent of the profit, claim fluctuation reserve, extreme loss reserve, cancellation reserve and other insurance technical reserves.

Source: MNB.

In recent years, life insurance premiums exceeded benefit payments each year, resulting in a consistently positive net cash flow balance for life insurers. Net cash flow remained stable at HUF 100 billion until 2019, then fluctuated in the 2020–2022 period, and has been rising again since 2023, reaching HUF 241 billion in 2024 and rising to HUF 372 billion by 2025. The combination of increasing outflows and rising premium income generated a favourable balance in 2025. Overall, premiums exceed the value of benefit payments; thus, the net cash flow balance remains stable.

Chart 2.9
Cash flows in the life segment



Source: MNB.

2.2.2 Regular Premium Income Continues to Rise; Robust Growth in Single and Top-up Premiums

In 2025, premium income in the life insurance segment amounted to HUF 809 billion, with 64 percent of this stemming from regular premiums and the rest from single and top-up payments. Gross premiums in life insurance have been on an upward trend since 2016, and after a decline in 2023, premium growth returned to the levels from previous years by 2024 and significantly exceeded such levels in 2025.

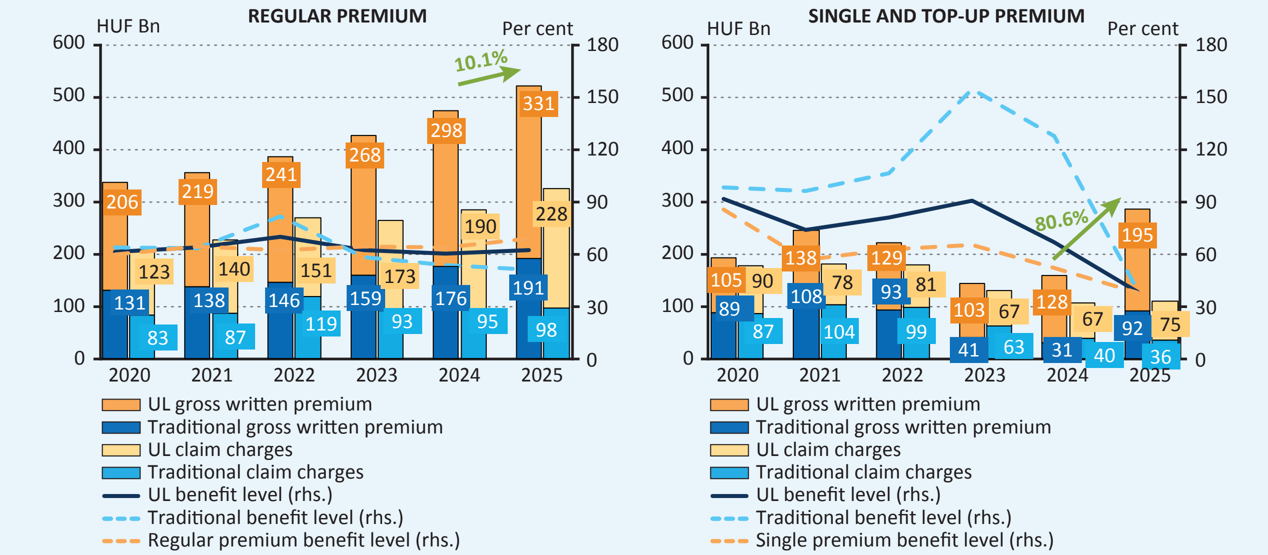
Income from regular and single premiums varied to different degrees compared to the previous year; the robust growth was primarily driven by an increase in single-premium and top-up payments. From 2022 to 2024, the insurance surtax adversely affected sales of single-premium life insurance policies, as these typically became unprofitable due to the additional tax burden. Single and top-up premiums fell in 2022 and 2023 compared to the 2021 levels, but growth has been observed since 2024, with premiums rising by 81 percent on an annual basis in 2025, made possible by utilisation of the surtax credit. Premium income from regular premiums continues to grow dynamically (up 10 percent on the previous year). With regard to total life insurance premium income, the 28-percent year-on-year increase is considered an outstanding result.

For regular-premium contracts, premium income increased in both main product lines (unit-linked and traditional).

In the regular-premium unit-linked segment, benefit payments increased in line with premiums, leaving the benefit level essentially unchanged (69 percent). For traditional products, on the other hand, benefit payments declined, resulting in a lower benefit level in a year-on-year comparison; in 2025, this ratio stood at 51 percent.

For single-premium and top-up-premium contracts, the increase in premium income (81 percent) improved the development of the benefit level, which fell from 67 percent to 39 percent. The benefit level for unit-linked contracts was 38 percent, compared to 39 percent for traditional products (128 percent in the previous year). For traditional products, the payout ratio has typically been above 100 percent in recent years, as waves of policy maturities have been observed for this product type, and new contracts have not offset these maturities. This trend came to an end in 2025.

Chart 2.10
Development of premiums written, claims and benefit levels* in the life segment, by premium payment frequency



*Note: * The benefit level is the ratio of claims payments to gross premiums.*
Source: MNB.

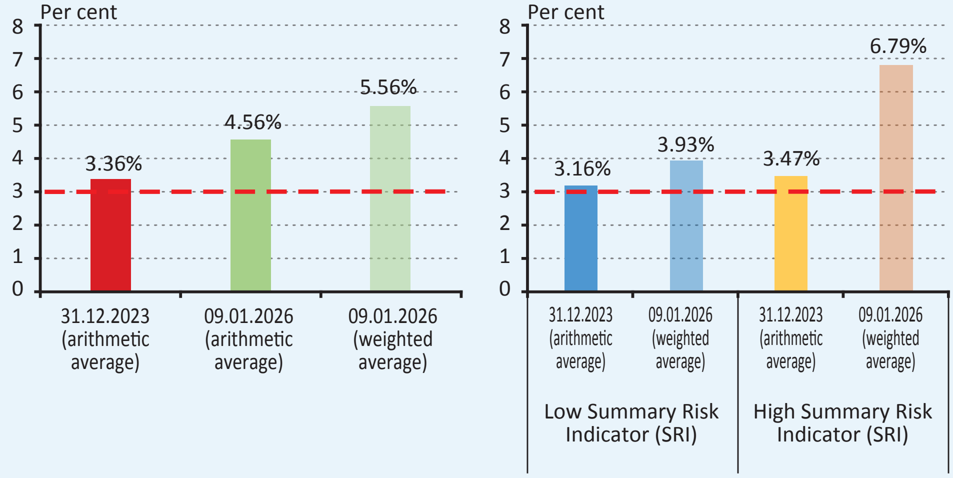
Box 2.5
MNB Ethical 2.0 follow-up: real returns available in the life insurance market

All of the requirements of the Ethical 2.0 regulatory package came into force on 1 January 2026 to increase the value for money of insurance products. As a precursor to the Ethical 2.0 package, the Ethical 1 concept was launched in 2016 and represented a forward-looking initiative even at the European level. Ethical 1 focused primarily on cost and commission limits, as well as regulation of the total cost ratio (TCR). One major step forward in the Ethical 2.0 package is that it not only regulates costs, but also emphasises expected performance. The first stage of implementation of Ethical 2.0 that entered into force on 1 July 2025 involved requirements for the asset funds of unit-linked (UL) life insurance products, setting minimum thresholds for the performance of these asset funds. Based on an assessment of the initial results, the value proposition of savings life insurance products has improved significantly, as the expected net performance of the asset funds at maturity exceeds the inflation target, thereby ensuring real return potential for customers.

The main elements of the MNB's new regulations were issued at the end of 2024 and were further expanded in December 2025 with the issuance of requirements regarding credit protection insurance. In terms of assessing the value for money of unit-linked (UL) products, the regulations primarily rely on expected net performance, which takes into account both return expectations and costs. The regulation requires that, in a moderate performance scenario, for low-risk investment funds (those with a summary risk indicator of 1–3 according to the Key Information Document (KID) methodology), the product-fund combination achieves at least a nominal (above 0 percent) expected return over the recommended holding period. For high-risk investment funds (with a summary risk indicator of 4–7 according to the KID document), expected performance above the inflation target is required over the recommended holding period.

As a result of Ethical 2.0, the expected average net performance of unit-linked asset funds on the market has improved significantly. Over the recommended holding period, the arithmetic mean of the annual average return in the moderate scenario as per the KID document rose from 3.36 percent (end of 2023) to 4.56 percent (January 2026), which, when weighted by net asset value, stood at 5.56 percent. The largest increase was seen in asset funds with high risk indicators, where the average expected return rose from 3.47 percent at end-2023 to 5.97 percent, which, weighted by net asset value, amounted to 6.79 percent.

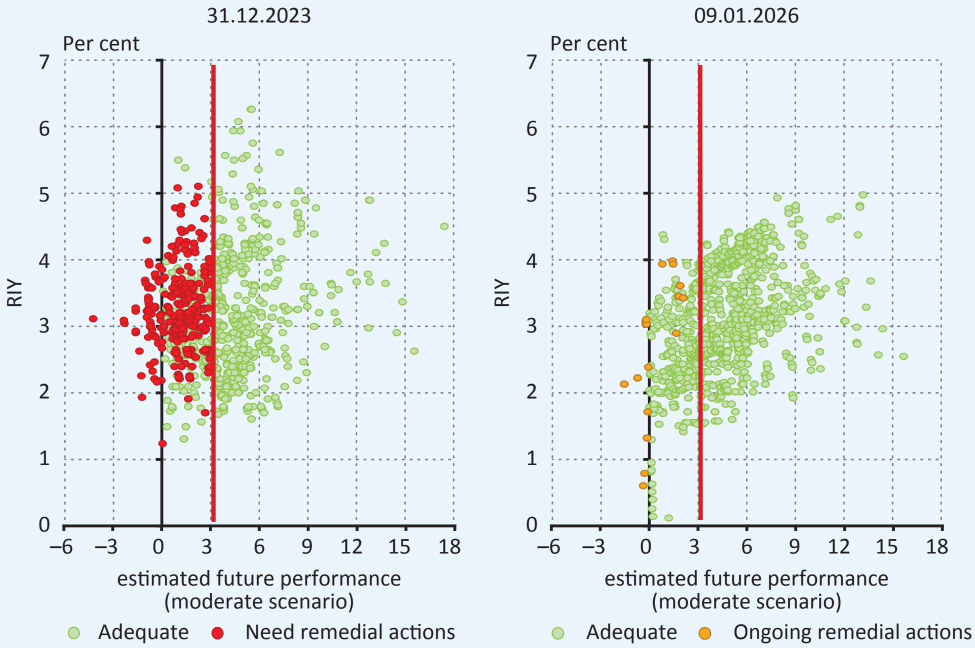
Chart 2.11
Change of estimated average net performance of unit-linked product-asset fund combinations



Source: MNB.

As result of the regulation, the number of non-compliant unit-linked product-asset fund combinations has also fallen significantly. Of the unit-linked funds found to be non-compliant (101 funds) by the end of 2024, the favourable economic environment had a positive impact on expected performance in 26 percent of cases, while in 74 percent of cases, measures had been taken or are currently underway. 23 percent of the asset funds have been closed or are scheduled for closure, whilst 51 percent have undergone some form of modification. As a result, there are currently a total of eleven asset funds below the threshold remaining on the market, for which further measures are planned to ensure compliance.

Chart 2.12
Distribution of unit-linked product-asset fund combinations by estimated future net performance and Reduction in Yield (RIY)



Source: MNB.

The requirements prescribed by the Ethical 2.0 regulatory package cover more than just unit-linked products. In accordance with European legislation, they cover all insurance products. The European level Product Oversight and Governance (POG) regulation[7] (POG regulation), which entered into force in 2018, outlined fundamental requirements for insurers with regard to the appropriateness of products provided to customers. However, the practical application of the POG regulation has proven to be difficult for the industry as a whole, as it prescribed only general principles. The Product Oversight and Governance (POG) recommendation[8] (MNB POG recommendation) included in the Ethical 2.0 package provides specific requirements, thereby enhancing the regulatory environment. Considering the fact that from 1 January 2026 – with the exception of requirements relating to existing credit protection insurance products – full compliance with the Ethical 2.0 regulatory package's requirements is mandatory, the MNB POG recommendation will cover all relevant products. Therefore, alongside unit-linked products, both traditional life and non-life insurance products are expected to undergo customer-centric value-for-money product testing and regular product review, based on metrics measuring customer value and associated thresholds. Additional elements of the Ethical 2.0 regulatory package mandate that, for unit-linked products, the existence of a higher yield potential provided by the product must also be demonstrated if Total Cost Indicator (TCR) limits are exceeded.[9] Furthermore, the amendment to the TCR decree[10] prescribes the calculation and presentation of a contract-level, individualised TCR to life insurance policy clients, thereby ensuring transparency and comparability of deducted costs.

EIOPA also puts emphasis on ensuring that adequate value for money is provided by unit-linked products. As these products constitute an important form of savings, maintaining client confidence requires filtering out inadequate products from the market; to this end, EIOPA has developed a specific methodology. In October 2024, the EU supervisory authority published the document 'Methodology on Value for Money Benchmarks',[11] which details a three-step methodology applied to filter out risky products (1. Grouping of UL products, 2. Calculation of value-for-money indicators, 3. Determination of benchmarks based on quartiles). Unlike the MNB methodology, this document provides no absolute benchmarks; instead, risk identification is conducted based on relative benchmarks, through a comprehensive examination of indicators relating to costs and potential returns.

This EIOPA methodology was first applied in practice based on the 2024 'Cost and Past Performance' survey (a sample-based survey on savings-type life insurances carried out by EIOPA every year). By applying said methodology, EIOPA identified unit-linked products deemed risky. Based on the initial results, the EIOPA methodology identified risks in approximately one-quarter of Hungarian unit-linked products included in the sample. For several products, initial costs proved to be higher than in comparable European products, while returns for clients were below the European average. Products deemed risky by EIOPA included some where indicator values were not explicitly poor, but the products were nevertheless identified as risky due to the application of relative benchmarks, which demonstrates the limitations of the methodology. This EIOPA inspection was carried out in 2025. By this time in Hungary, the Ethical 2.0 regulatory package was being prepared and introduced; the package was first applied with regard to unit-linked asset funds in the summer of 2025. Undertakings present in the Hungarian unit-linked market made efforts to comply with the Ethical 2.0 regulation; consequently, thanks to the measures implemented, a significant portion of the products and asset funds identified as risky by the EIOPA methodology has been withdrawn from the market, or other remedial measures have been taken. **It can therefore be stated that the Hungarian regulatory framework has successfully identified and filtered out risky products and asset funds from the market, thereby enhancing the ability of unit-linked products to provide adequate value for clients from an investment perspective.**

[7] Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors.

[8] MNB Recommendation 14/2025 (XII.9.) [previously 12/2024 (XII.10.)] on the application of product oversight and control measures by insurers and insurance distributors.

[9] Based on the requirements outlined by MNB Recommendation 13/2024 (XII.10.) on the application of prudential and consumer protection principles relating to unit-linked life insurances.

[10] MNB Decree 55/2015 (XII.22.) on the calculation and publication of the Total Cost Indicator.

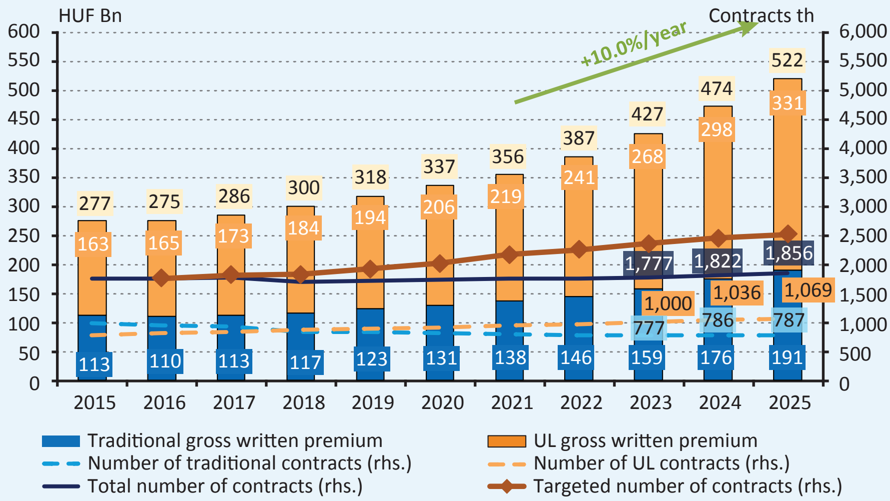
[11] Methodology on value for money benchmarks – European Insurance and Occupational Pensions Authority

2.2.3 Steady Growth in the Regular Premium Portfolio

Regular-premium life insurance continued to dominate in 2025, both in terms of number of contracts and premium income. In terms of contract numbers, there was a continued, small increase in the year under review, with 1,856,000 regular-premium life insurance policies in 2025, excluding paid-up, suspended contracts. Unit-linked policies are the most dominant, followed by death benefit and savings products in the range of traditional products.

An upward trend was also observed in premium income: market expansion in the 2016–2021 period stood at 5.3 percent per year, but since 2021 this has nearly doubled, rising to an annual growth rate of 10 percent. In the year under review, income amounted to HUF 522 billion, showing an increase of 10 percent in one year. Of the premium income of regular-premium life insurance, 63 percent is attributable to unit-linked life insurance, in which pension insurance also represents a relevant share.

Chart 2.13
Development of regular premiums and number of contracts in the life segment

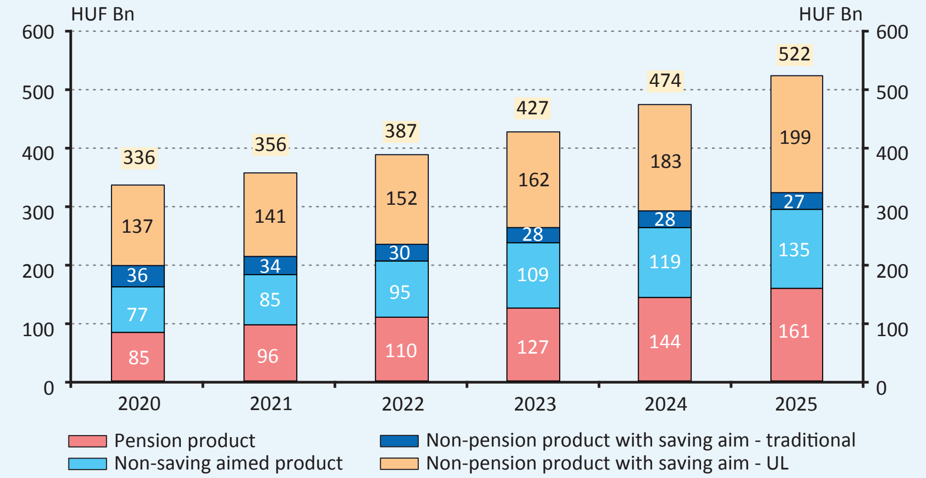


Note: The 'total number of contracts' does not include paid-up policies and the group life insurance policies.
Source: MNB.

Breaking this down further, the growth in premium income continued to be driven primarily by pension insurance (typically unit-linked), while the premiums due on term life insurance also increased.

Overall premium income from non-pension general savings and general UL contracts has shown stable growth for years; within this, the rising premium income from unit-linked contracts significantly outpaces the declining premium income from run-off traditional savings portfolios.

Chart 2.14
Distribution of life insurance regular premiums by the nature of savings



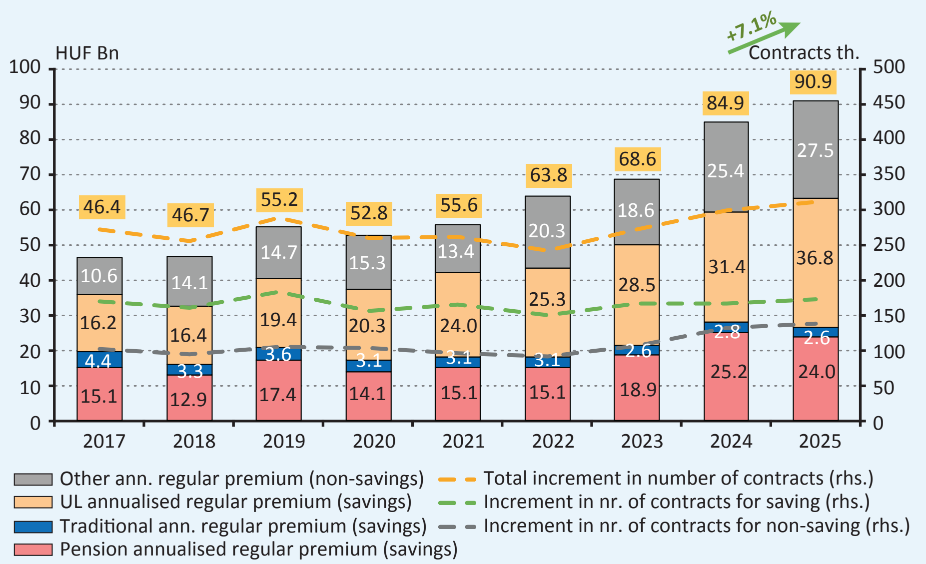
Note: Pension product includes both traditional and UL; Traditional non-pension covers traditional endowment life insurance policies; and UL nonpension category presents UL wo pension.
Source: MNB.

2.2.4 Rising Increment in Regular-premium Life Insurance

In the life segment, new acquisition-related portfolio premiums for regular-premium contracts rose by 7.1 percent versus the previous year. This growth was linked primarily to non-pension UL products, which accounted for 40 percent of portfolio premiums related to new acquisitions, and secondarily to other non-savings life insurance policies, which made up 30 percent. The new acquisition-related contract number also increased by 4.2 percent relative to the previous year.

The increment portfolio premium of pension insurances decreased compared to the previous year, accounting for 26 percent of the total portfolio premium related to new business. Portfolio premium on the increment in traditional products also showed a similarly decline.

Chart 2.15
Increment in regular premium life insurance products by portfolio premium and number of contracts

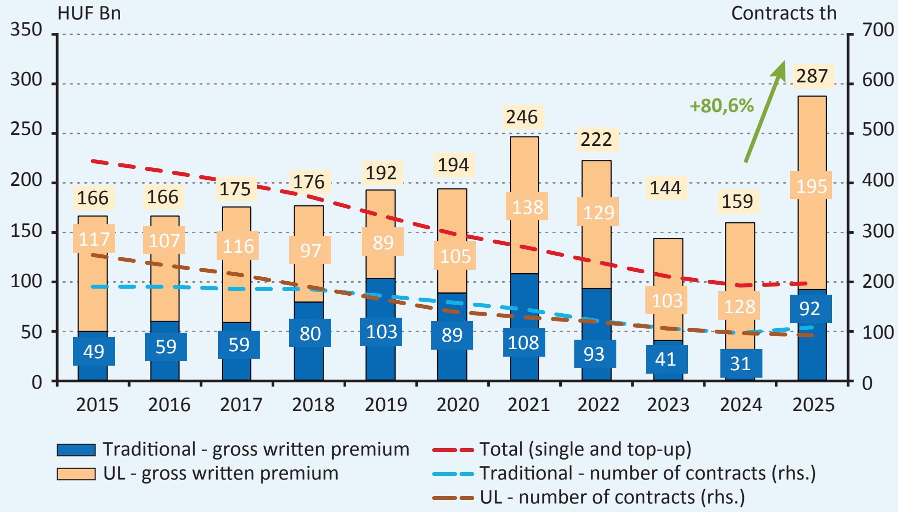


Note: The 'other' category comprises the following insurance products: death, annuity, group, health and credit and suretyship insurance products with death cover; 'Pension' category includes traditional and UL products as well; 'UL' category includes only non-pension.
Source: MNB.

2.2.5 Returning Growth in the Number of Single-premium Contracts

The overall premium income of HUF 287 billion for single and top-up premiums in 2025 was 80.6 percent higher than in 2024. In the reporting period, the market once again reached and even exceeded the premium levels seen prior to the introduction of the insurance surtax. The number of single-premium contracts has been falling for years for both UL and traditional products. In the case of traditional products, this trend ended in 2025, with the number of traditional contracts increasing by 13.4 percent; in the case of UL products, there was a further decline of 6.4 percent. Single-premium portfolio represented nearly 197,000 contracts in 2025, 3.4 percent higher than in 2024.

Chart 2.16
Development of single and top-up premiums and number of contracts in the life segment



Source: MNB.

Box 2.6
Credit protection insurance recommendation

In June 2022, EIOPA concluded its thematic inspection, which found significant consumer protection risks regarding credit protection insurance policies across all Member States. Based on this, EIOPA issued a warning to insurers, banks and supervisory authorities, the essence of which is that they must take measures to resolve issues related to high commissions and manage conflicts of interest. The follow-up launched at the beginning of 2024 established that, overall, at the EU market level and by the end of 2023, the situation had not changed significantly compared to the results of the thematic inspection.

The MNB conducted a thematic inspection concerning credit protection insurance in 2024–2025. The main findings showed poor value for money and superficial application of the product oversight and governance system. On the basis of this thematic inspection, fines totalling more than HUF 100 million were levied against nine insurers, with an obligation to rectify the shortcomings by 31 March 2026.

In July 2025, the MNB initiated the consultation regarding the new draft Annex No. 2 of the MNB recommendation on the application of product oversight and governance (POG) arrangements by insurance undertakings and insurance distributors with the involved external partners (Ministry for National Economy, Association of Hungarian Insurers, Hungarian Actuarial Society, Hungarian Banking Association) and also held bilateral meetings with the representatives of insurance companies. The feedback received during the market consultation phase was incorporated into the new POG recommendation.

The main objective of the requirements formulated with regard to credit protection insurance policies is to promote the greater spread of credit protection insurance and to provide adequate protection to a much larger number of customers. In addition to risk coverage, this can be achieved by developing pricing that aligns the interests of the insurer, the customer and the distributor.

Annex No. 2 of the recommendation sets out expectations regarding, among other things, product construction, risks to be covered and best practices concerning exclusions related to specific risks. Quantitative expectations include minimum indicators to be applied. The most important expectation for ensuring adequate customer value is that the combined ratio of the insurer's profit and cost margins, along with intermediary commissions and other incentives, must not exceed 70 percent of the gross premiums excluding tax (cost limit). For longer-term products, such as mortgage loans and prenatal baby support loans, deducted costs may be no more than 60 percent.

MNB Recommendation 14/2025 (XII.9.) on the application of product oversight and governance arrangements by insurance undertakings and insurance distributors was published on the MNB website on 11 December 2025. According to the two-phase implementation plan, new credit protection insurance products may be introduced only in accordance with the recommendation starting from 1 January 2026, while financial institutions will be required to ensure that products already on the market and currently being sold comply with the recommendation starting from 1 January 2027.

Thanks to the MNB's supplemented recommendation, the cost levels of insurances covering bank loan repayments may decrease in the future, while the provided services may expand. In response to supervisory requirements, market participants may broaden their coverage; consequently, fewer exclusions and rejections are anticipated for submitted claims. All of this can mean genuine assistance and adequate protection for clients facing loan repayment difficulties – e.g. due to death, incapacity for work, or unemployment.

2.3 NON-LIFE SEGMENT

2.3.1 Nearly Threefold Growth in the Non-life Segment over 10 Years

Non-life premium growth amounted to 8.5 percent in 2025, which represents a decrease in intensity compared to the past three years. Nevertheless, the unbroken expansion trend seen since 2012 continued. The current growth exceeded HUF 90 billion in absolute terms, with the largest contributor being health insurance (HUF 16.5 billion), along with significant contributions from compulsory motor third party liability insurance (HUF 15 billion), casco (HUF 14 billion) and household property (HUF 14 billion) products.

The premium income growth in the health insurance segment was a one-off effect, attributable to the emergence of a new market participant.

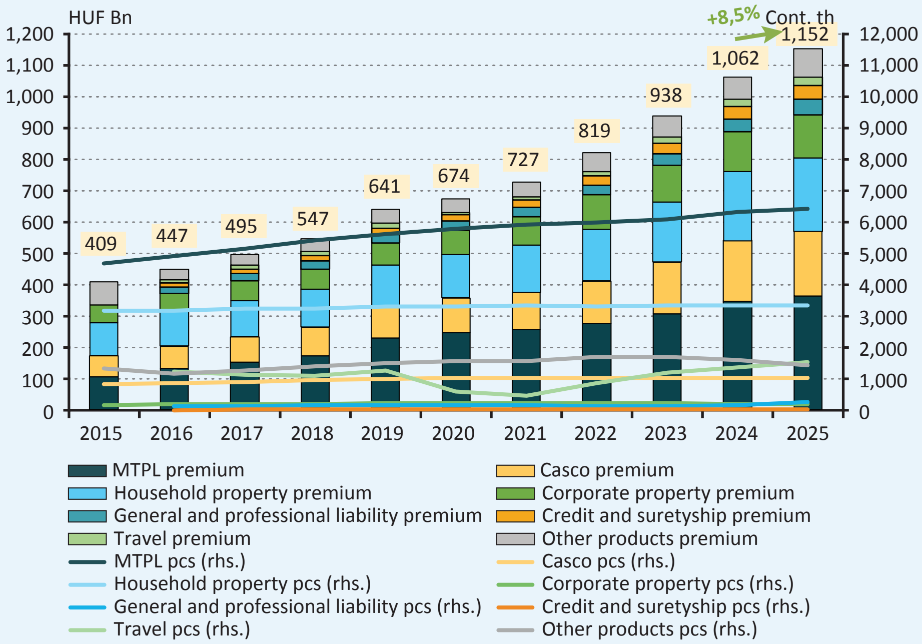
Growth in MTPL premiums amounted to 4.3 percent, reaching HUF 362 billion in 2025. The MTPL segment remains the most important business in the non-life segment, accounting for 31.4 percent of total non-life premium income in 2025. Growth in this product category was supported by a 2.1-percent increase in the number of contracts, bringing the total market portfolio to over 6.4 million.

In 2025, similarly to the previous year, the stock of land vehicle casco contracts decreased further (by 1.1 percent). At the same time, premiums per contract increased by 8.5 percent, which was almost four times higher than the 2.2-percent growth registered for MTPL contracts. As a result, the overall premium income of land vehicle casco portfolio expanded by 7.2 percent compared to 2024.

In 2025, premium income growth of 6.5 percent was observed for household property insurance, which fell short of the growth rates of previous years and returned to the level experienced during the 2019 coronavirus pandemic. The number of contracts rose marginally during the year, advancing by just 0.2 percent. In corporate property insurance, the number of contracts fell by 3 percent, in line with previous years; however, 12.4-percent growth was registered in premiums per contract for this product group.

Among other non-life insurance, general and professional liability insurance, credit protection insurance, travel insurance, accident insurance and miscellaneous financial loss insurance still produced growth rates exceeding 10 percent. Small market share products, not mentioned above, grew more moderately than the larger ones, with an overall growth rate of less than 10 percent in 2025. In travel insurance, the number of contracts exceeded 1.5 million, reflecting more moderate growth (11.8 percent) than in the previous three years, but in terms of volume, even in the previous year, the market exceeded the level before the 2019 Covid pandemic.

Chart 2.17
Development of gross written premium and number of contracts of non-life segment by products



Note: The product category's loss of portfolio was also added to the number of travel insurances, as parties usually conclude the contracts for a period less than one year. Categories belonging to the 'other products' category, with a share of at least 3 percent: accident insurance, cargo and transport insurance, health insurance, surety and guarantee, extended warranty, miscellaneous financial losses and legal expenses insurance.

Source: MNB.

Box 2.7
Insurance protection gap

At a global level, the issue of the insurance protection gap has come to the forefront primarily as a result of increasingly frequent and intense natural disasters. The adverse economic and social impacts of these events can be significantly amplified if the portion of the damages covered by insurance is minor.

EIOPA has recently assessed, with a focus on European countries, the extent of the insurance protection gap related to natural disasters, publishing a dashboard on the latest results in December 2025. According to the survey, the extent of the protection gap in Hungary is at an average level. In a combined examination of exposure to a given risk and the associated insurance coverage, the risk does not exceed moderate levels for any of the risk factors (the risk factors examined by EIOPA are wind, wildfire, earthquake and flood). Consequently, the European authority did not propose further measures for Hungary.

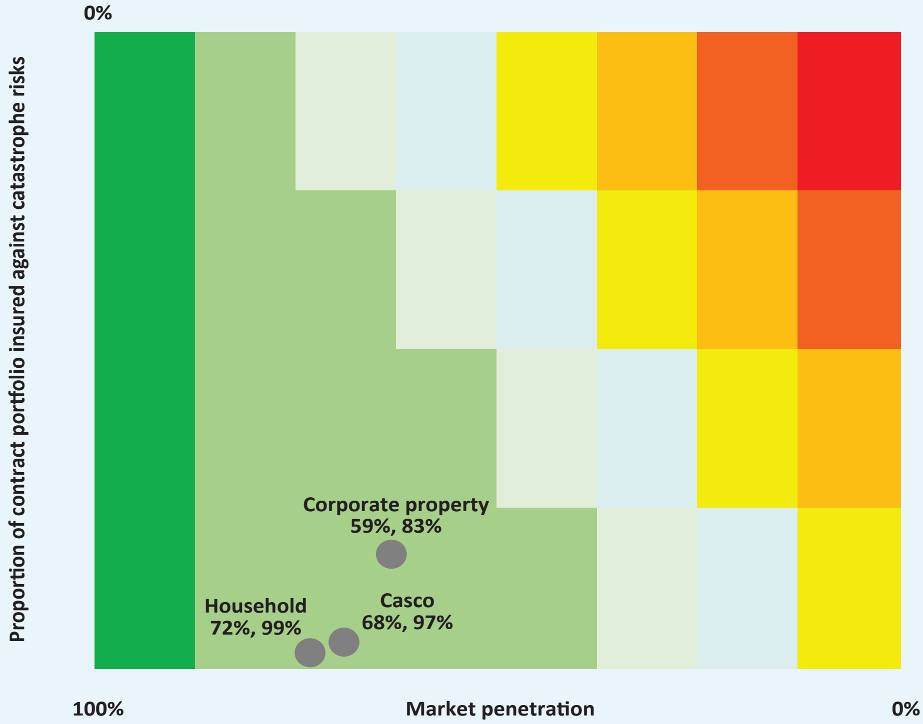
Nevertheless, an insurance protection gap is indeed present, and with growing exposure stemming from climate change, risk may increase in the long term. An insurance protection gap can arise not only in relation to natural disasters. In a broader sense, the gap also encompasses cases where there is a demand, but due to the magnitude of the risk, clients have no access to insurance or affordable insurance. Therefore, the MNB pays special attention to in-depth examination of this topic and the continuous monitoring of developments, and has launched a comprehensive project.

In many countries, the state has long taken a role and shared in disaster risks by establishing special funds or offering state-level guarantees (e.g. France, Spain, Romania). Additionally, there are recent examples of certain countries introducing legally mandated disaster insurance to manage risks, thereby increasing otherwise low insurance coverage among economic operators; such examples include Greek and Italian initiatives aimed at mandatory property insurance for disaster risks.

In order to establish an assessment of identifiable insurance protection gaps in Hungary that is as comprehensive as possible, the MNB conducted a qualitative questionnaire-based survey among domestic insurers. Out of 22 insurers contacted, 13 institutions had already engaged with the issue. Based on the responses, the primary factor that may increase the likelihood of protection gaps developing is the effects of climate change, such as increasingly frequent storms of extreme intensity, hailstorms and the emergence of new risks (flash floods, heatwaves). In the long term, this mounting risk could significantly increase the cost of insurance policies, or insurers may only be able to manage the risk through exclusions. To ensure sustainable operation, insurers continuously monitor such risks; at the present, they have not reported any relevant natural disaster risk that could not be covered.

As for the quantitative component of the MNB's comprehensive project in the topic, a set of monitoring indicators was established to further facilitate the identification of insurance protection gaps. The indicators applied primarily measure penetration and changes therein. Fundamental information is provided by supervisory data reporting and external data sources (HCSO, Eurostat, Ministry of Agriculture). Focus product groups are: household property insurance, casco, corporate property insurance and agricultural insurance. Penetration can be measured more precisely in the case of retail products: as regards household property insurance policies, 72.2 percent of permanently inhabited properties are fully covered (building and content), while in the case of motor casco insurance policies, insurance penetration of cars manufactured in the last 10 years is estimated at 68.2 percent (2024). Within any given product, and with regard to the coverage of individual natural disasters, 99 percent of household property insurances and 97 percent of retail casco policies provide coverage for the most frequently occurring natural risk events. When interpreting this data in conjunction with the high penetration ratios, there is no insurance protection gap apparent in typical retail product groups.

Chart 2.18
Insurance protection gap matrix of Hungary in 2025



Source: MNB.

Both the qualitative and quantitative data collection processes presented above were supported by the fact that, between May 2025 and March 2026, the MNB consulted with representatives from numerous domestic organisations – certain ministries and chambers, the directorate for disaster management, and the Central Statistical Office. The objective of the consultation was to understand any protection gaps identified by them, as well as to review data suitable for protection gap measurement.

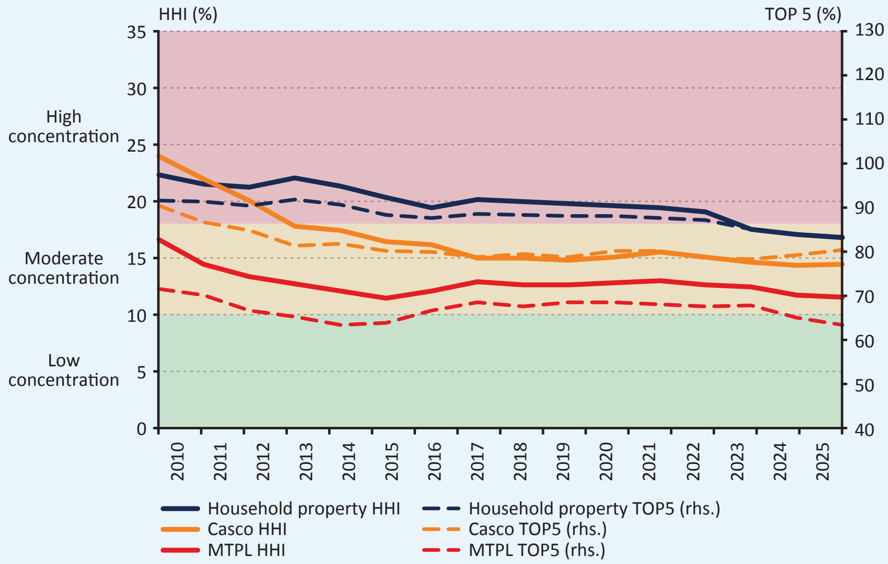
Based on initial experiences, no significant insurance protection gap on the Hungarian insurance market can currently be identified; at the same time, these institutional consultations highlighted that discussing the topic is useful and can play an important role in early risk identification and the appropriate management of emerging risks.

2.3.2 Brisk Competition in all Important Non-life Insurance Segments

Market concentration in the main non-life product groups continued to decline moderately, as seen in previous years (household property insurance, MTPL). As for casco-type insurances, a slight increase in market concentration was observed.

The largest sector-level decrease in concentration occurred in the household property insurance segment, where the sector-level HHI value decreased by 0.3 percent, while the TOP 5 value fell by 0.5 percent. In the case of household property insurance, one additional competition driver may be the MNB's announcement of the Certified Consumer-Friendly Home Insurance (CCFHI), the primary aim of which is to put the interests of the customer first by setting standardised minimum frameworks. The spread of the CCFHI criteria may lead to a more uniform product range, but also to a more comparable product offering, which may foster market competition and contribute to the reduction of market concentration. In the case of the MTPL product group, the sector-level HHI value declined by 0.2 percent, while the TOP 5 saw a decrease of 1.7 percent. In motor casco insurance, the sectoral HHI concentration rate grew by 0.1 percent, with a 1.2-percentage point increase in the TOP 5. These changes led to a moderate level of concentration in each insurance category. This market structure can ensure high profitability for market players, which can also encourage competition between insurers.

Chart 2.19
Share of the five largest insurers (TOP 5) and the Herfindahl-Hirschman index (HHI) of the entire sector based on non-life segment's gross written premium by major products



Note: The colour of the background illustrates the strength of concentration under HHI.

In case of household products, the figure shows the premium income of household property insurance (individual home, condominium, credit protection and other household property products) from the national data reporting between 2002 and 2023, while the data for 2024 and 2025 show closing premiums of individual home and credit protection products from the data reporting required by decree in the household property insurance campaign.

Source: MNB

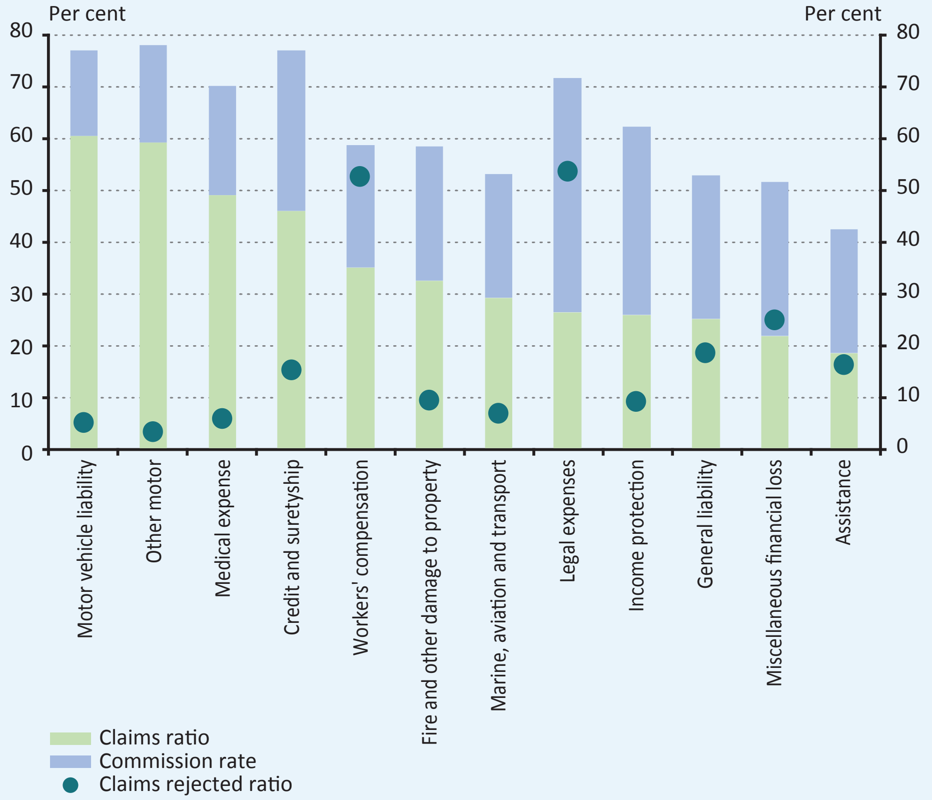
Box 2.8
Retail Risk Indicator

In 2015, in its market supervisory and coordinating role, EIOPA developed a 'methodology for retail risk indicators' (RRI) for non-life insurance products; these indicators are based on Solvency II data reporting.

Indicators particularly scrutinised at the EU level are: the loss ratio, the claim rejection ratio and the ratio of commissions by insurance segment. A low loss ratio and high claim rejection rate may indicate misaligned sales, inappropriate wording of contracts or inadequate product structure. Conversely, an excessively high ratio of commissions may primarily serve as an incentive for distributors, with less regard to client interests.

EIOPA published the methodology in the 'Value for Money' chapter of its consumer trends analysis.[12] According to the examination based on the 2024 data, income protection insurance, miscellaneous financial loss insurance and legal expenses insurance are the segments with the highest commission ratios and the lowest loss ratios. Although the majority of complaints received concern these insurance segments, motor and household property insurance are where EU consumers perceive the greatest value, and concerning which supervisory authorities have reported the fewest value-for-money concerns. This is because the high number of complaints is often attributable to the wide penetration and mandatory nature of these products. Fair coverage – that is when coverage is proportionate to the price paid – is the most important factor for EU consumers evaluating whether their non-life insurance offers good value for money.

Chart 2.20
RRI indicators for the Hungarian market (2024)



Source: MNB.

[12] Consumer Trends Report 2024 – European Insurance and Occupational Pensions Authority

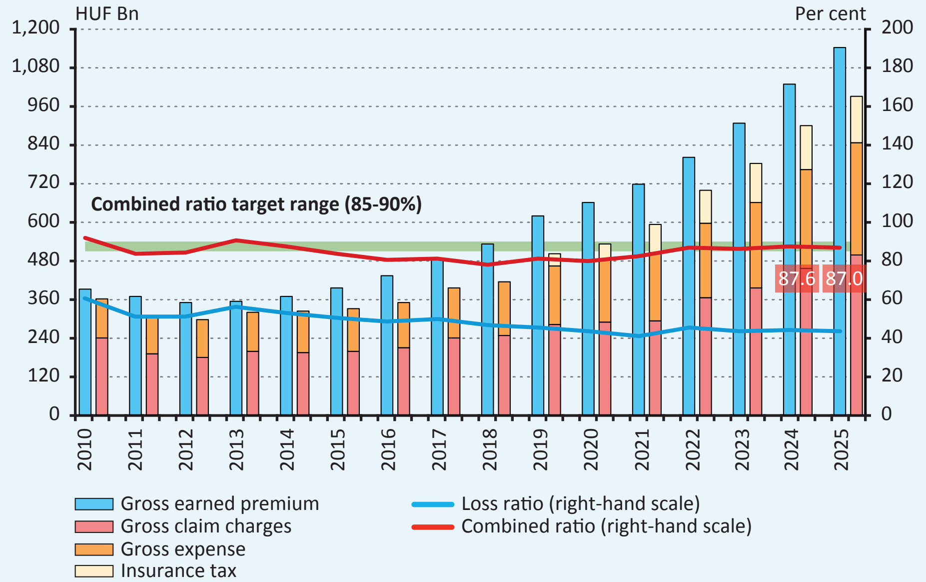
The metrics presented are comprehensible risk indicators that draw attention to sectoral trends and potential damages to consumers. At the same time, these values can also be influenced by market size and may hold different meanings in certain specialised segments. Only a single value is generated for each insurance segment; knowing the values by product group would provide a truly accurate picture. Management of the data underlying the indicators is not uniform across the market; moreover, indicators may be further distorted by specific product features and other market characteristics.

2.3.3 Non-life Combined Ratio is within the Target Range

The combined ratio for the non-life sector level fell from 87.6 percent in 2024 to 87.0 percent in 2025. The growth rate of costs (14.3 percent) is higher, while that of payouts is lower (8.7 percent) than the growth of premiums earned (10.9 percent). The loss ratio (43.7 percent) decreased by 0.8 percentage point compared to the previous year (44.5 percent). The insurance tax on MTPL products increased very moderately, which may be due to the tax ceiling and the time lag between the tax liability and the earning of premiums. The value of the combined ratio is in line with the target range of 85–90 percent in the FIS.

There was an increase in the number of claims paid during 2025, but the claim payment amount per claim event declined compared to the 2024 value, thereby reducing the growth rate of gross payouts. The increase in premiums fell short of the previous year's growth rate, albeit mildly. Concentration in the non-life market leaves insurers more room to set prudent premium rates for their products. In the absence of excessive competitive pressures, insurers have been able to avoid setting lower-than-necessary premiums for their products in response to rising payouts. So far, the effects of the household property insurance campaign have not significantly altered the prevailing trends in the market as a whole.

Chart 2.21
Development of the non-life combined ratio



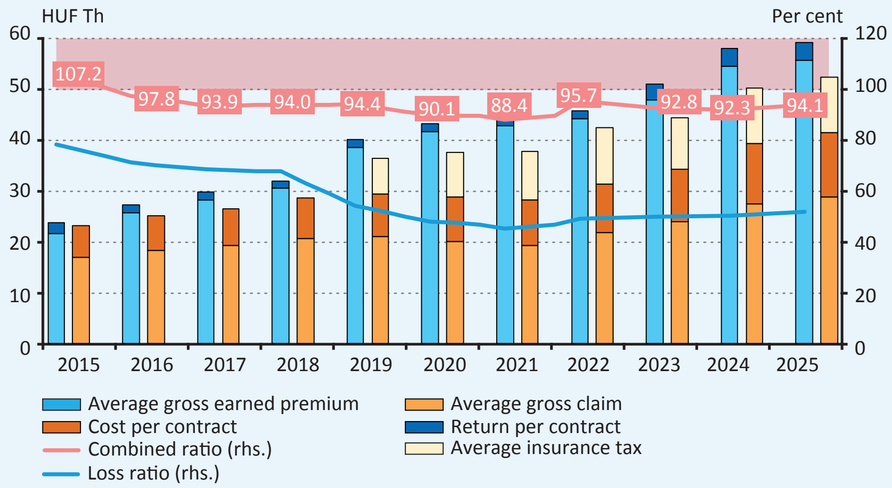
Note: The insurance tax is calculated from the expenditure data in the profit and loss accounts of insurers and estimated using the MTPL insurance tax values for 2018–21.

Source: MNB.

2.3.4 Stronger MTPL Competition, Mounting Risks

The rate of increase in gross payouts per contract amounted to 5.6 percent in 2025 compared to 2024, while growth rates were 2.3 percent for premiums and 5 percent for costs. As result of this, the combined ratio shows an increase compared to the previous year: it shifted from 92.3 percent in 2024 to 94.1 percent in 2025, meaning that the value exceeded 100 percent for several market participants. The loss ratio has been around 50 percent since 2022, with a minimal increase in 2025, leaving it at 51.9 percent. With MTPL products, the increase in claims again could only be reflected in the premiums with a delay as new premiums are calculated in view of past claims experience. Looking ahead, if the market manages to maintain a low claim frequency, the impact of claims inflation may be mitigated. Losses emerging at certain institutions due to rising combined ratios may be offset by investment results; however, this effect is expected to weaken, thereby increasing prudential risk for this product.

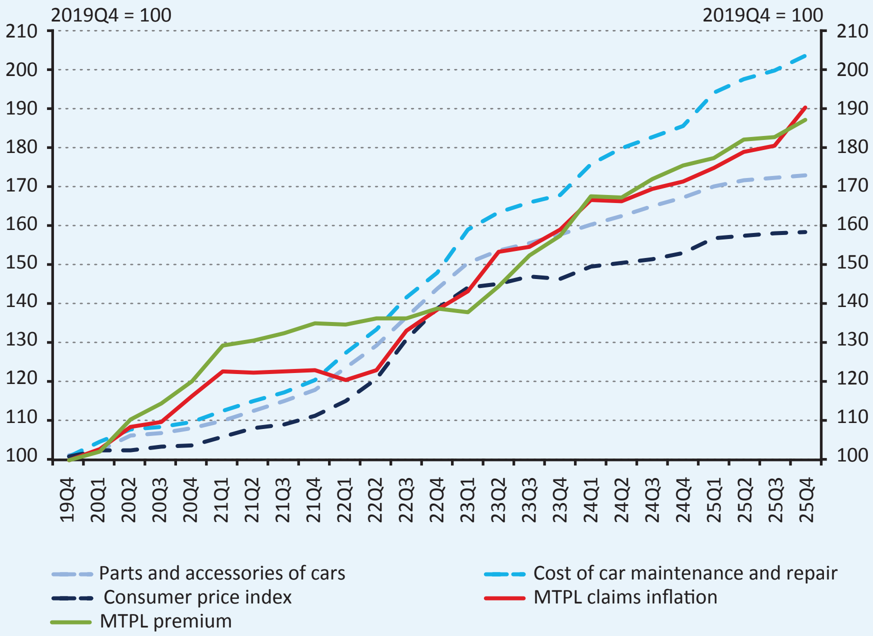
Chart 2.22
Development of the combined ratio of motor third-party liability insurance in Hungary



Note: The loss ratio values were adjusted for the change in outstanding loss reserves. The pink area in the chart denotes the band of the combined ratio exceeding 100 percent. The MTPL insurance tax is calculated from the expenditure data in the profit and loss accounts of insurers.
Source: MNB.

A significant portion of MTPL claims consists of vehicle damage ('tin damage'); therefore, when estimating the level of claims inflation, in terms of the HCSO's consumer price indices, primary consideration should be given to indices for repair costs after this type of damage, and for the prices of spare parts and accessories. In the 2020–2022 period, the MTPL market's premium income increased more than the volume of claim payments, resulting in a sustained divergence between the two indices. As a result of the increase in claims following the rise in inflation, the gap between premiums and claims closed in 2022 Q4, returning to close to the ratio seen at end-2019. Subsequently, it increased further and exceeded premium growth; however, the indicators then began to converge by 2024 Q1. In the period between Q1 2024 and 2025 Q3, MTPL premium income exceeded the rate of claims inflation; then, by 2025 Q4, the premium-claims gap closed once again. At the same time, MTPL market claims frequencies remained below the 2019 levels, which compensates for the claims inflation reflected in the premium needs.

Chart 2.23
MTPL claims inflation with consumer price changes

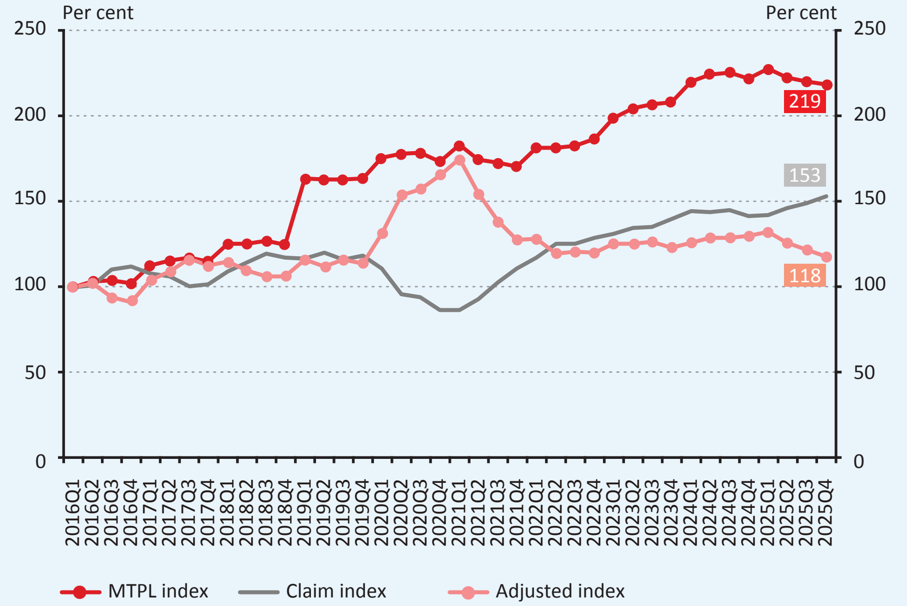


Note: For premiums and claims inflation, the change in the value of the moving average per claim is shown in the chart.
Source: HCSO, MNB.

The MTPL index, which is published regularly on the MNB website, is based on the Central MTPL Itemised Database (KKTA), which contains all domestic claims and policy data, and therefore provides a complete, up-to-date view of changes in average market premiums. The MTPL index is based on data pertaining to passenger cars for normal use: this segment concerns the broadest customer base. In this segment, the average annual premium in 2025 Q4 was HUF 56,000, representing a decrease of 1.7 percent compared to a year earlier and indicating an intensification in competition. Compared to previous years, the dynamics of the MTPL index evolved differently in 2025. The usual Q1 spike was followed by a continuous decline over the remaining three quarters of the year, instead of further minor growth or stagnation. Meanwhile, an 8.4-percent annual increase was seen in payouts; the closing of the gap between premium levels and payouts indicates an improvement in value for money. The adjusted index shows the average premiums adjusted for tax and payouts, thereby revealing changes in premiums not justifiable by these factors. The value of the adjusted index dropped to 118 percent.

Following the earlier consolidation, a significant increase in claims was seen in the recent period: there was an 8.5-percent rise in paid claims, while claims frequency remains nearly identical to the previous year at 2.4 percent, which may lead to premium increases in the coming quarters.

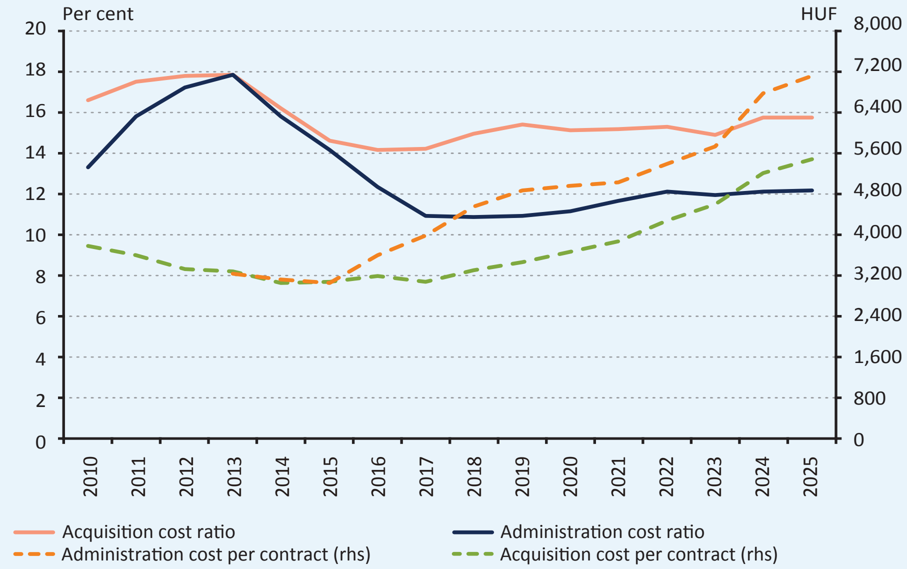
Chart 2.24
Passenger car MTPL index



Note: Adjusted index includes adjustments for tax effects and payouts.
Source: MNB.

The cost ratio of the business line (acquisition and administrative costs as a percentage of premiums) has been stagnating in recent years. The size of the expense ratio was in line with the ideal target of below 30 percent set in the FIS for non-life insurance and had been below the indicated level since 2015. In 2025, the ratio was 28 percent, of which 15.8 percent is for acquisition costs and 12.2 percent for administrative costs. The ratio was practically unchanged compared to the 2024 figure (27.9 percent). Compared to the favourable cost ratios in 2017, there was a slow rise, but the market essentially settled in at the 27–28 percent level. Costs per contract increased steadily relative to 2015, with the increase in acquisition costs far outweighing growth in administrative costs. The rise in administrative costs also follows the rate of increase in average gross wages, albeit at a slower pace. The administrative cost per contract was HUF 5,486 in 2025 and the acquisition cost was HUF 7,110. While the cost ratio is essentially stagnant, values per contract have been increasing steadily over the last eleven years.

Chart 2.25
Development of cost ratios of motor third-party liability insurance in Hungary



Source: MNB.

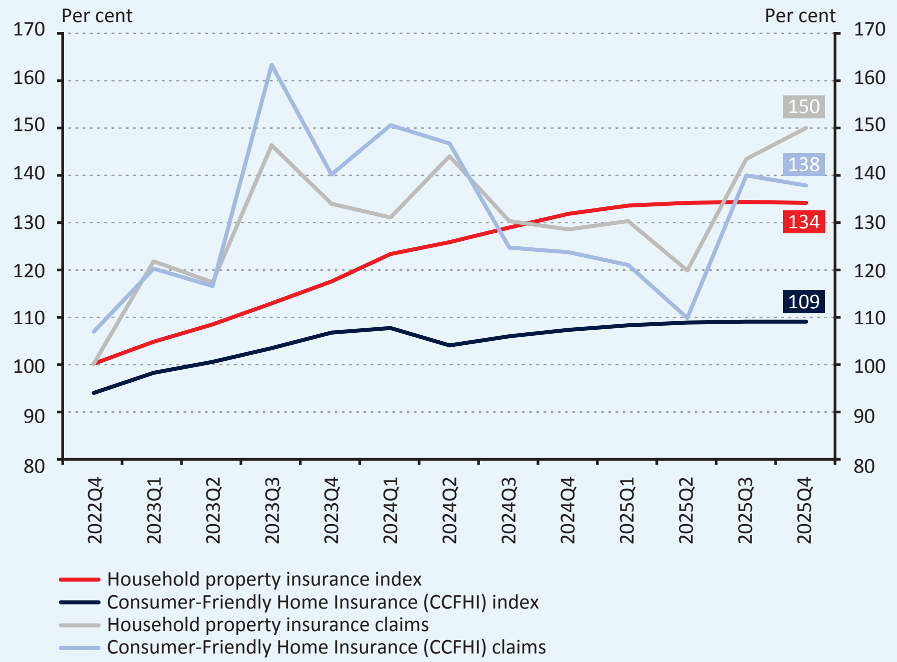
2.3.5 Further Improvements in Household Property Insurance Value for Money in 2025

The primary objective of the household property insurance campaign, conducted for the second time in 2025, was to enhance competition, focusing not solely on price, but on combined competition in service quality and premium levels, which in turn contributes to improving overall value for money in the market. The campaign period provides an outstanding opportunity for clients to choose products with higher benefit levels. During the household property insurance campaign, 62 percent of insurers' portfolios expanded, concentration for the TOP 4 insurers gradually decreased and their share of new offers received dropped further from 64 percent in 2024 to 58 percent in 2025 as competition intensified.

In May 2025, insurers undertook to ensure, on a voluntary basis, that the premium level of new household property insurance contracts concluded by the retail sector would not exceed the premium level as at 31 December 2024, assuming unchanged conditions; they will maintain this commitment until 30 June 2026. During the indexation of existing contracts, the sum insured may increase, but during the 1-year period calculated from anniversaries falling between 1 July 2025 and 30 June 2026, the insurance premium paid by clients may not increase. The impact of this is already visible in stagnating premiums: the average annual premium of HUF 64,400 observed in 2025 Q4 falls 0.1 percent short of the level observed in the third quarter of the same year.

Based on the data for the 2025 Q4 household property insurance index, clients received a more significant increase in coverage alongside weakly rising premiums on an annual basis; thus underinsurance may decrease even as value for money grows. Compared to other market offers, the average premium of concluded Certified Consumer-Friendly Home Insurances (CCFHI) is 19 percent more favourable, while payouts are 8 percent lower, providing a service level that is 13 percent higher.

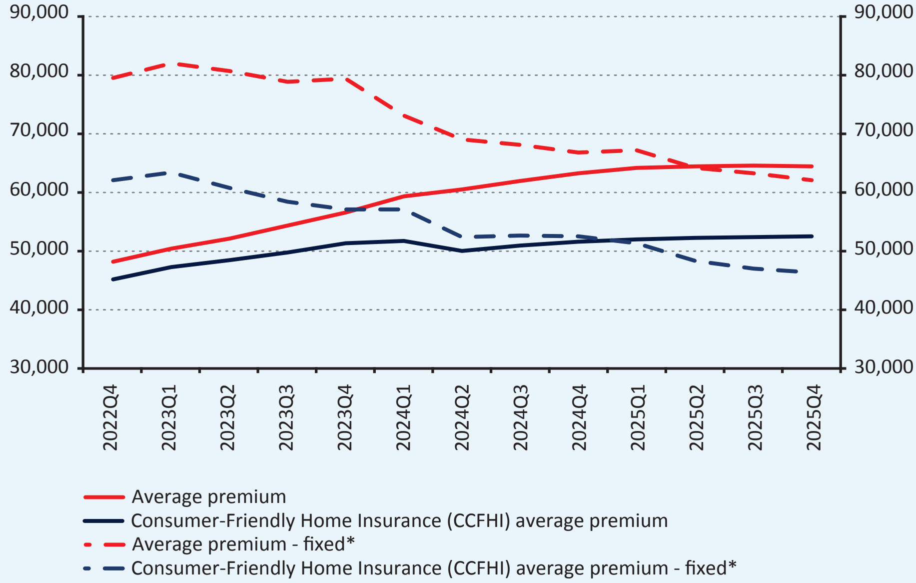
Chart 2.26
Changes in premiums and claims expenditure for full coverage household property insurance policies covering permanently occupied properties



Source: MNB.

For the sake of comparability, the MNB also examines how much the coverage of a given unit of insured amount – in this case HUF 70 million – costs on average. In practice, this demonstrates how the average annual premium of a household property insurance policy taken out for a property valued at HUF 70 million evolves over a time series. Although the premium decrease observed in 2025 falls short of the decrease seen between 2022 and 2024, the premium calculated for a fixed sum insured of HUF 70 million still shows a 7-percent decline over one year, providing further proof of the improvement in value for money.

Chart 2.27
Average premium for permanently occupied full-coverage household insurance policies with a fixed sum insured of HUF 70 million

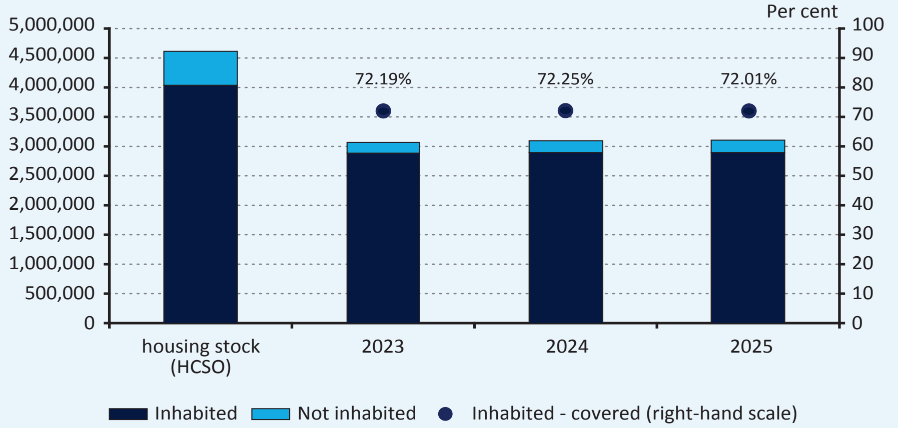


*Note: * Sum insured fixed at HUF 70 million.*

Source: MNB

According to the estimates, the household property insurance coverage of fully covered, permanently inhabited properties stands at 72 percent. This means that out of 4 million households, well over 1 million households do not insure their moveable property, their real property, or either of the two. Based on this, there is still room for more coverage.

Chart 2.28
Household property insurance policy number and coverage of inhabited properties compared to HCSO housing stock



Note: Source of housing stock is HCSO 2025 data provision, inhabited-uninhabited breakdown is estimated using the inhabited-uninhabited breakdown ratios according to the 2022 census.

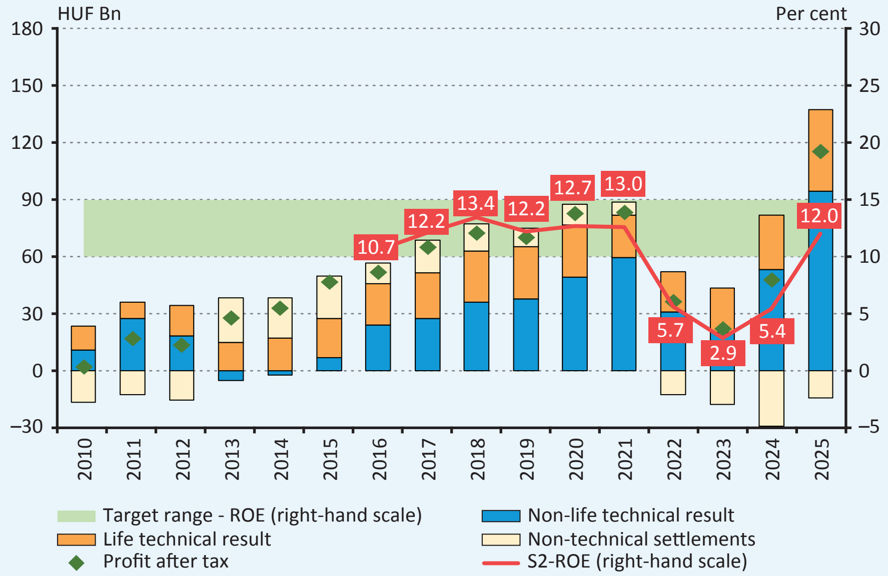
Source: MNB, HCSO.

2.4 PROFITABILITY AND CAPITAL POSITION

2.4.1 Consolidation of Profits

The profit after tax more than doubled in 2025 compared to the previous year, exceeding HUF 115 billion. With this amount, the sector achieved its highest historical profit after tax. The composition of the sector-level results did not change significantly compared to the previous year; thus, in 2025, 69 percent of the technical insurance result was attributable to the non-life segment and 31 percent to the life segment. The non-technical result was negative for the fourth consecutive year, but was more favourable compared to the preceding two years. Calculated on a Solvency II basis, which is relevant in terms of the economic capital at risk, ROE amounted to 12.0 percent.

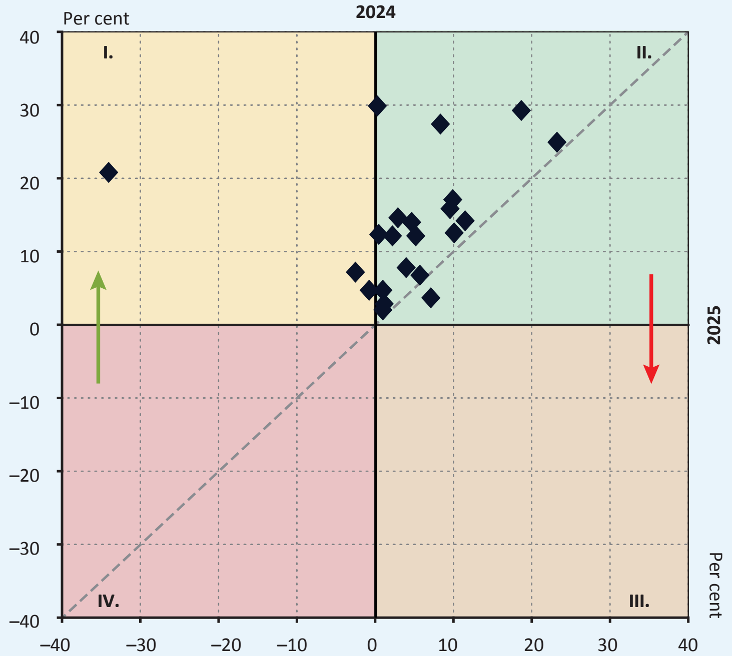
Chart 2.29
Profitability of the Hungarian insurance sector and its composition



Note: In the case of the S2-ROE indicator, the profit after tax was compared to the eligible own funds.
Source: MNB.

Institution-level S2-ROE values, which compare accounting profits after tax to available own funds under Solvency II, serve as adequate indicators of institutional performance. No market participant was loss-making in 2025, which is a significant improvement compared to three loss-making insurers in 2024. In line with this, the vast majority of institutions had higher profitability in 2025 than in the previous year, with only one institution showing a decrease in S2-ROE. The amendment of the insurance surtax rules had a favourable impact on almost all participants in the sector, as its weakening effect may have further strengthened corporate results that were already consolidating in previous years.

Chart 2.30
ROE value of Hungarian insurers (relative to S2 ‘equity’)



Source: MNB.

Box 2.9
Changes in the insurance surtax rates

The post-coronavirus period and the impact of the Russian–Ukrainian conflict since 2022 on the economic environment led to the introduction of windfall tax (pursuant to Government Decree 197/2022 (VI. 4.) on windfall tax); of these, the tax on insurance companies (hereinafter: 'insurance surtax') was incorporated into Act CII of 2012 on Insurance Tax in 2025. The insurance surtax levied is based on the gross premium written in the current period, based upon which the tax burden is determined using brackets, with progressive rates for the life and non-life segments. As a result of the adverse conditions, both the sector's capitalisation and profitability declined in 2022–2023. In 2024, the insurance industry was already showing signs of consolidation, as evidenced by improving profit indicators.

The insurance surtax for 2025 changed compared to previous years. The number of tax brackets was reduced from three to two, and the bracket thresholds and corresponding tax rates were also changed. Compared to previous years, however, insurance companies were able to reduce their tax liability. The tax relief that could be claimed was limited to a maximum of 30 percent of the increase in the face value of the insurance company's stock of government securities, which could be used to offset the amount of tax payable in the life segment and up to 40 percent of the tax payable in the non-life segment. Hungarian government bonds denominated in Hungarian forints and maturing after 1 January 2030, were classified as eligible government securities. Average daily holdings between 1 August 2024 and 31 October 2024 served as the base period value, against which the average daily holdings for the period from 1 January 2025 to 30 November 2025 were compared.

As a result of the above tax relief, the insurance surtax recognised in the insurance companies' income statements fell by nearly one-half in 2025, declining from HUF 102 billion in 2024 to HUF 55 billion. Consistent with this, the increase in the face value of Hungarian government bonds denominated in Hungarian forints and maturing after 2030 – which serve as the basis for surtax reduction – between the end of 2024 Q3 and the end of 2025 Q4 amounted to HUF 336 billion. This reflected a significant shift within insurance companies' direct investments in government bonds toward longer maturities; at the same time, both the amount and proportion of government bonds increased within the overall investment portfolio.

Insurance companies' insurance surtax obligations for 2026 currently remain unchanged with respect to tax rates and the upper limits for the life and non-life segments, while the periods specified by exact dates are being adjusted consistently: the reference period for the average daily holdings of eligible government securities was changed to 1 September 2025 to 30 November 2025, while the period during which the government bond holdings may be increased will run from 1 January 2026 to 30 November 2026. Similar to the changes described above, which take the time frame into account, tax relief may be claimed on holdings of HUF-denominated Hungarian government bonds maturing after 1 January 2031; the amount of this relief may reach up to 60 percent of the increase in the value of such holdings.

Table 2.5
Insurance surcharge (2025–2026)

	Life	Non-life
Tax rate below gross written premium HUF 48 bn	2%	3%
Tax rate above gross written premium HUF 48 bn	6%	14%
Maximum tax credit	100%	40%
Insurance surcharge accounted for 2025	HUF 55.2 bn	
Government security (face value) growth in 2025	30%	
Government security (face value) growth in 2026	60%	

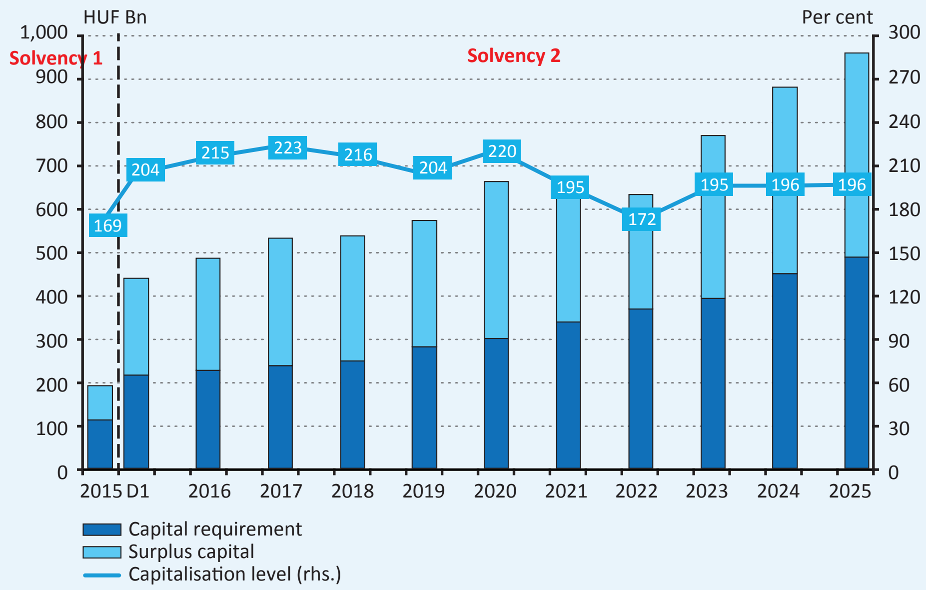
Source: MNB

2.4.2 Capital Level is Stable, at Nearly 200 Percent

The insurance sector's capital adequacy ratio stood at 196 percent at the end of 2025, which is in line with the level seen over the past three years; prior to that, the situation had been more volatile. This is nearly two times higher than the value specified by law. To a limited degree, the capital-reducing effect of the insurance surtax introduced in 2022 continued, without which the sector's capitalisation may presumably even have been higher.

The stagnation in capitalisation in 2025 was caused by an 8.7-percent increase in own funds requirement, accompanied by an 8.8-percent increase in own funds. The expected dividend payment (HUF 65 billion) more than tripled compared to the previous year, while the approved dividend was 18 percent lower than in the previous year. Excluding the planned dividend, the sector's capitalisation ratio would have amounted to 209 percent.

Figure 2.31
Capitalisation at the sector level

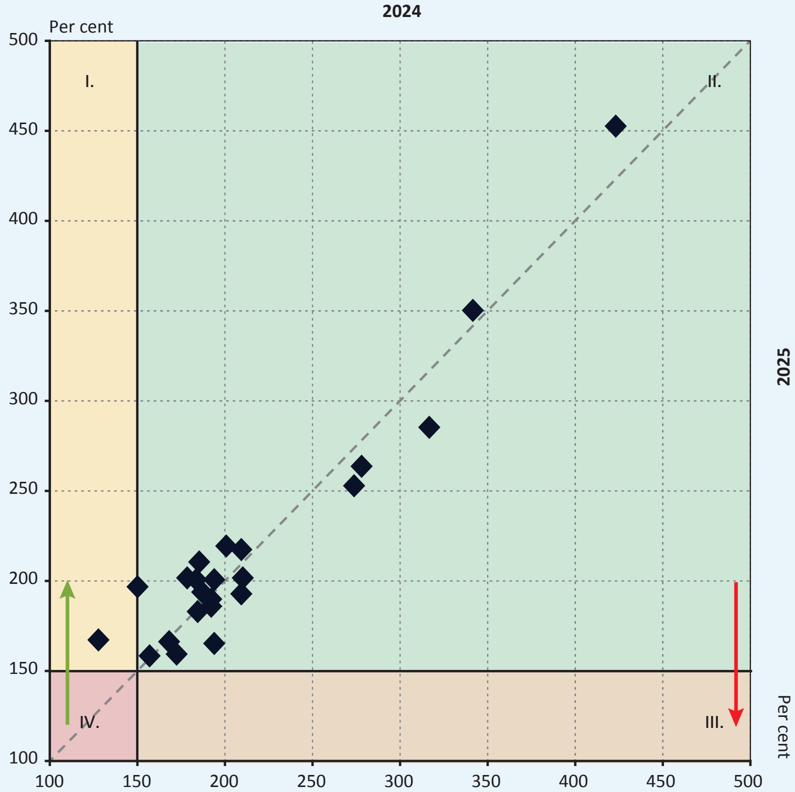


Source: MNB.

2.4.3 Insurer Capitalisation Stable at Individual Level as Well

The unweighted average capitalisation of insurance companies was 218 percent, with individual values distributed in a range of 68 percentage points around this. The latter figure is 1 percentage point lower than in the previous year. All institutions had capital ratios above 150 percent: Consequently, all participants of the sector met the capitalisation level (150 percent) from the MNB's volatility capital buffer recommendation and thus every institution met the statutorily required 100 percent. Out of the 23 insurance companies, 12 – i.e. more than one-half of them – raised their capital adequacy ratios.

Figure 2.32
Individual capitalisation rates of insurers



Source: MNB.

Box 2.10
Digital operational resilience (Digital Operational Resilience Act (DORA))

Compliance with DORA (the Digital Operational Resilience Act) was one of the top priorities and challenges for insurance companies in 2025.

Regulation (EU) 2022/2554 on digital operational resilience for the financial sector and amending Regulations (EC) 1060/2009, (EU) 648/2012, (EU) 600/2014, (EU) 909/2014 and (EU) 2016/1011, and its twelve second-level detailed rules took effect on 17 January 2025.

The DORA Regulation sets forth detailed requirements regarding the management of ICT risks, incident management and reporting, the management of third-party ICT service providers and the establishment of an oversight system, as well as the framework for threat-led penetration testing (TLPT).

Implementation of the regulation was complicated by the fact that some of the second-level rules were not officially adopted and published in the Official Journal of the EU until the summer of 2025.

After the regulation's application deadline, insurance companies were also required to begin complying with the data reporting requirements under the DORA Regulation, which included, for example, the so-called 'initial data load' of all contracts supporting critical or important functions.

Based on the experience gained during inspections and ongoing supervision throughout 2025, the compliance of ICT service provider contracts with the DORA Regulation is the area in which the supervised institutions (both insurance companies and other institutions) are lagging behind the most, as the review of numerous contracts is still ongoing, and further amendments are required based on feedback from the MNB.

Incidents reported by insurance companies accounted for only 13 percent of all significant incidents reported to the MNB. Based on the data and the findings of the inspections, insurance companies are still in the process of establishing their incident management, classification and reporting procedures, which require further refinement. Based on the incident reports received, insurance companies primarily experience incidents related to operations or management, as well as incidents related to the service provider chain, in which an incident at one of their service providers causes downtime or service outages for them.

2.5 INSURANCE MARKET RISKS

2.5.1 Stable Operations, Despite Risks

Table 2.6
Risks in the insurance market

Risk category	Risk groups	Risk rating	Risk outlook	Evaluation
Business model	Environment Strategy, business plans Profitability	🟠	⬈	Geopolitical uncertainty continues, tensions remained persistent, war in Iran Inflation fell at the end of 2025 and January 2026, but pressure may rise during the year Slow GDP growth Due to tax relief, insurance surtax in 2025 fell from HUF 102 bn (in 2024) to HUF 55 bn Profit consolidation: net income of HUF 115 bn, despite the voluntary fee freeze and storm damage, no loss-making institutions *Prospects are uncertain*
Corporate governance	Exercise of owner's rights Internal governance Risk assessment system and ORSA Internal control	🟡	➡	Stability in operations and transparent corporate structures Standardised risk management frameworks and processes Well-regulated, properly operated internal control systems are in place at most institutions *Appropriate leadership and stability*
Financial and operational risk	Insurance risk Market risk Credit risk Operational risk Other relevant risks	🟡	⬈	GWP up 28% versus 2024, due to growth in single and top-up premiums Insurance risk is elevated, due to the rise in the MTPL combined ratio (94%), voluntary fee freeze at household insurance market Storm claim payments are not outstanding, a significant industrial property claim occurred in 2025, but was reinsured *Increase in non-life claims; rebound in the life single premium market; risk increase expected, due to high non-life combined ratios*
Capital and reserve risk	Capital Reserves	🟡	➡	Solvency ratio close to 200%, all institutions above 150% even including the planned dividends Gross non-life technical provisions skyrocketed (+60%) due to a single claim, net technical provisions increased by 8% *Stagnation of risk is expected at a moderate level*
Market entry risk	Products Customers	🟡	➡	Due to the first phase of Ethical Insurance 2.0, the customer value for UL life insurance products increased significantly, held-to-maturity products already have real return potential Improving price-value ratio is evident for both household and MTPL products In some cases, there are prolonged claims settlements and shortcomings in complaint handling Guideline for general claim settlement to be elaborated Active supervisory focus on depreciation, considering launching investigations *Significant decrease in consumer risk is expected, due to comprehensive implementation of Ethical 2.0 from 1 January 2026; credit protection insurance guidelines were also issued*

Legend:

Degree of risks	*high* 🔴	*significant* 🟠	*moderate* 🟡	*low* 🟢
Direction of risks	*increasing* ⬈	*stagnant* ➡	*decreasing* ⬊	

Source: MNB.

In the FIS, the MNB defined a sector-wide return on equity (RoE) consistently in the range of 10 to 15 percent as a fair and competitive level of profitability. On a Solvency II basis, which is of much more relevance in terms of the economic capital at risk, RoE amounted to 12 percent in 2025.

Operational stability at the sector level and transparent corporate structures are characteristic of the sector, and owner's control that supports safe operations can be identified. Most institutions have well-regulated, properly managed internal control systems in place, along with adequate management quality and stability. In addition, changes in ownership, management, key functions and personnel are a major focus of oversight when it comes to governance risks. With regard to institutional risk management systems, insurance companies have established risk management frameworks and processes, and did not identify any other significant risks in their own risk and own funds adequacy assessment reports. As regards the risks of the internal control systems, supervisory inspections found individual risks and shortcomings.

The surrender rate for life insurance products increased moderately last year, while single-premium products have returned to the market, with positive cash flows in both the regular and the single-premium segments. The insurance risk is increased by the fact that the MTPL combined ratio rose to 94.1 percent, diverging from the target range of 85–90 percent in the FIS publication. The second household property insurance campaign was concluded, and insurance companies voluntarily imposed a premium cap on the product. Life insurance reserves expanded by 10 percent, while non-life insurance net reserves grew by 8 percent in a year-on-year comparison.

We expect the risk associated with market entry to decrease, thanks to the measures taken by the MNB in 2024–2025. The Ethical Insurance 2.0 package was released at the end of 2024 and introduces the fourth generation of life insurance products to the insurance market; the MNB expects full compliance starting from 1 January 2026. As a result of the first phase of the introduction, the Value for Money of UL insurance policies improved significantly, meaning that products held to maturity now offer real return potential.

With regard to credit protection insurance (CPI) products, we expect value for money to improve as a result of MNB Recommendation 14/2025 (XII.9.) on the application of product oversight and governance measures for insurers and insurance distributors, published on 11 December 2025. Under the two-phase implementation plan, new credit protection insurance products may be introduced only in accordance with the recommendation starting from 1 January 2026, while financial institutions will be required to ensure that products already on the market and currently being sold comply with the recommendation starting from 1 January 2027.

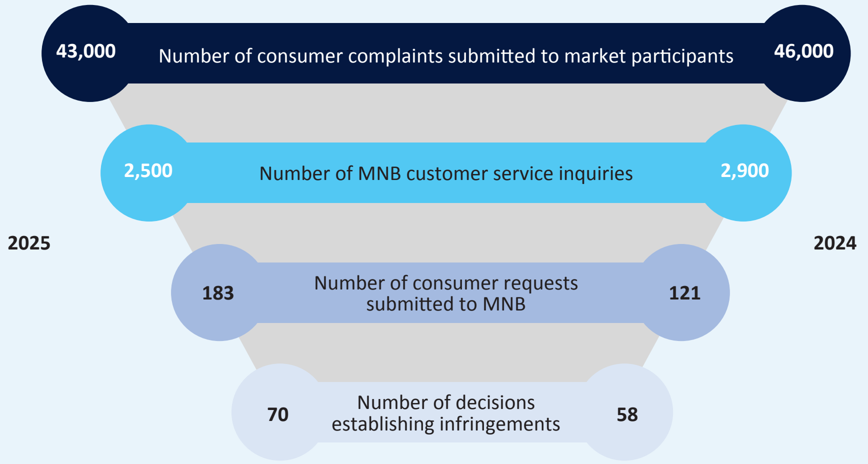
2.6 CONSUMER PROTECTION IN THE INSURANCE SECTOR

2.6.1 Complaints and Requests Related to Insurance

In the insurance sector, the number of complaints fell by nearly 7 percent last year, meaning that insurance companies received approximately 3,000 fewer complaints. As the number of complaints declined, the number of inquiries received by the MNB's customer service department also fell. However, the number of consumer complaints filed with the MNB that initiated inspections increased by one and a half times. This rise is not attributed to a single, specific problem; rather, it is evident across nearly every topic, which points to an improvement in consumer awareness.

In proceedings initiated upon request, consumers typically challenge the proper completion of insurers' complaint-handling procedures, closely followed by complaints related to customer information, such as deficiencies or errors in the content of client account statements and notification letters. Consumers have approached the MNB on several occasions to lodge complaints regarding unfair commercial practices and issues related to claim settlements. In general, there has been an increase in the number of consumer inquiries in which consumers turn to the MNB regarding specific contractual disputes, in which the MNB – due to the lack of authority to do so – cannot issue a substantive decision. Such complaints may include disputes over the amount of paid claim, issues of liability or complaints related to the termination of the contract, as well as the formulation of any claims for additional damages.

Figure 2.33
Insurance complaints and requests



Source: MNB.

During the year under review, the MNB received fewer than ten consumer complaints regarding the activities, conduct or omissions of insurance intermediaries; this number – as in previous years – continues to be considered low. In their complaints, consumers typically raised objections related to unfair commercial practices (deceptive or misleading information provided prior to the conclusion of a contract), but there were also complaints regarding the online assessment of demands and needs.

Stabilisation of Complaints Related to Life Insurance Products

Unit-linked life insurance products remain popular in the life insurance sector. However, given their complexity, it is crucial from the perspective of consumer protection to provide comprehensive, thorough information, both before and throughout the process of concluding the insurance contract. Insurance companies are still required by law and EU regulations to provide – in a way that is easy to understand, taking into account the customer's financial knowledge – the costs, the risks associated with the asset funds, the terms of surrender and the fact that in the case of unit-linked life insurance products, customers bear the investment risks. The outcomes of the stricter disclosure requirements have become apparent in recent times, as the rate of complaints regarding disclosure in connection with concluding contracts has gradually decreased or remained stable.

In the life insurance sector, the introduction of the surtax[13] slowed new sales of traditional single-premium life insurance products. In 2025, insurance companies were given the opportunity to reduce their surtax by purchasing government securities, which marked a turning point in the sales of traditional single-premium insurance products, and the number of contracts began to rise. While complaint rates for unit-linked products remained flat despite an increase in the number of contracts, complaint rates for traditional life insurance and pension insurance products rose moderately.

Administrative deficiencies continue to account for the majority of complaints related to life insurance products, and their proportion has continued to rise in the institutions' register of complaints. This category includes complaints concerning the insurance company's general operations and administration, policy managements, IT system issues, instances of inadequate customer service, delays in managing cases and deficiencies in complaint handling procedures.

The second most common source of complaints is claims management and the settlement of claims, which accounts for one-third of life insurance product complaints. A slight increase was observed in this area as well. Customers primarily complain about the rejection of their claims, the amount of money paid out and the protracted decision-making process.

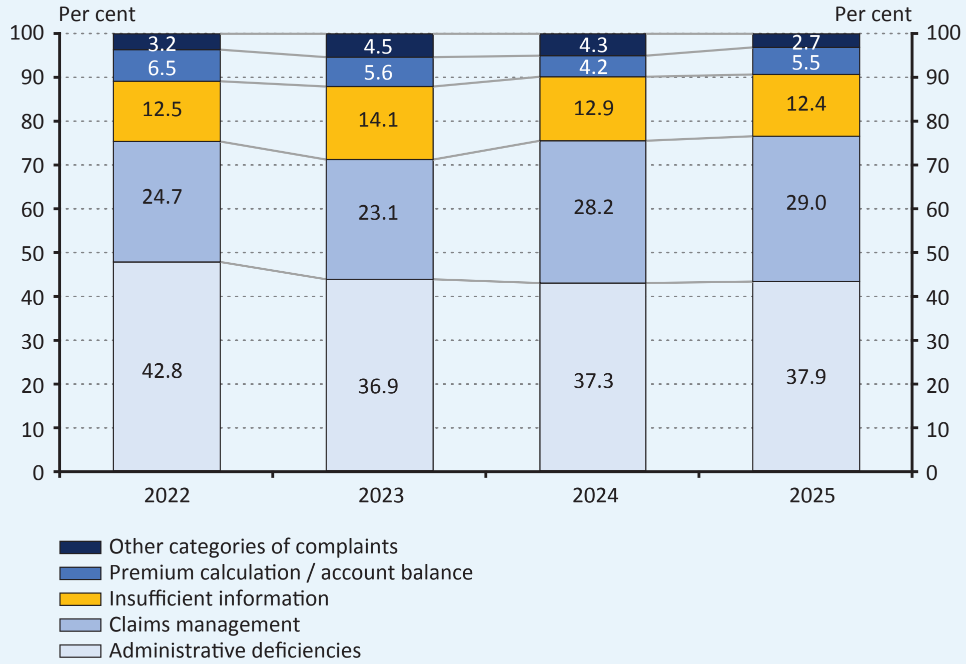
[13] https://www.mnb.hu/letoltes/mnb-report-on-insurance-funds-2025.pdf and Box 2.9 of the Report.

In the category of information provision deficiencies, a moderate decrease of 0.5 percentage point was recorded. Although the pace of improvement is positive, presenting life insurance products in a way that is easy to understand continues to be a challenge.

The premium calculation and account balance category includes complaints regarding incorrectly calculated premiums and discrepancies in insurance account statements, which remain at a low level.

A moderate decrease was also observed in the category of other complaints: this includes, for example, reports of data breaches or financial misconduct.

Figure 2.34
Distribution of life insurance complaints submitted to insurance undertakings categorised by type, over the last 4 years



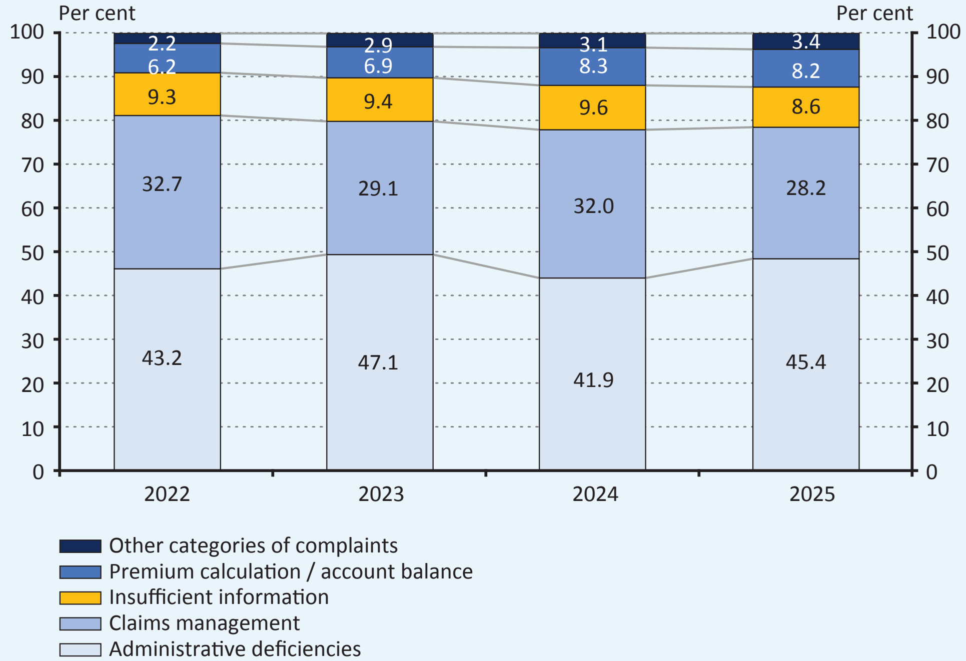
Source: MNB.

Improving Indicators for Complaints in the Non-life Insurance sector

In the case of non-life insurance products, the number and proportion of complaints declined, following an upward trend in previous years. In the case of household property insurance, the number of complaints fell, while the number of contracts increased moderately. For MTPL products, the number of policies rose by more than 3 percent; despite this, fewer complaints were received, resulting in a decrease in the complaint rate. A similarly positive trend was observed for travel insurance, where the number of contracts increased, while complaints regarding this product category rose only moderately. In the motor casco insurance segment, the number of complaints remained flat, despite a 1.5-percent increase in the policy portfolio.

In the field of non-life insurance products, when it comes to the subject matter of complaints, issues related to claims management continue to account for the vast majority of complaints, with consumers primarily taking issue with the amount of the claim or delays in payment. With regard to administrative deficiencies, there was a slight decrease compared to the previous year. These are followed by complaints related to premium calculations and account balances, as well as other complaint categories, which account for one-fifth of all complaints.

Figure 2.35
Distribution of non-life insurance complaints submitted to insurance undertakings categorised by type, over the last 4 years



Source: MNB.

2.6.2 Consumer protection risks in the insurance sector

Evaluation of the Sales Process of Insurance-based Investment Life Insurance Products

In the course of its reviews of the sale of insurance-based investment products, the MNB identified several issues in the practices of market participants in 2025. From the perspective of consumer protection, the process of assessing customers' demands and needs is a critical element in the sale of insurance-based investment products; therefore, it should be free of contradictions, as should the documentation of that process. Any discrepancies that may arise during the sales process should be clarified by specifying the customer's needs.

In cases where a contract entered into for savings purposes also includes an element of risk, the distributor has a special responsibility to explain, before the contract is concluded, the connection between the investment and the risk insurance – i.e. the fact that the premium related to the insured risk may reduce the amount of savings – in sufficient detail and in a manner appropriate to the customer's level of understanding. The insurance undertaking should clearly and unambiguously specify in the contract terms and conditions the limit that the supplemental insurance risk may not exceed over the entire term of the contract. If the terms for terminating the main service and the ancillary service of the contract differ, it helps the customer understand the situation if the distributor specifically draws the customer's attention to this fact while explaining the legal consequences. It is advisable, even before preparing the offer – perhaps as part of the appropriateness assessment – to illustrate to the customer how the premiums for the selected supplemental insurance risk may affect their savings goals, for example by presenting the information in the product information documents, both with and without the supplemental insurance risk.

If the premium for the supplemental insurance risk or the sum insured changes in light of the content of the offer, then, when the policy is sent to the client, in accordance with the MNB's consumer protection recommendation[14] a transparent statement is expected be provided upon delivery of the policy, allowing the consumer to identify and compare the details in which the contract differs from the offer; only in this way can the consumer make an informed decision regarding the amended terms of the contract.

[14] General Consumer Protection Information | MNB.hu

Requirements Regarding Quality Assurance Calls

At the end of 2024, the MNB issued the Ethical Insurance 2.0 package, which was designed to promote long-term, sustainable growth based on consumer confidence. As part of the package, MNB Recommendation 10/2024 (IX.24.) on the detailed rules of quality assurance calls applicable during the sale of insurance-based investment products (hereinafter: 'Welcome call recommendation') entered into force on 1 January 2025. The purpose of creating the Welcome call recommendation was to establish requirements and best practices to help facilitate the creation of long-term maturity, ethical insurance products with savings elements tailored to customers' actual needs, thereby helping to build a stable portfolio. The instrument created by these supervisory regulations can be used to identify, among other things, sales anomalies such as remuneration-based mis-selling and policy switching that is detrimental to the customer, Furthermore, identified conflicts of interest can be addressed, and customer trust in insurance products with savings elements can be enhanced through communication with customers.

In 2025, the MNB conducted an ex officio review to assess the compliance with the Welcome call recommendation, in the course of which it found that its implementation had been generally successful and that insurance intermediaries had typically taken advantage of the opportunities provided by the regulation and entered into agreements with insurers to facilitate the calls. However, several deficiencies were identified during the review.

- During incoming quality assurance calls, the customer service representatives did not address all of the topics specified in the Welcome call recommendation and thus did not fully ascertain whether the customer was aware of the main features of their contract. Failure to do so makes it impossible to demonstrate that the offer accurately reflects the customer's intent to transact; in other words, the quality assurance call is not suitable for achieving its primary purpose.

- Another problem revealed was that the exit quality assurance calls did not comprehensively cover all relevant topics either; consequently, it was not determined whether the customer, equipped with accurate information and free from any influence by the insurance distributor contrary to their intentions, had initiated the surrender of their contract, waiver of premium, or suspension of premium payments, and thus it was impossible to confirm whether the customer was aware of all costs arising from the changes and other consequences that would be disadvantageous to them.

- The MNB also identified a case in which the records of quality assurance calls contained inaccuracies and deficiencies that made them unsuitable for their intended purpose; i.e. it was not possible to determine whether the calls had taken place or when they had occurred.

Based on its findings from the inspections, the MNB continues to emphasise that, in accordance with the purpose of the regulation, quality assurance calls should be conducted in such a way that the customer's responses during the conversation – which may be prompted by questions if necessary – are presented independently, so that it can be clearly ascertained that the customer understands the essence of the contract entered into, is aware of its details, and that it meets the customer's objectives and needs.

Total Cost Ratio (TCR)

In 2015, the MNB issued a decree governing the method for calculating the TCR. Insurance companies calculated the TCR based on fixed parameters (for example, assuming a 35-year-old policyholder and a monthly premium of HUF 25,000 for a given term (10, 15 or 20 years)). The TCR has made it possible for customers to receive transparent information, prior to signing a contract, about the cost of the savings-type life and pension insurance products they intend to purchase. Initial costs related to the conclusion of the contract, fees arising from asset management and charges applied for operating expenses are very common in the case of these contracts. Due to the standardised calculation method, it is easier to compare the cost levels of different products.

In 2024, the MNB further refined its earlier regulations concerning TCR. The Ethical 2.0 regulatory package, issued in December 2024, gave insurers additional preparation time in 2025 for providing customer information related to the TCR. The MNB has declared that, effective from 1 January 2026, in addition to the 'model TCR' calculated on the basis of fixed parameters used previously, insurance undertakings must calculate a tailored TCR value using the clients' parameters; this has been defined as the ‘custom TCR’. This information must be verifiably provided to the customer before the contract is signed.

The highest level of the TCR required by the MNB for regular-premium unit-linked life and pension insurance products with a minimum duration of 10 years:

MATURITY PERIOD (YEAR)	TCR MAXIMUM (%)
10	4.25
15	3.95
20	3.5

The MNB Recommendation provides a buffer of[15] 1.5 percentage points for deviations from these values in the following cases:
- the asset fund linked to the insurance policy is considered complex based on its asset composition or specific characteristics, and it offers a higher-than-average yield potential; or
- it includes a capital guarantee, or both capital and yield guarantees; or
- it is justified by the insurance risk inherent in the product.

Any deviation and the underlying reasons must be quantified and justified. Pursuant to the Ethical 2.0, effective from 1 January 2026, the MNB expects that an insurance company apply a TCR deviation justified by the complexity of the asset fund and its higher-than-average yield potential only if it can substantiate the expected return and higher yield potential of the asset funds through product testing and regular review, in line with the POG Recommendation.

The TCR values of the unit-linked contracts covered by the Recommendation are regularly monitored by the MNB. In addition, the accuracy of the insurers’ TCR calculations is verified by external experts (auditors) every year. In 2025, one insurance company deviated from the limit thresholds defined in the Recommendation and required by the supervisors. The MNB issued a management letter urging the insurance company to meet the TCR limit requirements. In response, the insurance company reduced its asset management costs by changing its underlying asset allocation.

Insurance companies review the TCR values on an annual basis and update them by 1 July of the given year. They are required to submit the updated values to the MNB within 15 days following completion of the calculations. If changes in the costs associated with products or investments result in a mid-year modification of TCR values, insurance companies must recalculate the TCR values on an extraordinary basis. The TCR values are published by insurance companies on their own websites and are also available on the websites of the MNB and the Association of Hungarian Insurance Companies.

The TCR comparison application on the MNB’s website (https://tkm.mnb.hu) allows consumers to compare the costs of different life and pension insurance products, supporting them in making better-informed decisions and choosing the savings product that matches their needs. The increased comparability of products can also strengthen market competition.

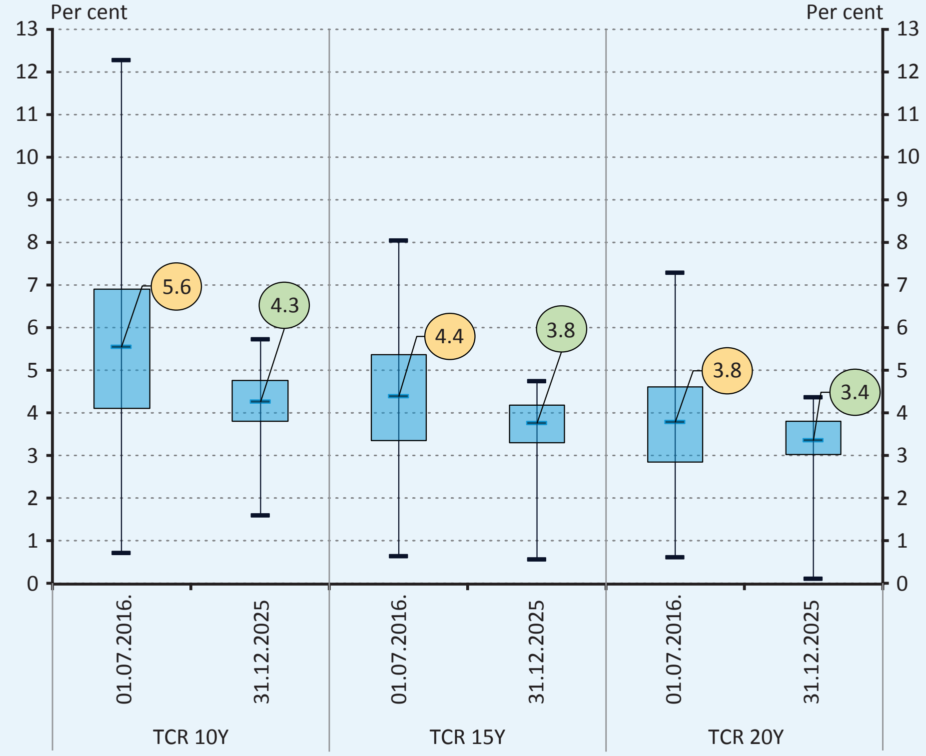
Insurance companies are responsible for uploading and updating the data in the TCR comparison application.

For regular-premium unit-linked products with a fixed insurance term, the TCR values ranged from 0.1 percent to 5.74 percent in 2025, with a median value of 3.8 percent. As shown in Figure 2.36, compared to the values at the time of the Recommendation’s publication in the summer of 2016, the TCR values of regular-premium unit-linked products with a fixed insurance term decreased significantly between 2016 and 2025 as a result of the MNB’s ethical concept.

In the case of single-premium insurance contracts, the MNB has established a uniform TCR limit of 3.5 percent, and no deviation is allowed. For single-premium unit-linked products with a fixed insurance term, the TCR values ranged from 0.54 percent to 3.5 percent in 2025.

[15] MNB Recommendation 8/2016 (VI.30.) on the application of prudential and consumer protection principles related to unit-linked life insurance products, and MNB Recommendation 1/2017 (I.12.) on pension insurance (Recommendation).

Figure 2.36
Development of regular-premium, UL-type term life insurance TCR values



Note: The central lines of the box chart, together with the associated values, indicate the median of the TCR values. The lines drawn across the bottom and top of the boxes indicate the minimum and maximum TCR values. The boxes show the two middle quartiles within the TCR values; in other words, 50 percent of the TCR values fall between the bottom and top of the boxes.

Source: MNB.

Experiences with the Mandatory Claims Settlement Information

The MNB established in its strategy the objective of ensuring a high level of consumer protection as well. The adequacy and timely settlement of claims are also supported by the disclosure obligations set forth in Section 123/A(3) of the Insurance Act, which entered into force on 26 June 2021. As in previous years, the MNB verified the compliance of the submission of the claims settlement proposal in 2025. Based on the inspections, it appears that, in addition to claims settlement proposals submitted after the deadline, inadequate information remains a recurring problem.

It is still common for insurance undertakings in the non-life insurance sector to fail to notify consumers regarding the assessment of their claim within 15 days of receiving the indispensable documents necessary to assess a claim, or, at the latest, within 30 days of the claim's submission.[16]

In the course of its inspections, the MNB identified the following as infringing or poor practices on the part of an insurer:

- failure to communicate its position on the claim within the time limit specified by law;
- the requirement for providing information as outlined in Section 123/A(3) of the Insurance Act is deemed to have been fulfilled by sending a request to the client to submit the missing documents;
- failure to provide sufficiently detailed information, since it is not sufficient for the information to include only the total amount of the compensation;

[16] A three-month objective deadline applies to compulsory motor third party liability insurance contracts.

- failure to provide information on the assessed claim, divided into particular legal titles;
- failure to send the notice containing the decision on the claim, in the case of a subsequently submitted new claim,
- when rejecting the claim in whole or in part, failure to specify the reasons for the rejection, supported by facts and assertions, as well as their consequences and causal relationships;
- providing the information as part of the response to a complaint.

The law does not require insurers to include information on legal remedies as part of the information provided regarding the assessment of a claim; however, the MNB considers it good practice to draw attention to this possibility, for example, by including a link to the relevant information.

Box 2.11
Positive developments begin following the MNB's circular on term discount

In 2024, the supervisory authority issued a management circular to market participants presenting guidelines for term discounts offered in conjunction with household property insurance products, with the aim of eliminating undesirable practices. With this move, the MNB has made it possible for consumers to enter into contracts with term discounts on consumer-friendly terms as early as the 2025 household property insurance campaign, and to ensure that consumers with existing contracts are not disadvantaged in the March campaign. The supervisory authority had already outlined its position, set forth in the circular, in the Report on Insurance, Funds, Capital Market Risks, and Consumer Protection published in 2025, stating that a term discount for a maximum of three years is considered the best practice, and the continuation of such household property insurance contracts without further conditions after the expiration of the term discount period should be supported. The MNB also indicated that it is not acceptable practice for an insurer to automatically – possibly without the repeated consent of its customers – renew its right to reclaim the discount for a certain additional period should its customers terminate their contracts.

Prior to the launch of the 2025 household property insurance campaign, the MNB assessed the extent to which the best practices outlined in the circular had been implemented by individual insurance companies. Of the 14 insurers offering household property insurance, five did not offer term discounts at all, while three had already completely phased them out of their individual household property insurance products prior to the 2025 household property insurance campaign. The six market participants that continued to offer term discounts did not apply the automatic renewal practice during the March campaign period; furthermore, four of these participants stated that, in accordance with the MNB's requirements, they would maintain the more favourable rate even after the discount period expired.

Based on the positive developments that have emerged as a result of the circular, the supervisory authority considers the integration of consumer-friendly principles regarding term discounts to be encouraging, and it will continue to place great emphasis on monitoring this in the coming years.

Practices Related to Complaint Handling

In the inspections initiated ex officio and concluded in 2025, the MNB identified various infringements regarding insurers' complaint handling practices. It was found that insurance companies failed to treat as complaints consumer inquiries, which, based on their content, should have been investigated within the framework of a complaint-handling procedure pursuant to MNB Decree 66/2021 (XII.20.) on the detailed rules on the form and methods of complaint handling by specific financial institutions (hereinafter: MNB Decree 66/2021).

MNB Decree 66/2021 requires institutions to keep records of the complaints they receive. The register of complaints aims to ensure that potential systemic problems become identifiable based on the content and also to enable the investigation of whether the issues recorded therein can impact other procedures, products or services. The inspections found that on one occasion the insurer failed to include in the register of complaints the description of the complaints; thus rendering it impossible to retrieve and determine the customer's specific objections in connection with a given complaint.

Another issue identified was the lack of information on legal remedies in the case of rejected complaints, as well as the failure to respond to complaints within the deadline, i.e. within 30 days.

Examination of the websites and website content of the institutions also uncovered deficiencies and inaccuracies affecting complaint handling. In 2025, the MNB called the attention of the affected insurance market participants to these shortcomings in the form of a consumer protection warning in four instances. The application of this measure was necessary where direct access to the complaint handling policy was not provided in the manner set forth in MNB Recommendation 16/2021 (XI.25.), i.e. from the section on the homepage of the website designed for submitting complaints. The measure was also necessitated by deficiencies and inaccuracies that were identified in connection with the content of the complaint handling policy, as well as repealed statutory references and outdated web links. The MNB expects market participants to provide up-to-date information to consumers on their institutional websites as well, and thus it pays increased attention to the suitability of website content and the updating of links pointing to MNB landing pages.

Box 2.12
International insurance-related events

EIOPA heatmap on key trends affecting consumers in the insurance and pension sectors

In December 2025, the EIOPA published its heatmap outlining the consumer trends and key phenomena in the insurance and pension sectors, and also released the annex regarding the change in the number of complaints included in the data reporting of supervised institutions and handled by financial supervisory authorities in the period 2022–2024.[17] The trends displayed in the heatmap:

(1) Issues related to claims settlement practices: More than one-half of the complaints regarding delays in the claims settlement procedures, reimbursed amounts and the rejection of claims are related to the claims settlement practices of non-life insurance products. The low level of the insurer's internal processes, systems and digital solutions supporting the settlement of claims is an issue.

(2) Insurance and pension products with low value for money: Although there has been some improvement in connection with insurance and pension products, several concerns still remain because of lower value products. Examples of such concerns include high entry and maintenance costs, and in the case of non-life products the high claim rejection rate and low payouts (loss ratios). The number of objections and complaints in connection with non-traditional insurance products (such as cyber insurance for devices) has also increased.

(3) Digitalisation trends: Digitalisation processes are gaining momentum within the EU market, with social media platforms and artificial intelligence also rising in popularity; however, several risks may arise in connection with their application, such as ensuring adequate transparency. The benefits of digitalisation are most commonly associated with non-life insurance products, resulting in an enhanced consumer experience, faster claims settlement processes and more efficient customer service.

(4) Pension gap: The widening pension gap remains an important and urgent problem in several Member States; one root cause of this is that many consumers do not have adequate knowledge of the available private pension products, leading to a slow increase in the number of consumers in the EU with employer-sponsored or private pensions.

[17] https://www.eiopa.europa.eu/publications/consumer-trends-insurance-and-pensions-2025-heatmap-key-findings_en?prefLang=sk

(5) Atypical distribution models: Atypical distribution models, such as insurance products offered by telecommunications/energy providers, are raising an increasing number of concerns. Automatic renewal is widespread, and it is common that products are offered with inadequate quality (such as coverage with insufficient transparency), low loss ratios and high commissions; furthermore, the high number of exclusions and other restrictions also drastically reduce the scope of actual coverage.

(6) Protection gap issue: Rising healthcare costs have resulted in a general increase in the premiums of certain insurance products, which also increased the rate of policy cancellations. Furthermore, the increase in the frequency and severity of extreme weather conditions is driving up claim payouts, and subsequently premiums, which, in turn, has further increased the challenges in connection with underinsurance and the protection gap across the European Union.

Avoiding the 'illusion of insurance' – EIOPA survey on information provided about NatCat coverages

Insurers play a key role in promoting protection against natural catastrophes (NatCat) in particular by ensuring that information on insurance coverage and exclusions is presented in a clear, unambiguous and easily understandable manner. In 2025, EIOPA conducted a survey[18] with the participation of eight Member States on the clarity of Insurance Product Information Documents (IPID) related to NatCat coverages, focusing on household property insurance. According to the latest Eurobarometer data, this is the most common non-life insurance product (62 percent of EU homes have household property insurance); furthermore, the 2023 Eurobarometer survey highlighted the fact that nearly one-fifth of consumers are uncertain about the content of coverages and exclusions related to natural catastrophes.

The report presents its findings focusing on five areas:

(1) Overall quality of the information presented in IPIDs: According to the survey, consumers sometimes encounter misleading or contradictory information, and they occasionally falsely assume they are protected against certain NatCat risks (the *'illusion of insurance'*).

(2) Clarity of restrictions, limitations and exclusions: According to the study, IPIDs too often – and unreasonably – refer to external documents (such as terms and conditions), which makes it more difficult to review and understand the coverages and exclusions. Definitions of natural catastrophes sometimes vary significantly from product to product, even within the same country, thus limiting comparability and the understanding of coverages. Optional coverages are often unclear, and it is common for product names or coverage descriptions to be misleading (such as 'full protection', 'comprehensive coverage', despite a number of exclusions and limitations listed in the terms and conditions). As a result of all of this, consumers are often unaware whether they are protected against certain natural disasters (such as floods, fires or landslides).

(3) Identification of target markets: The report explains that the identification of target markets is often too general, and not always adequately segmented or detailed.

(4) Regular product review: Based on the findings, product issuers do not in all cases after a NatCat event review their products to determine whether the coverage and the exclusions remain consistent with the needs, purposes and characteristics of the target market.

[18] https://www.eiopa.europa.eu/clearer-and-more-consumer-friendly-information-needed-prevent-illusion-being-insured-natural-2025-05-19_en

(5) Initiatives to increase consumer awareness: Some insurers present the benefits of NatCat coverage on 'Questions and Answers' webpages, or with informational articles, while other institutions publish news about imminent/expected NatCat events as well as useful preventive measures.

The findings of the study confirmed that insurance product information documents are highly useful tools that, when properly designed, enable the consumers to quickly and swiftly assess the adequacy of their coverage and to avoid the 'illusion of insurance'.

The report emphasises the use of digital assets that can help consumers understand their coverage, facilitate the management/reporting of damages, and may also provide advice on the implementation of damage-mitigating measures.

3 Funds market and associated risks

3.1 OVERALL MARKET SITUATION

3.1.1 The Funds Sector Achieved Stability-bolstering Results in 2025

The membership of the **voluntary pension funds sector** numbered 1,082,000 persons, 7,800 more than at the end of 2024. The proportion of paying members was 52.8 percent at the end of 2025, marginally higher than the figure of 52.1 percent registered at end-2024.

In 2025, growth in membership contributions and the positive sector-level investment performance offset the real estate-related payouts, and, as a result, coverage reserve increased to HUF 2,386 billion, which represents an increase of 6.6 percent versus the end of the previous year. Driven by the rising prices of investment instruments, an investment gain of HUF 194 billion was realised on the sector's coverage reserve in 2025.

Weighted by closing assets, the voluntary pension funds sector delivered an average net rate of return of 9.0 percent in 2025, and the rates of return for one-third of the fund portfolios reached double digits. Compared to the year-on-year inflation of 3.3 percent in December 2025, this represented a real return of 5.6 percent for fund members. The 10-year average net return (weighted by closing assets) was 6.6 percent; accordingly, the funds were able to outperform inflation over this period by an annual average of about 0.8 percentage point. Looking back even further, the 15-year average net return (weighted by closing assets) of the sector's participants was 6.8 percent. As a result, the real return over the same period was 2.3 percent. The longest term, 20-year average net return (weighted by closing assets) was 6.4 percent, from which a 1.6-percent real return can be derived.

The amount of membership contributions credited to the coverage reserves of voluntary pension funds and tax credits transferred by the tax authority amounted to HUF 185.9 billion, 12.6 percent higher than in 2024. The amount of individual membership contributions (HUF 112.7 billion) increased by 14.2 percent, and the amount of employer contributions (HUF 50.9 billion) increased by 9.6 percent, while the amount transferred by the NTCA (HUF 22.3 billion) increased by 12.4 percent compared to 2024.

Due to the availability of new, real estate-related benefits available only in 2025, fund payouts increased in 2025 and in the first two months of 2026. Managing real estate-related benefit payment requests was a significant task for the funds, given that the distribution of requests over time was difficult to plan. Attention had to be paid simultaneously to ensuring liquidity to meet payment claims on time, keeping investment instruments within the limits specified by law and the funds' investment policies, and achieving the best possible investment performance. The funds fulfilled 64,152 real estate-related payment requests for 63,023 members, representing 5.9 percent of the membership on 30 September 2024[19] (1,069,000 persons). The voluntary pension funds paid a total of HUF 120.3 billion for real estate–related benefits, which represents 5.6 percent of the sector-level coverage reserve at end-September 2024.

In 2025, voluntary pension funds achieved an operating income of HUF 1.2 billion, marking the third consecutive year in which the sector produced a positive operating income. Of 25 institutions, 19 closed the year with positive operating income in 2025. This was partly driven by the deduction of returns due to unpaid uniform membership contributions, which amounted to HUF 2.2 billion at the sectoral level. At the end of 2025, the sector-level reserves of voluntary pension funds available for operating purposes amounted to HUF 21.5 billion, showing a year-on-year increase of HUF 1.5 billion. As of end-2025, the reserves available for operating purposes could have covered 19.5 months of operations at the

[19] According to the relevant statutory regulations, claims for real estate-related payments may be submitted by those who were members on 30 September 2024, up to the amount of their balance at that time; therefore, we determined the relative frequency of claims in relation to the number of members and assets at that time.

sectoral level, assuming the sector generated no revenue. While this is lower than the coverage at the end of 2024 (21.4 months), it is still sufficient for stable and secure operations. The number of institutions decreased to 25 as a result of two institutional mergers.

Taking into account the investment performance of voluntary funds, their low annual operating and other costs (contribution charges) amounting to less than 1 percent, and the 20-percent tax credit on membership contributions, voluntary funds continue to be a competitive form of self-provision in the market for retirement savings products.

In 2023, the membership of the **health and mutual aid fund sector** exceeded the membership of the voluntary pension funds sector, and the gap widened further in 2024 and 2025. Membership numbered 1,259,000 at end-2025, up 6.0 percent (71,500 members) versus end-2024. The membership is more than 200,000 higher than ten years ago. The proportion of members paying contributions was 39.5 percent in 2025 Q4, 1.7 percent higher than at the end of the previous year. In 2025, the number of institutions fell to 15 as a result of one institutional merger.

Although the amount allocated to individual accounts (coverage reserve) from the membership contributions paid was exceeded by the amount of benefit payments, the amount of tax credits claimed plus the institutions' investment result was enough to offset this effect, resulting in an increase in the coverage reserve.

Revenues received by health and mutual aid funds and credited to the coverage reserve (HUF 119.2 billion) increased significantly, rising by 16.3 percent in 2025 compared to 2024. Following growth of 16.3 percent, membership contributions amounted to HUF 88.2 billion. Employers' contributions amounted to HUF 11.4 billion, an increase of 13.8 percent over 2024. Following an increase of 17.9 percent, the amount transferred by the tax administration amounted to HUF 19.5 billion.

The benefit payments of health and mutual aid funds (HUF 115.6 billion) rose by 17.8 percent (HUF 17.5 billion) versus the previous year. There were no significant changes in the composition of benefits. In 2025, the largest share of payouts was still subsidies for the purchase price of pharmaceuticals, accounting for a share of 38.7 percent. This was followed by the financing of complementary private health care benefits (such as dental benefits or diagnostic imaging) with a proportion of 37.1 percent, and subsidies for the purchase price of therapeutic equipment with a share of 13.8 percent.

The operating income of health and mutual aid funds was again positive in 2025, at HUF 1.2 billion, of which the deduction of returns from non-paying members totalled HUF 0.4 billion. Of 15 institutions, nine closed the year with positive operating income. In 2025, the amount of operating reserves increased from HUF 8.3 billion to HUF 9.6 billion. At end-2025, the reserves available for operating purposes could have financed 14.8 months of operations, assuming the sector generated no revenues. While this is lower than the coverage at the end of 2024 (15.1 months), it is still sufficient for stable and secure operations.

The social group (women with two or three children) that is exempt from paying personal income tax (PIT) is gradually expanding, and the amount deductible under the family tax allowance is also increasing. For those who are exempt from paying PIT or are affected by a reducing tax burden, the possibility of claiming a 20-percent tax credit on contributions may decrease or disappear entirely, which may weaken their motivation to save for health and retirement purposes.

Logging into the funds' member portals requires DÁP (Digital Citizenship Programme) authorisation, which necessitates the use of highly ranked, audited IT systems. The audit is conducted annually, after which the fund receives a certificate. Applicable regulations link the certification fee to total assets (the fund's coverage reserve), but the funds may only cover such costs from their operating reserves, since the coverage reserve comprises the total savings of the members, and these costs cannot be charged against it. Since the operating reserve is only a fraction of the fund's total assets, the DÁP-related regulation represents a significant financial burden for the funds.

Table 3.1
Key data of the voluntary funds sector

	Pension funds		Health and mutual aid funds	
	2024	2025	2024	2025
Number of institutions	*27*	25 ↓	*16*	15 ↓
Number of members (thousand persons)	*1,075*	1,082 ↑	*1,187*	1,259 ↑
Number of members paying membership fee (thousand persons | %)	*560*; *52.1%*	571 ↑; 52.8% ↑	*449*; *37.8%*	498 ↑; 39.6% ↑
Total funds portfolio (HUF bn)	*2,262*	2,413 ↑	*104*	115 ↑
Of which: coverage reserve (HUF bn)	*2,238*	2,386 ↑	*96*	105 ↑
Asset value per contract (HUF thousand)	*2,082*	2,205 ↑	*81*	83 ↑
Membership fee payments (HUF bn)	*152*	171 ↑	*92*	107 ↑
Of which: membership fee payments allocable to coverage reserve (HUF bn)	*145*	163 ↑	*86*	99 ↑
Claimed tax credit (HUF bn)	*20*	22 ↑	*17*	20 ↑
Payments against the coverage reserve (HUF bn)	*130*	233 ↑	*100*	118 ↑
Operating profit/loss (HUF bn)	*1.03*	1.17 ↑	*1.28*	1.18 ↓
Reserves for operational purposes (HUF bn)	*20.0*	21.5 ↑	*8.3*	9.6 ↑

Source: MNB

Box 3.1
Key regulatory changes affecting voluntary funds

The amendment of Act XCVI of 1993 on Voluntary Mutual Insurance Funds (Mutual Funds Act) taking effect on 24 December 2025 introduced several rules facilitating the operations and sustainability of the funds.

It allows voluntary pension funds to utilise the difference remaining after accounting for asset management costs not reaching the statutory ceiling (0.8 percent) for the fund operation. The frequency of utilisation (annual or quarterly) must be specified in the fund's articles of association, for which a decision by the fund's supreme decision-making body, the general meeting (of delegates) is necessary. This new source of revenue may contribute to the sustainability of the fund's operations by improving operating income (and may even be used for member recruitment); however, it may cause a slight increase in the charge ratios calculated and published annually by the MNB.

The ceiling on member recruitment commission has been increased as a measure to incentivise recruitment and boost the number of new entrants. As a result, the maximum amount of the recruitment fee that can be paid has increased from 20 percent to 50 percent of the annual contribution undertaken by the new entrant.

The amendment to the Mutual Funds Act taking effect on 1 July 2025 aimed at simplifying the use of contingency benefits provided by health and mutual aid funds eliminated the 180-day waiting period for utilising contingency benefits. As a result, following a contribution, the member's balance can immediately be used for benefits such as child birth-related payments, housing loan repayments or school-start support. School-start support can now be provided regardless of the school term against an invoice issued on any day, and digital learning tools (such as laptops, desktop computers) also become eligible for reimbursement under this scheme.

A further change aimed at facilitating the use of health and mutual aid fund benefits is that in the case of accounting for gluten-free food, it is no longer a requirement for these items to be listed in the registry of the public health administration body.

The amendment of the Mutual Funds Act taking effect on 1 January 2025 aimed at simplifying administration supported digital solutions. Upon joining, the endorsed declaration of admission (or membership certificate) must primarily be provided to the member in electronic form; a printed copy may be provided if the electronic form is not available. The fund's articles of association must be provided upon request in electronic or printed form, whereas previously, upon request, it could only be provided in print (in the case of funds without a website).

After calculation of the pension fund returns in 2025, the amendment to Government Decree 281/2001[20] (Mutual Funds Decree) took effect. Pursuant to this change, in the case of optional portfolios where a 10, 15 or 20-year average rate of return is not applicable due to the start date of the portfolio, the average rate of return of the coverage reserve must be taken into consideration for the missing full years when calculating gross, net or reference return rates. According to previous practice, the funds used the average return calculated from the return of the existing full years to calculate the long-term return of the affected portfolios; this could cause distortions when evaluating the portfolio's performance, particularly if a portfolio was launched during a period of exceptionally high or low returns.

The amendment taking effect on 1 January 2026 enhanced the transparency of investment composition, according to which funds that operate an optional portfolio system (VPR) are required to publish the percentage breakdown of their coverage reserve by asset class. Previously, this requirement only applied to the coverage reserve as a whole; however, in the case of funds that operate an optional portfolio system (VPR), disclosure by optional portfolio offers more relevant information.

Pursuant to Government Decree 268/1997 (XII.22.)[21] and the amendment of the Mutual Funds Decree taking effect on 1 January 2026, partly taking into account the inflationary effect of the past two decades, the upper threshold of the cost chargeable and deductible from members' claims by health and mutual aid funds and voluntary pension funds upon the termination of membership or withdrawals from individual pension accounts will increase by HUF 1,000. The new limits will be HUF 5,000 for health and mutual aid funds and HUF 4,000 for voluntary pension funds. The funds can increase their operating revenues by applying this amendment.

3.2 VOLUNTARY PENSION FUNDS

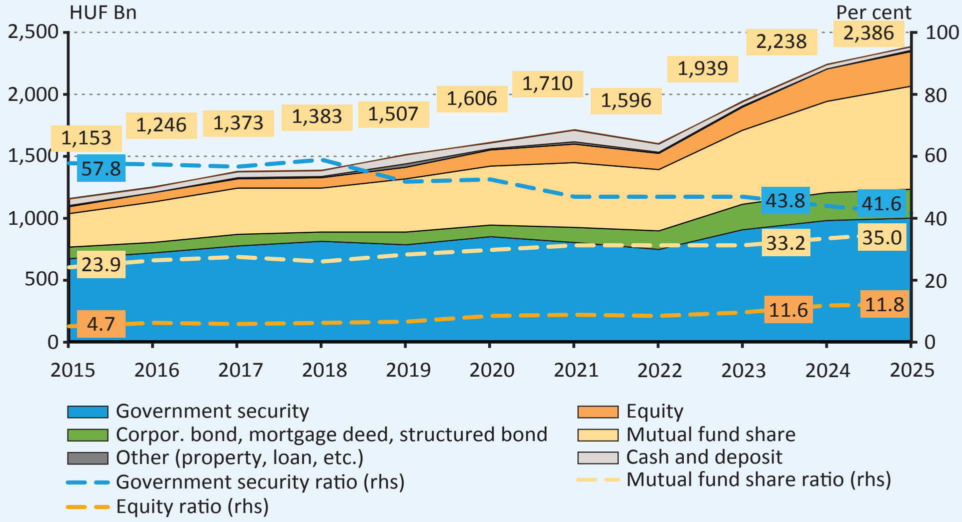
3.2.1 Two-thirds of Investments are Domestic, with Hungarian Government Securities Accounting for the Largest Share

Coverage reserves continued to grow, reaching HUF 2,386 billion at the end of 2025, a 6.6-percent increase over the HUF 2,238 billion figure from the end of the previous year. However, the growth rate remained below that of 2024, due to a lower sector-level rate of return and real estate-related payments. The investment return achieved on the coverage reserves was HUF 194.2 billion in 2025. In 2025, the price increase of investment instruments was primarily driven by the rising prices observed on the equity markets.

Investment in government securities still accounts for the largest share of assets. Direct exposure in government securities fell by 2.2 percentage points compared to the ratio at the end of 2024 (despite a HUF 13 billion increase in assets) and showed a decrease of 5.1 percentage points versus end-2023. The share of direct equity investment was 11.8 percent, which is 0.2 percentage point higher than the figure at the end of the previous year (with asset growth of HUF 23 billion). The proportion of investment fund shares increased to a greater extent, expanding by 1.8 percentage points, from 33.2 percent at end-2024 to 35.0 percent. The growth observed in this asset class was the highest in absolute terms, amounting to HUF 92 billion. Within coverage reserves, the asset-weighted duration of instruments with a maturity date was 4.15 years at the end of 2025, which is 0.4 years shorter than one year earlier.

[20] Government Decree 281/2001 (XII.26.) on Regulation Governing the Investment and Financial Management of Voluntary Mutual Pension Funds.
[21] Government Decree 268/1997 (XII.22.) on Certain Financial Management Rules of Voluntary Mutual Health and Mutual Aid Funds.

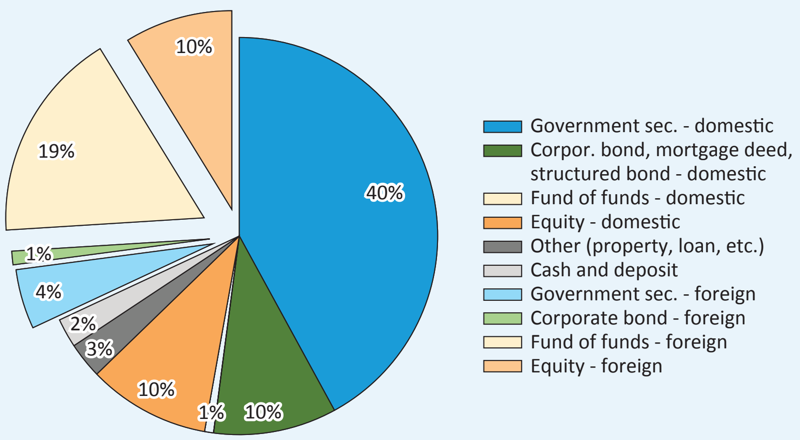
Chart 3.1
Distribution of voluntary pension funds' investments by asset groups



Source: MNB.

A breakdown of indirect investments shows that 66 percent of the investments underlying the coverage reserve are domestic assets. The pie chart shows the data for the entire voluntary pension fund portfolio with a breakdown of domestic investment funds.

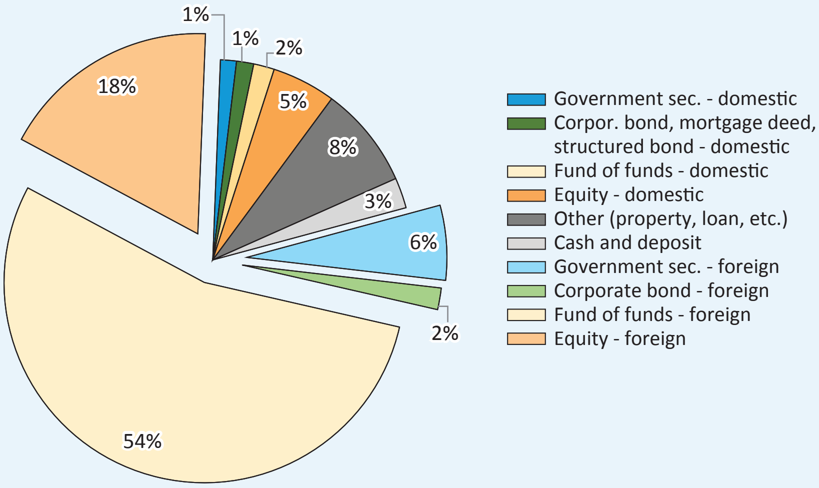
Chart 3.2
Distribution of voluntary pension funds' investments by asset group, with application of the 'look-through' approach at end-2025



Source: MNB.

Most of the investment fund shares are backed by foreign assets, primarily foreign investment fund shares and equities.

Chart 3.3
Composition of assets of voluntary pension funds in 2025YE

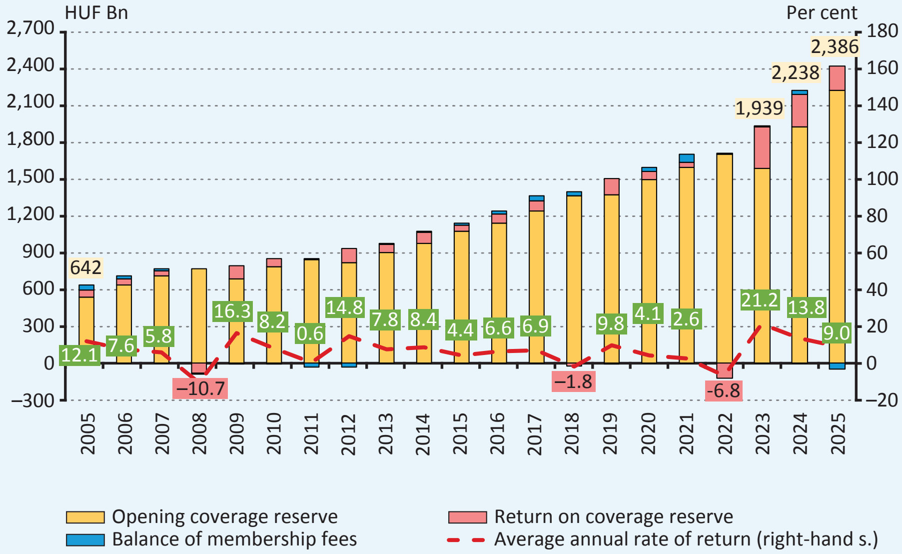


Source: MNB.

3.2.2 Voluntary Pension Funds Sector Achieves a Return of 9 Percent

Weighted by closing assets, the voluntary pension funds sector delivered an average net rate of return of 9.0 percent in 2025, with the rates of return for one-third of the fund portfolios reaching double digits. Compared to the year-on-year inflation of 3.3 percent in December 2025,[22] this represents a real return of 5.56 percent for fund members. Similarly to the previous two years, it was typically fund portfolios with a higher risk exposure and a larger proportion of investment fund shares and equities that delivered the best performance in 2025. In 2025, despite geopolitical and economic tensions, equity market investments performed well, with the growth of the BUX index representing the domestic market and the CETOP indices tracking regional markets performing exceptionally well. Growth and dynamic portfolios targeting a larger share of equities typically achieved double-digit returns in 2025.

Chart 3.4
Development of membership fees and payments related to the coverage reserves of voluntary pension funds, return on coverage reserve and net annual average rate of return



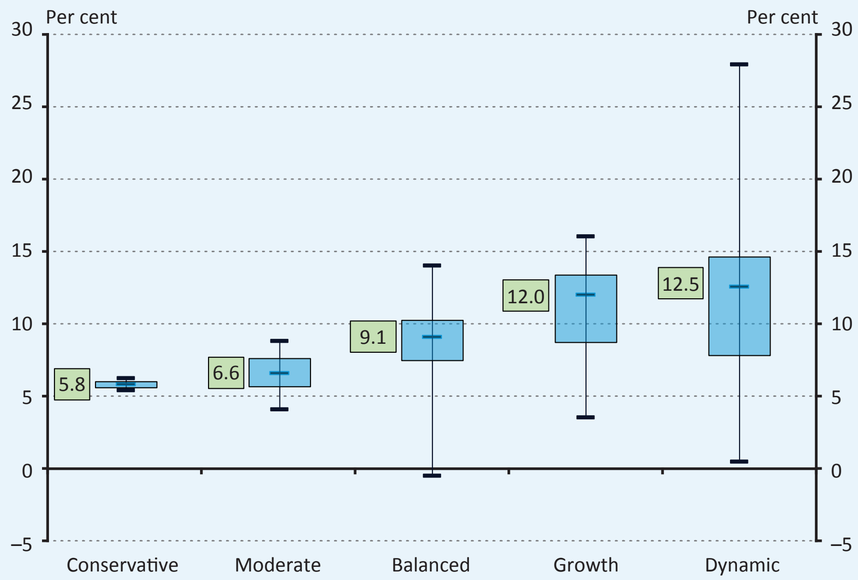
Source: MNB.

[22] The December/December inflation rate shows the annual change in price levels between the end of the previous year and the end of the current year, which is why this value is used to calculate real returns; funds' annual rates of return should be compared to this.

Box 3.2
Voluntary pension funds' rates of return in 2025

After 2023 and 2024, this is the third consecutive year that the MNB has reported outstanding returns in its regular annual communication. Following a sector-level average net return of 21.2 percent in 2023 and an average net return of 13.8 percent in 2024, the average net return of voluntary pension funds was 9.0 percent in 2025. In 2025, one-third of the fund portfolios delivered double-digit rates of return. Examining the returns for 2025, it is worth noting that the returns of individual pension fund portfolios showed a fairly large fluctuation, with the difference between the highest and the lowest annual net returns being 28.4 percentage points. That difference was smaller in both previous years with a higher return, at 26.3 percentage points in 2024 and 21 percentage points in 2023. For a more detailed analysis of the returns, we analysed the 73 fund portfolios operating in 2025 for which annual and long-term return data were available; these were classified into five categories based on the risk level assumed, as defined in their investment policies. We determined the risk assumed by the portfolio based on the target ratio of equity assets (direct equity investments and equity-based indirect assets) specified in the investment policy. The bands associated with the risk categories were determined in a way that they would align with the portfolio types and names generally used in the funds' practices.

Chart 3.5
2025 yields of the voluntary pension fund sector by portfolio types



Note: The middle line of the box plot with its associated values represents the median of the annual rate of return values in each category in 2025. The lines drawn to the bottom and top of the box show the lowest and highest rate of return values within the group. The boxes show the two middle quartiles within the portfolio groups' rate of return values, i.e. 50 percent of the annual rate of return values within the group fall between the bottom and top of the boxes.

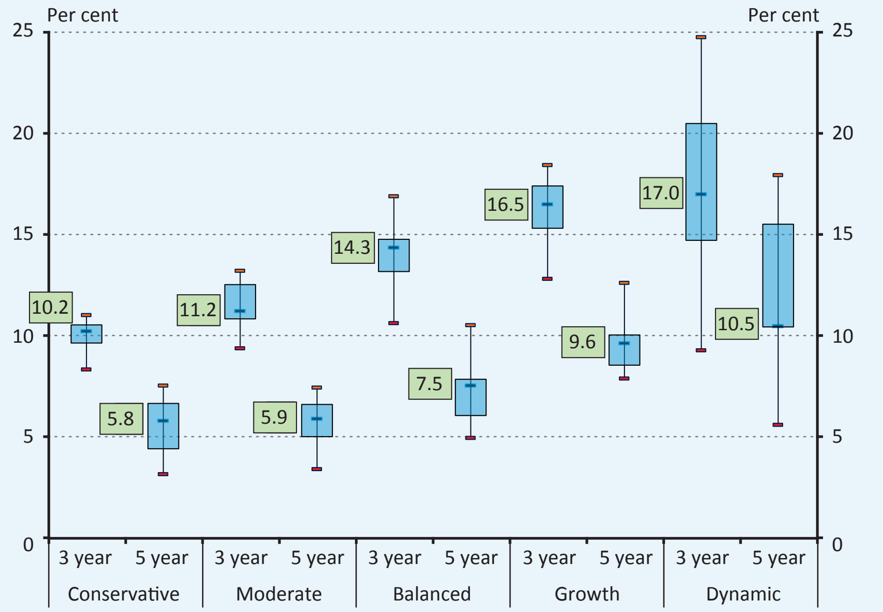
Source: MNB.

In 2025, despite geopolitical and economic tensions, equity market investments performed exceptionally, with the growth of the BUX index representing the domestic market and the CETOP indices tracking regional markets performing exceptionally well (BUX up 40 percent, CETOP up 41 percent in HUF terms between 31 December 2024 and 31 December 2025). Growth and dynamic portfolios targeting a larger share of equities typically achieved double-digit returns in 2025. It is important to highlight that US dollar weakened significantly against the forint, depreciating by 16.6 percent in 2025; therefore, in many cases US investments in HUF terms could not make a positive contribution to investment performance. This explains why low returns occurred in equity-heavy portfolios with a high proportion of USD-denominated assets in 2025. The forint strengthened by 6 percent against the euro in 2025. European capital markets saw much higher price gains than this in 2025, and consequently European equity investments contributed to the funds' strong return performance, despite the exchange rate fluctuations. Some pension funds mitigated the impact of exchange rate fluctuations with forward foreign exchange hedging transactions.

On the equity markets, selecting a specific stock naturally plays a key role: for example, the leading banking stock on the domestic stock exchange rose by 62 percent between the end of 2024 and the end of 2025, while certain domestic banking stocks showed declines of 22 percent or even 53 percent over the same period. The MAX index, which tracks the price gains of government securities with maturities of over one year, rose by 6.1 percent in 2025, whilst the RMAX index, which tracks price movements in government securities with maturities of less than one year, rose by 5.7 percent in 2025. The net return on the majority of lower-risk, classic, and conservative portfolios exceeded these figures.

Following a year of negative returns characterised by geopolitical crises as well as shocks in the government securities and capital markets in 2022, both the MNB and the pension funds advised members to remain prudent, highlighting that pension fund savings are long-term products. The returns of pension funds should be evaluated over the long term, it is not advisable to make hasty decisions after a year of unfavourable performance. Experience shows that following a year of lower (or negative) investment performance, the returns of the subsequent year or years compensate for the losses. This expectation has proven true again after 2022, just as it did after the negative returns in 2008 and 2018. Of the 71 portfolios operating at the beginning of 2023, 31 generated returns of at least 50 percent of the opening balance between 2023–2025, representing an average annual return exceeding 14 percent for the three years. More than one-half of the members benefited from that outstanding investment performance; moreover, two of the portfolios achieved a three-year average return of 24–25 percent.

Chart 3.6
3 years' and 5 years' yields of the voluntary pension fund sector by portfolio types



Source: MNB.

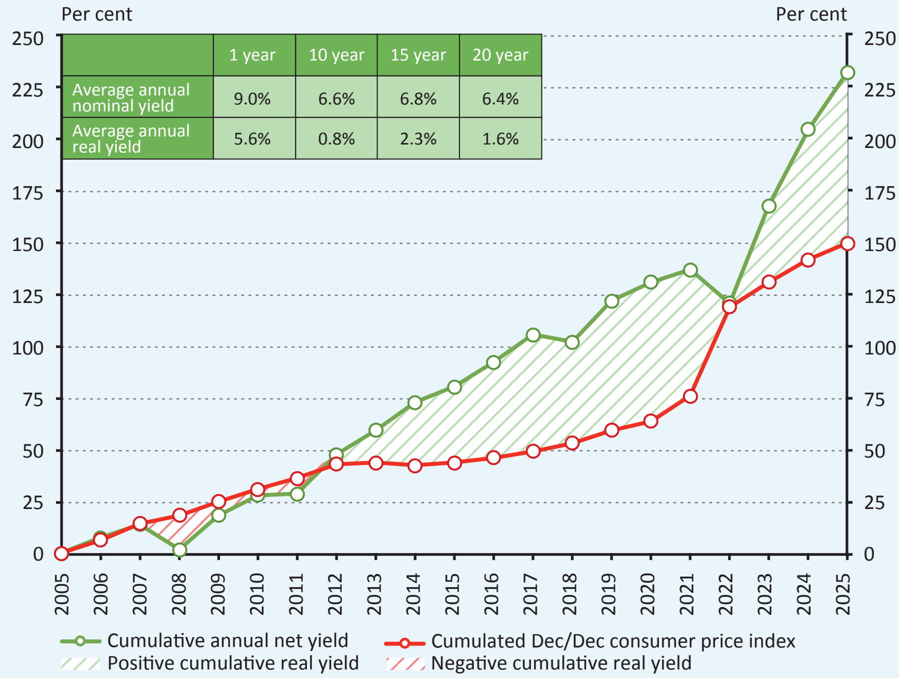
Looking at the 5-year returns, we can see the impact of the price declines on the capital markets due to the geopolitical and economic crisis of 2022; additionally, in 2021–2022 government bonds held in pension fund portfolios depreciated, due to rising yields on government securities. Nonetheless, the majority of higher-risk growth and dynamic portfolios were able to achieve a net return of 10 percent on average on that 5-year span, benefiting from the favourable capital market development.

3.2.3 Long-term Nominal and Real Returns in the Positive Range, Low Cost Level

Funds calculated 10-year, 15-year and 20-year rates of return, as well, which the MNB verified and posted on its website in February 2026. The 10-year average net return (weighted by closing assets) was 6.6 percent; accordingly, the funds were able to outperform inflation over this period by an annual average of about 0.8 percentage point. Looking back even further, the 15-year average net return (weighted by closing assets) of the sector's participants was 6.8 percent. As a result, the real return over the same period was 2.3 percent. The longest-term, 20-year average net return (weighted by closing assets) was 6.4 percent, from which a real return of 1.6 percent can be derived.

Taking into account the investment performance of voluntary funds, their low annual operating and other costs (contribution charges) amounting to less than 1 percent, as well as the 20-percent tax credit on membership contributions, voluntary funds remain a competitive form of self-provision in the market for retirement savings products.

Chart 3.7
Long-term cumulated net return of the voluntary pension fund sector

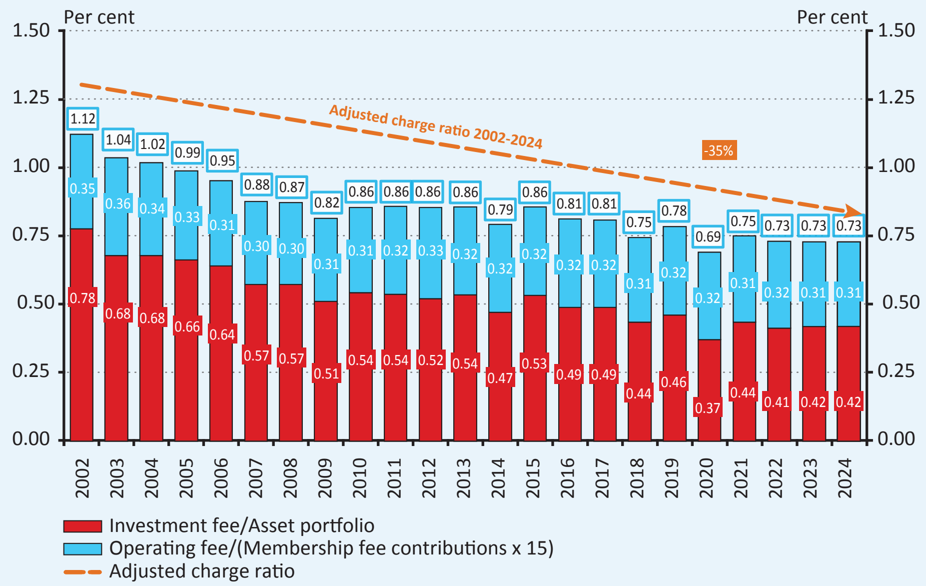


Source: MNB.

In addition to investment performance, attention should be paid to the trend in pension fund costs as well, as customer decisions – along with the institutions' cost-effectiveness and sustainability – can be influenced most by costs, in addition to returns. To ensure the transparency of funds' costs and to provide members with adequate information, the MNB publishes a variety of cost indicators. In 2024, the adjusted charge ratio was 0.73 percent, the same as in 2023. The ratio of voluntary pension funds' contributions deducted for operation relative to the total contributions paid decreased by 11.8 percent in the 2002–2024 period.

In 2024, the ratio of charges deducted from contributions for operating and liquidity purposes to total contributions paid remained unchanged. The majority of the funds – especially larger funds – apply a tiered contribution scheme, deducting from larger contributions a proportionally smaller share for operating purposes. Contributions paid in 2024 exceeded the 2023 levels by 12.6 percent. The amount deducted for operational and liquidity purposes increased to a smaller extent, by 10.3 percent; nevertheless, this did not cause a significant change in the operational charge in the adjusted charge ratio. The investment fee component (0.42 percent) also remained at 2023 levels.

Chart 3.8
Development of the adjusted charge ratio

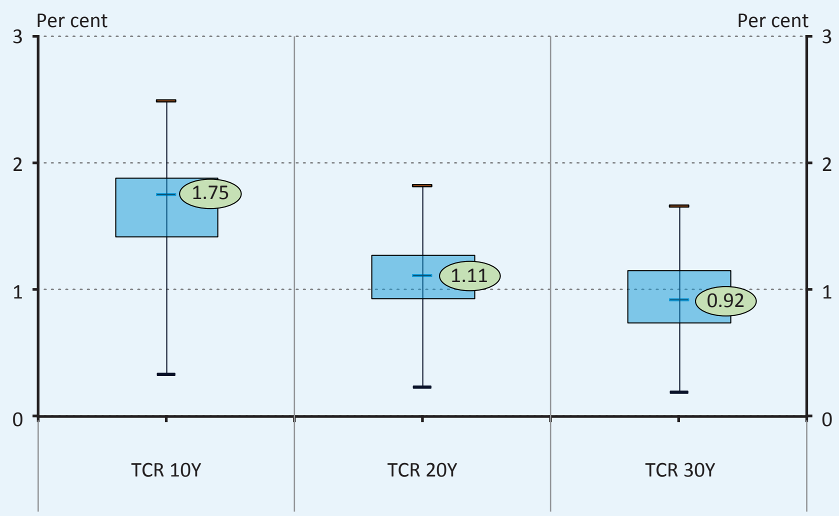


Source: MNB.

Introduced by MNB Recommendation 20/2019 (IX.20.), the total cost indicator relating to pension fund products (TCRPF) expresses the charges deducted from a member's contributions and savings in a single figure. The TCRPF is comparable to the same indicator of life and pension insurance, which enhances transparency and competition within the funds sector and across the different sectors.

In 2025, the 10-year median TCRPF was 1.75 percent, the 20-year TCR was 1.11 percent, while the 30-year TCRPF was 0.92 percent. There were no significant changes in the TCRPF values at the sector level compared to the previous year. The 10-year median TCRPF increased by 7 basis points, while the 20-year and 30-year TCRPF values increased by 4 basis points. One reason for this is that some pension funds modified their contribution allocation ratios in 2025, deducting a larger share from contributions for operation. In line with the MNB's recommendation, the funds use the risk-free rate of return of 2024 published by EIOPA to calculate the TCRPF values for 2025, which is higher than in the preceding year. This resulted in a slight increase in the total cost indicator. The funds' cost indicators also confirm that voluntary pension funds are a cost-effective, long-term investment even when compared to other financial products.

Chart 3.9
TCR_{PF} values of the voluntary pension fund sector in 2025

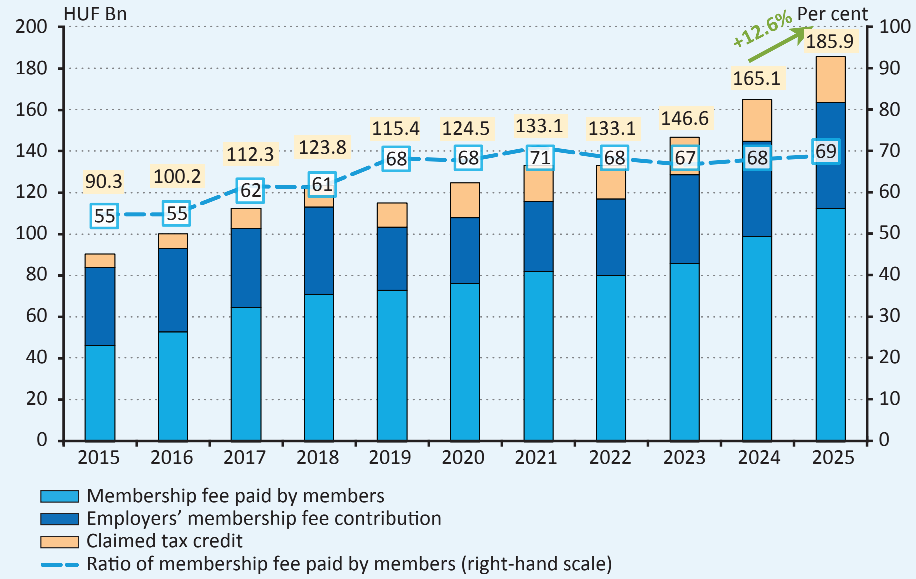


Source: MNB.

3.2.4 Significant Increase in Revenues Affecting the Coverage Reserves, Negative Cash Flow Due to Real Estate-related Payments

In 2025, the sum total of membership fee payments credited to voluntary pension funds' coverage reserves and tax credits transferred from the tax authority amounted to HUF 185.9 billion, up 12.6 percent versus 2024. The growth rate in 2025 was equivalent to that seen in 2024. The 12.6-percent growth may be partially substantiated by the 9-percent increase in average wages (average gross wages of full-time employees).[23] Obviously, not all members of the funds are full-time employees, however, these statistics may be the closest point of reference for a potential explanation regarding the increase in membership contributions. In addition to rising average wages, growth in member contributions was also driven by a larger membership, a higher number of contributing members compared to the previous year and higher uniform membership fees. Individual contributions continued to dominate the inflow, accounting for 68.9 percent of the annual income from contributions. The amount of individual membership contributions (HUF 112.7 billion) rose by 14.2 percent, the amount of employer contributions (HUF 50.9 billion) increased by 9.6 percent, while the amount transferred by the NTCA (HUF 22.3 billion) grew by 12.4 percent compared to 2024.

Chart 3.10
Membership fee income credited to the voluntary pension funds' coverage reserves, broken down by payers and claimed tax credit



Source: MNB.

An analysis of the cash flows of voluntary pension funds shows that since 2017 there have been only two occasions (in 2019 and 2025) when annual cash flow at the sector level was negative. With the exception of those two years, voluntary pension funds have recorded a revenue surplus for the last nine years; thus, over the long run, individual negative fluctuations are smoothed out. The negative cash flow in 2019 was mainly due to higher payouts owing to negative returns in 2018 and a decline in member contributions. In 2025, cash flow turned negative as a result of real estate-related payouts. The closing balance of the sector at the end of the year calculated without real estate-related payments would have been a surplus of HUF 58 billion.

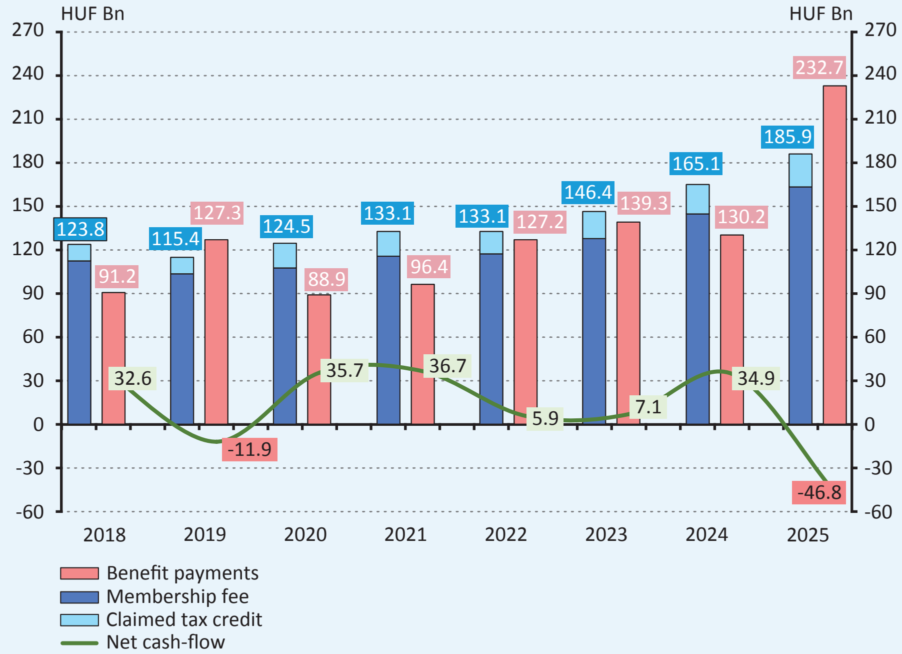
An analysis of the 'traditional' payments shows that in 2025 total payouts from the coverage reserves remained mainly in line with the 2024 level, although they exhibited a different composition. Benefit expenditures (lump-sum and annuity payments) were 9.4 percent higher than in 2024. This may be attributable to the impact of the reference year figures. In 2024, benefit payments were significantly lower than in previous years, since some retirement-age members, likely in light of the exceptionally strong returns achieved in 2023, chose not to request benefit payments and left their savings in the

[23] 20.2.2.9. Cumulative quarterly gross average earnings of full-time employees, by county and region of the employer's registered office

fund to continue generating returns instead. By contrast, capital payouts declined by 28.7 percent in 2025 compared to 2024, while return payments and exit-related payments decreased by 14.4 and 19.9 percent, respectively. The decline in return payouts may also be attributable to impact of the reference year figures: in 2024, the exceptionally high investment returns achieved in 2023 resulted in substantial return payments to members who had completed the 10-year waiting period but remained in the accumulation phase; however, the amount of return payments was considerably lower in 2025.

The MNB, however, continues to pay particular attention to the monthly monitoring of institutions cash flows and any resulting risk.

Chart 3.11
Cash flow development of the voluntary pension fund sector



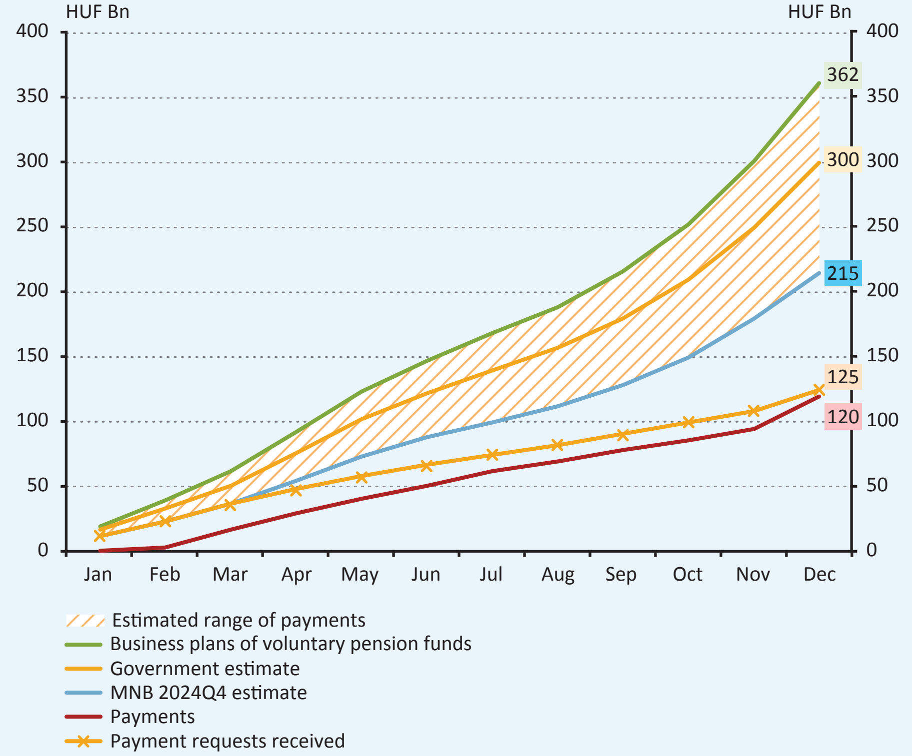
Source: MNB.

3.3. keretes írás
Ingatlancél nem veszélyeztette a nyugdíjcélt

The Mutual Funds Act, the amendment of which entered into force on 29 November 2024, enabled pension fund members to use the amounts accumulated on their individual accounts in 2025, up to the amount of the balance as at 30 September 2024, for real estate-related purposes, at their discretion. A fund member could request this benefit up to three times and the fund had to disburse the required amount within 60 days of receipt of the request.

A total of 63,000 members made use of the real estate-related benefit option, in a total amount of HUF 120.3 billion. Overall, both the volume of claims and the value of payouts were lower than expected. The amount paid out was actually 67 percent lower than the HUF 361.5 billion projected in the pension funds' financial plans. The actual data on temporary real estate-related payouts indicate that supplementary pension savings schemes may be accompanied by other objectives without jeopardising their primary pension objective.

Chart 3.12
2025 cumulative estimations and actual data for real estate claims submitted to voluntary pension funds



Note: The monthly distribution of real estate payments is based on an MNB estimate, Jan-Feb 2026 payments are shown combined with December 2025 payments.

Source: MNB

A total of 66,300 persons – equivalent to 6.2 percent of the membership (1,069,000 as at 30 September 2024[24]) – submitted claims to voluntary pension funds for real estate-related payments. Claims for payments totalling HUF 125 billion were submitted, equalling 5.8 percent of voluntary pension funds' sector-level coverage reserves (HUF 2,142 billion) at the end of 2024. The amount paid (HUF 120.3 billion) amounted to 5.6 percent of sector-level coverage reserves. Based on data as at 30 September 2025, voluntary pension funds in which employers paid at least half of total membership contributions recorded a higher-than-average share of members with submitted claims, at 13.6 percent on average. Similarly, benefit payments amounted to an average of 7.8 percent of assets.

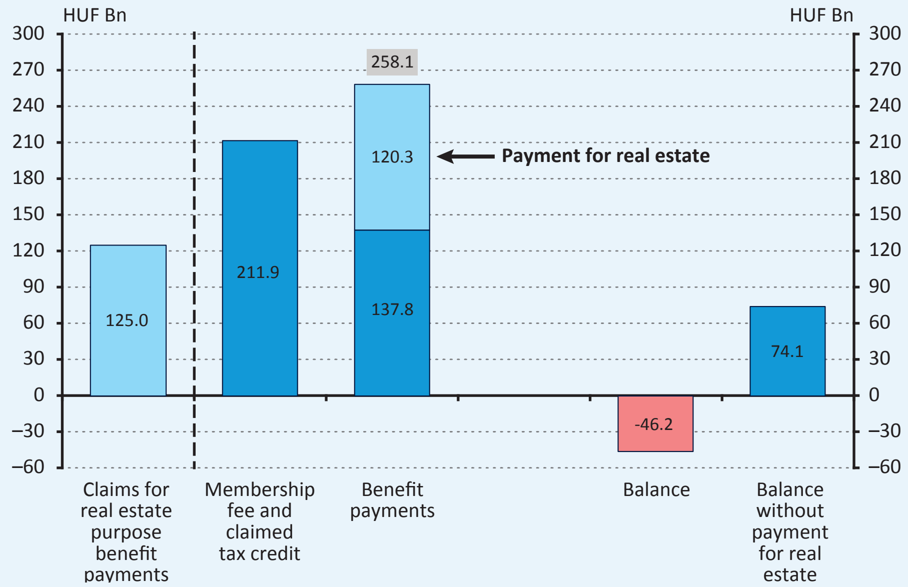
Most of the members, totalling 36,200 (57.4 percent of members receiving a benefit), used it for the modernisation, renovation or extension of a dwelling or residential building, in a total of HUF 35.3 billion. 8,400 members used the benefit to purchase a dwelling or residential building, in a total of HUF 40 billion. 12,300 members received benefit payments for the partial or full early repayment scheme of mortgage loans, in a total of HUF 32.3 billion. Among members receiving the benefit, 27.9 percent (17,600 members) were non-contributing members. The funds provided benefit payments totalling HUF 22.7 billion to such members, representing 18.9 percent of the total amount paid out.

Most of the payouts took place in March, amounting to HUF 13 billion, as a result of the 60-day payment deadline, these payments primarily reflected claims submitted in January and February. Most claims were submitted in December, the final month of the statutory deadline, amounting to HUF 16 billion. On a quarterly basis, the highest volume of claims was submitted in the first quarter of the year, amounting to HUF 37 billion. The average monthly claim amount amounted to HUF 10 billion.

[24] According to the relevant statutory regulations, claims for real estate-related payments may be submitted by those who were members on 30 September 2024, up to the amount of their balance at that time; therefore, we determined the relative frequency of claims in relation to the number of members and assets at that time.

The average member claim submitted aimed at a payment of HUF 2 million. The average amount claimed by contributing members exceeded that of non-contributing members by HUF 1 million (HUF 2.2 million and HUF 1.2 million respectively). Contributing members accounted for 80 percent of the total value of claims, while representing 70 percent of members submitting claims. Among members who submitted claims, 13 percent submitted two claims, while only 3 percent utilised all three opportunities to submit a claim. Only 2.7 percent of claims submitted during the year were rejected.

Chart 3.13
Real estate claims submitted to voluntary pension funds and the sector's cash flows in 01.01.2025 - 28.02.2026



Source: MNB.

In 2025 and in January–February 2026, a total of HUF 212 billion was credited to members' individual accounts, while HUF 120.3 billion was paid out for real estate-related benefits and HUF 137.8 billion for other member claims; therefore, the cash flow balance over the 14-month period was negative, amounting to HUF –46.2 billion. At the same time, positive returns more than offset this effect: at end-February 2026, the coverage reserves of HUF 2,446 billion exceeded the level as at 30 September 2024 (HUF 2,142 billion) by HUF 304 billion. In addition to positive returns, the increase was attributed to a 12-percent year-on-year rise in contributions in 2025, while contribution revenues received in January–February 2026 exceeded those of the corresponding period of 2025 by 8 percent. At the sector level, current contributions provided a substantial share of the funding for real estaterelated payments.

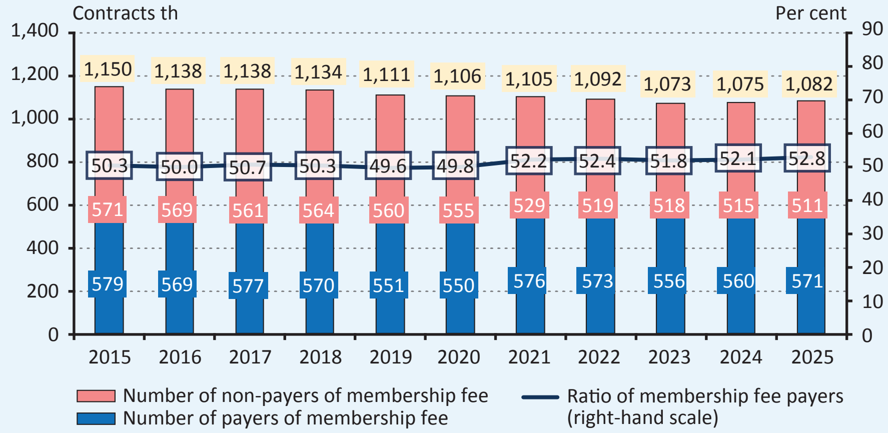
3.2.5 Stagnating Membership and Contribution Payer Ratio

At the end of 2024, the membership of voluntary pension funds numbered 1,082,000, nearly 7,800 more than at end-2024. The proportion of paying members was 52.8 percent at the end of 2025, which was slightly higher than the figure of 52.1 percent recorded for end-2024.

A total of 40,000 new members – 20.8 percent more than in 2024 – joined voluntary pension funds in 2025. Over 80 percent of the new entrants (33,300 people) were recruited by membership organisers. The average age of the members was 48.4, 48.7 and 49.1 years in 2021, 2022 and 2023, respectively, and reached 49.6 in 2024, i.e. the ageing of the membership still poses a sustainability risk. At the same time, the pace of membership ageing has slowed. The average age of members increased by 1.2 years between 2021 and 2024, compared to an increase of 1.3 years between 2018 and 2021 and 1.5 years between 2015 and 2018. In recent years, some funds have targeted younger generations in their marketing campaigns, particularly younger people in their thirties, and thus the share of new members aged 40 or below was several percentage points higher in 2021–2022 (59 percent) compared to earlier years (55–56 percent). The slowdown in the ageing of the membership was also attributable to the continued decline in the share of younger members leaving the funds in recent years. In 2018, one-third of the members leaving the funds were aged 40 or younger, but by 2023 and 2024 this share had declined to 17 percent and 20 percent, respectively. The change in the number of newly joining members may, in itself, be regarded as positive, but it would take a larger number of new entrants – preferably as young as possible – to achieve sustainability in the sector. Raising the recruitment commission as presented in Box 3.1 may help increase the number of new entrants.

In the voluntary pension funds sector, along with the average age of members, the number of members eligible for pension benefits is also on the rise; consequently, the number of members who will probably cancel their membership to claim benefits may grow. This effect can be mitigated by the fact that members eligible for pension can leave the rest of their savings in the fund, while withdrawing part of their individual account and see their savings as a form of investment.

Chart 3.14
Ratio of payers of the voluntary pension fund membership fee



Source: MNB.

The ratio of membership fee payers is still considered low, posing a risk to the long-term viability of the funds. The business model for voluntary funds is that operating expenses should be covered by a share of the costs deducted from members' contributions, which can be supplemented by donations for operating purposes. In the case of non-paying members, from the date of the beginning of the default in payment of the contribution, the applicable legislation enables the fund to reduce the member's return on the investment of their individual account by an amount equal to the share of the current standard contribution of the fund dedicated to operating and liquidity purposes, but not exceeding the amount of the return, and to credit this amount to the operating or liquidity fund. Not all funds exercise this option, but most do, and it is an important source of operating income. However, since autumn 2023 the Mutual Funds Act allows funds to apply deductions not only from the returns of the period concerned but also from the returns of the period up to the end of the next calendar year. At the same time, the amount that may be thus deducted was also limited,[25] and deduction from the period beyond the current period is only allowed if not even partial deduction was possible during the period concerned, for lack of a positive return. In order to protect the members of the fund, the MNB requires funds wishing to apply the deduction of income for membership fee arrears to lay down in their statutes the rules on the deduction of income for membership fee arrears, including the applicable procedures, legal effects and processes, in a clear, unambiguous and transparent manner. In addition, the MNB recommends that, in the event of a lack of yield in the current period, funds should not apply several instalments for the deduction due to membership arrears in the period opening after the current

[25] The rate of the deduction from the return on account membership fee in arrears must not exceed the amount that equals the proportion (of the membership fee equalling 5 percent of the minimum wage in effect on the first day of the year concerned, payable for the period of the selected deduction frequency) allocated to the operating and liquidity fund.

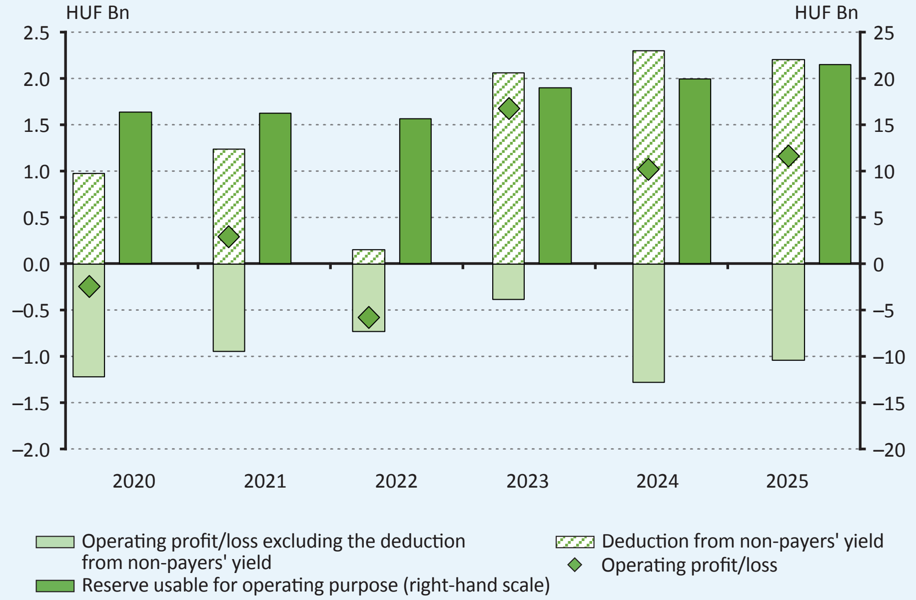
period and ending at the end of the following calendar year, and that they should deduct the amount at the earliest possible period of the periods corresponding to the frequency of the fund's membership payments.

3.2.6 Positive Operating Income, Adequate Reserves

In 2025, voluntary pension funds recorded operating income of HUF 1.2 billion, marking the third consecutive year in which the sector generated positive operating income. Of 25 institutions, 19 closed the year with positive operating income. This was partly driven by the deduction of returns due to unpaid uniform membership contributions, which amounted to HUF 2.2 billion at the sectoral level. Without such deductions from the returns, the sector would have posted a loss in 2025 again (HUF -1.0 billion). Funds that have realised an operating loss over a longer period need to reassess their operational scheme (improve communication with non-contributing members and revise their cost structures). The MNB puts particular emphasis on monitoring the operational position of the funds, both through continuous supervision and during the inspections. If the reserves available for operations at health and mutual aid funds approach or fall below the prudentially required minimum level as a result of prolonged loss-making operations or other factors, the MNB may apply various measures (e.g. by holding a prudential meeting, requesting an action plan, requiring an operating and liquidity report, or launching a targeted inspection) at the institutions concerned.

At the end of 2025, the sector-level reserves of voluntary pension funds available for operating purposes amounted to HUF 21.5 billion, reflecting a year-on-year increase of HUF 1.5 billion. As of end-2025, the operating reserves available could have covered 19.5 months of operations, had the sector generated no income. While this is lower than the coverage at the end of 2024 (21.4 months), it is still sufficient for stable and secure operations. As described in Box 3.1, allowing the unused portion of the trustee fee cap to be used for operational purposes could contribute to the sustainability of fund operations by increasing operating revenues.

Chart 3.15
Development in operating profit/loss of voluntary pension funds



Source: MNB.

Box 3.4
Savings and Investment Union (SIU)

The European Commission launched the Savings and Investment Union (SIU) initiative in 2025, aimed at strengthening the EU's financial system, promoting long-term household savings and channelling such savings to support economic growth across the EU.

The predecessor of SIU was the Capital Market Union (CMU), under which the European Commission adopted action plans containing a broad set of measures in 2015 and 2020. These measures included the drafting of the Regulation on the Pan-European Personal Pension Product[26] (PEPP). However, the development of the EU capital markets has fallen short of the level required to preserve and enhance the competitiveness of the EU's economy.

In April 2024, two major reports were published on the state of the European single capital market and potential development directions. One of these reports was authored by Christian Noyer, former Governor of the Banque de France.[27] The author of the other report was Enrico Letta, former prime minister in Italy.[28] According to the Noyer report: "*The under-development of European markets is particularly evident in the equity markets: the EU's equity markets account for 11.4 percent of the global market capitalisation, whereas the EU's share in global GDP is 17.5 percent. To align with global averages, the depth of Europe's equity markets would need to expand by 60 percent from current levels.*" The Letta report defines the requirement to setup a Savings and Investment Union (SIU): *"Despite its status as one of the world's foremost economic powers, the EU's share in global capital market activities – including equity issuance, total market capitalisation, and corporate bond issuance – does not align proportionately with its GDP. This discrepancy highlights the critical need for a more integrated and robust European financial market able to channel savings towards investment needs. ... The European Union is home to a staggering 33 trillion euros in private savings, predominantly held in current accounts (34.1 percent). This wealth, however, is not being fully leveraged to meet the EU's strategic needs."*

The report on enhancing the competitiveness of the European Union, authored by Mario Draghi, former President of the European Central Bank, was published in September 2024. It highlights that addressing the current challenges in the EU economy – including climate change, rapid technological change and the evolving geopolitical landscape – will require substantial public investment, the cost of which is estimated to amount to additional EUR 750–800 billion annually through 2030. EU households have substantial savings that could finance higher value public investments; however, these savings are not currently channelled efficiently into productive public investments. The Draghi Report concludes that compared to other major economies, EU capital markets are underprovided with long-term maturity capital, mainly due to the underdevelopment of pension funds. In 2022, pension assets in the EU amounted to only 32 percent of GDP, compared to total pension assets equivalent to 142 percent of GDP in the United States and 100 percent of GDP in the United Kingdom. Pension assets in the EU are highly concentrated in a small number of Member States with more developed funded supplementary pension schemes. The Netherlands, Denmark and Sweden together account for 62 percent of total pension assets in the EU.

The aim of the SIU is to create better financial opportunities for EU citizens, while enhancing the ability of its financial system to link savings with productive investments. The SIU provides savers with a wider range of options to achieve long-term investment objectives (retirement, financing their children's education and real estate purchase), while at the same time supporting business growth across Europe. One of the SIU's core objectives is to encourage both citizens and institutional investors managing savings to invest in European capital markets for their future benefit, thereby achieving better long-term returns.

[26] L_2019198HU.01000101.xml
[27] DEVELOPING EUROPEAN CAPITAL MARKETS TO FINANCE THE FUTURE – Proposals for a Savings and Investments Union https://www.ebf.eu/wp-content/uploads/2024/05/EN-Report-Developing-European-capital-markets.pdf
[28] MUCH MORE THAN A MARKET – SPEED, SECURITY, SOLIDARITY Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens, https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf

One central pillar of the SIU is its focus on the impact of financial and capital market development on EU citizens, it introduces a more comprehensive and structured approach to financial literacy and household investment strategies.

According to the European Commission's programme, one of the key steps in implementing the SIU is the development of the supplementary pension sector. In this context, in November 2025 the Commission proposed amendments to Directive (EU) 2016/2341 on the activities and supervision of institutions for occupational retirement provision (IORP II) and Regulation (EU) 2019/1238 on a Pan-European Personal Pension Product (PEPP). The review of the IORP II Directive aims to strengthen institutions for occupational retirement provision and to deliver better long-term returns for members and beneficiaries. With the amendment, the Commission seeks to improve the transparency of costs and returns, strengthen the risk management practices of institutions and remove barriers to more efficient investments. The review of the PEPP Regulation aims to make the PEPP more attractive and accessible to both financial service providers and savers, as the savings product has proven to be unsuccessful so far. The proposed amendment simplifies the development of a more modern PEPP basic product and allows additional PEPP investment options to be designed in a way that better satisfies the risk preferences of the target consumer groups and the specific market characteristics. The amendments will enable PEPP investments to support the funding of EU businesses more effectively in line with the EU's strategic priorities, including through instruments under the InvestEU programme that promote digital and green transition. The amendments to the PEPP Regulation may encourage large European service providers to offer portable individual pension products to a broader range of customers through cross-border activities. If Hungary does not react to these developments, it may face a deterioration in the competitiveness of its domestic capital market and supplementary pension scheme, while domestic supplementary pension products may become exposed to the risk of product cannibalisation. The entry of large European service providers into the domestic market may divert active savers from Hungarian supplementary pension products, and, as a result, a smaller share of these savings would be invested in the domestic market and would therefore make less contribution to the development of the Hungarian economy than would be desirable. The SIU initiative therefore represents both a catalyst for change and an opportunity for the further development of Hungary's pension fund and life insurance sectors. Development of voluntary pension funds could generate substantial additional savings, helping to fund the general government, businesses, green and infrastructure public investments, while providing a domestic source of funds to support a high level of investment. A similar impact could also be achieved through life insurance products by encouraging investment in the proposed securities (long-term government securities issued on preferential terms for institutional investors and infrastructure bonds).

In November 2025, the Commission also issued a Recommendation on the Pension Tracking Systems, Pension Dashboards and automatic enrolment. The Commission recommends that Member States establish a pension tracking system. The system should provide a unified, nationwide and free service that provides individuals with an overview of their accrued pension funds across all pension schemes they have ever been enrolled in. The Recommendation calls on Member States, when establishing their national pension tracking systems, to ensure that both their technical infrastructure and legal framework are compatible with future integration into a European pension tracking service, thereby supporting labour mobility within the EU and the cross-border exchange of individual pension information. The Commission also recommends that Member States establish comprehensive national Pension Dashboards to regularly monitor the overall adequacy and sustainability of their multi-pillar pension systems, as well as inequalities in individual pensions. The Recommendation identifies the following key data to be included in the Pension Dashboard: the number of members enrolled in supplementary pension schemes, contributions paid, accumulated claims, the liabilities and assets of pension schemes, investment yield, costs and fees and service payments. The Commission recommends that Member States, taking into account their national characteristics, enable and promote the introduction of automatic enrolment into supplementary pension schemes. Automatic enrolment should be introduced in a manner that does not jeopardise the integrity of well-functioning government or supplementary pension schemes. The Recommendation highlights the importance of comprehensive consultation with the social partners and stakeholders, effective communication campaigns, and ongoing transparency measures.

According to the Recommendation, to prevent individuals from having to make too many complex decisions during the automatic enrolment process, Member States should, as a good practice, restrict the range of options available regarding elements such as contribution levels, investment portfolios or products, investment strategies, and payout arrangements.

The investment strategy options should consider individual risk preferences. Individuals willing to assume a higher level of risk in pursuit of better long-term returns should be provided with the opportunity to do so. The Recommendation suggests that Member States consider introducing good practices such as flat-rate subsidies for low-income individuals, tax incentives to promote high participation rates, care-related pension credits to reduce gender pension inequality, contribution top-up options and fair conditions for early withdrawal in cases of individual financial hardships.

3.3 HEALTH AND MUTUAL AID FUNDS

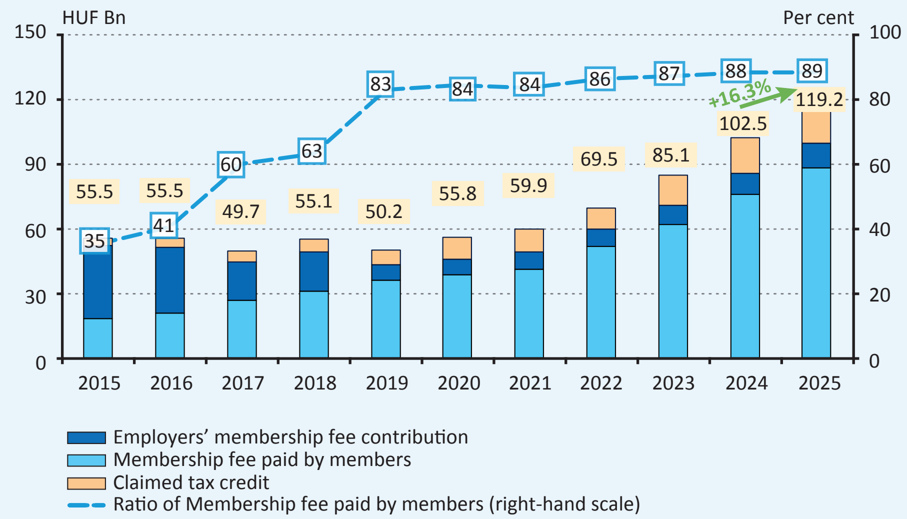
3.3.1 Considerable Increase in Contributions in the Health and Mutual Aid Sector

Revenues received by health and mutual aid funds and credited to the coverage reserve (HUF 119.2 billion) increased significantly, rising by 16.3 percent in 2025 compared to 2024. Following an increase of 16.3 percent, membership contributions amounted to HUF 88.2 billion. Employers' contributions amounted to HUF 11.4 billion, showing an increase of 13.8 percent over 2024. Following growth of 17.9 percent, the amount transferred by the tax administration amounted to HUF 19.5 billion.

The sector-level amount of individual membership contributions was nearly five times the amount paid ten years before and is rising steadily. The ratio of individual and employer contributions in the sector has reversed in the past decade, with particular emphasis now placed on individual membership contributions. The amount of employers' contribution dropped in 10 years – not only in terms of its proportion of the total amount of contributions, but also in terms of its amount – which may have been partly a result of the termination of the tax advantage of cafeteria benefits in comparison to wages. The increase that has taken place since is the result of an upswing in individual membership contribution revenues.

Seasonality continues to be a typical feature: a large share of members' contributions is concentrated in the last quarter, partly as a result of the funds' campaigns aimed at recruitment and contribution. 42 percent of individual contributions were received in the last quarter. The quarterly volatility of employer contributions was lower, but their amount was nonetheless also the largest in the fourth quarter.

Chart 3.16
Membership fee income credited to the health and mutual aid funds' coverage reserves, broken down by payers and claimed tax credit



Source: MNB.

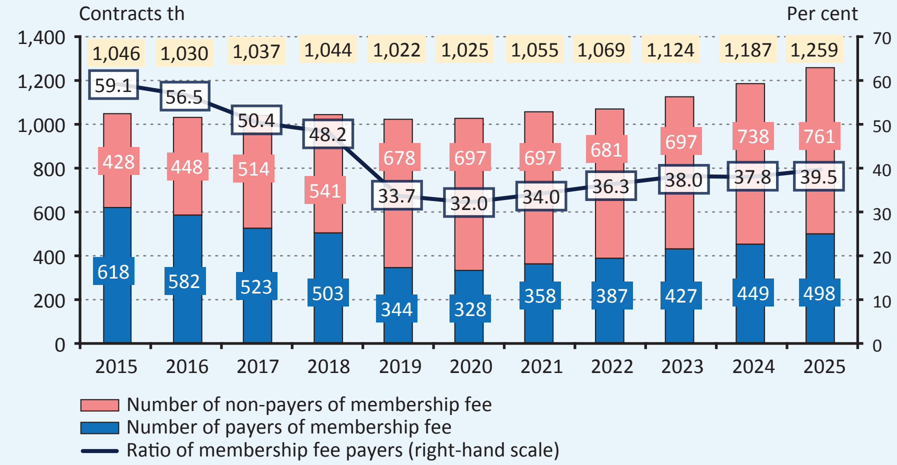
3.3.2 Membership Increased Again, while the Number of Membership Contribution Payers Rose

The membership of the health and mutual aid fund sector in 2023 exceeded the membership of the voluntary pension funds sector and the difference continued to rise in 2024 and 2025. The membership of the health and mutual aid fund sector numbered 1,259,000 at end-2025, which is 6.0 percent (71,500 members) higher than at end-2024. The membership is more than 200,000 higher than ten years ago.

The number of new entrants (103,300) was up 19.4 percent relative to the previous year, with three-quarters recruited by membership organisers. The number of members exiting (17,600) was 16.9 percent higher than in 2024.

The proportion of members paying contributions was 39.5 percent in 2025 Q4, 1.7 percent higher than at the end of the previous year. Thus, the proportion of non-paying members is considerable and the consequences of non-payment are determined by the funds themselves (e.g. deduction from the returns of the part of the standard membership contribution that can be used for operation and liquidity, termination of membership).

Chart 3.17
Developments in the number of members paying health and mutual aid fund membership fee



Source: MNB.

3.3.3 Significant Increase in Benefit Payments by Health and Mutual Aid Funds

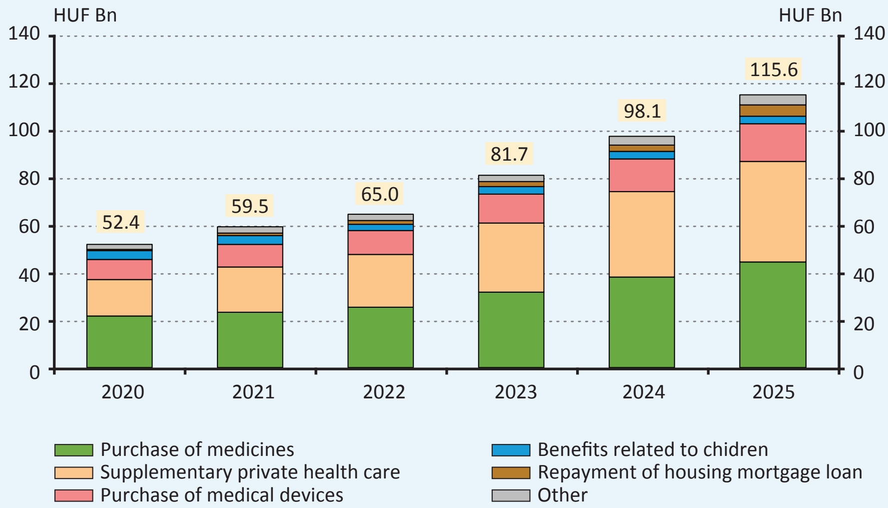
The voluntary healthcare financing sub-systems are dominated by the healthcare-related expenditures of voluntary health and mutual aid funds. The amount of payouts has increased significantly in recent years and inflation may also have contributed to this trend, as reflected in the consumer price index[29] for the '6. Health' category published by the HCSO. In addition, the number of benefit payments (cases), membership and the number of beneficiaries have also increased, providing further explanation for the rise in payouts. The increase may be attributed also to the fact that the amendment to the Mutual Funds Act taking effect on 1 July 2025 eliminated the 180-day waiting period for utilising contingency benefits. As a result, following a contribution, the member's balance can immediately be used for benefits such as child birth-related payments, housing loan repayment or school-start support.

The benefit payments of health and mutual aid funds (HUF 115.6 billion) increased by 17.8 percent (HUF 17.5 billion) in year-on-year terms. There were no significant changes in the composition of benefits. In 2025, the largest share of payouts continues to be subsidies for the purchase price of pharmaceuticals, with a share of 38.7 percent. This is followed by the financing of complementary private health care benefits (such as dental benefits or diagnostic imaging) with a proportion of 37.1 percent, and subsidies for the purchase price of therapeutic equipment with a share of 13.8 percent. The share of child-related benefits remained at 2.8 percent, in line with the previous year. An increase of more than 1 percentage point (from 3.1 percent to 4.2 percent) was recorded only in the benefit category supporting the repayment of mortgage loans, but this amount remained insignificant (HUF 4.9 billion).

[29] 1.1.1.5. Consumer price indices according to the Classification of Individual Consumption by Purpose (COICOP 2013)

For healthcare funds, it is a strategic question to what extent they can channel a share of the significant out-of-pocket expenditures directly financed by households into institutional financing, through an attractive service structure, financial education and raising awareness of the benefits offered by the funds.

Chart 3.18
Developments in the health and mutual aid funds' benefit payments



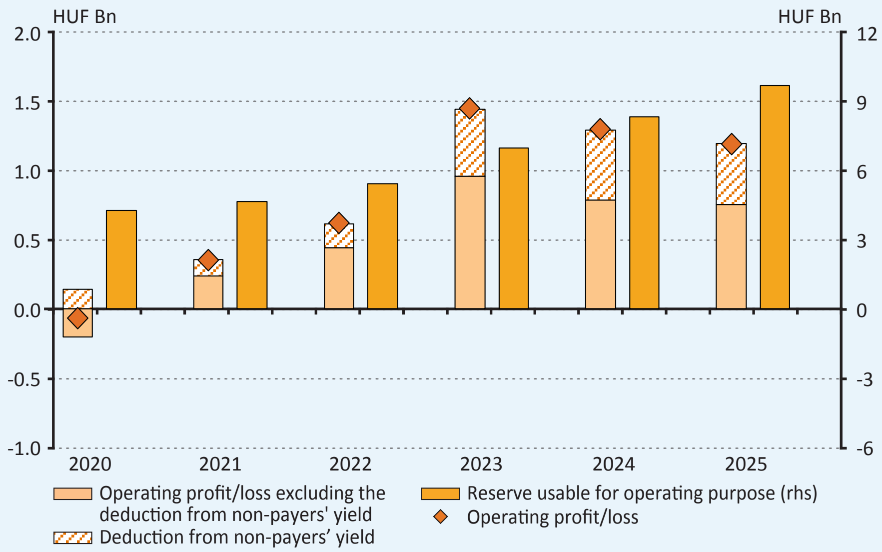
Source: MNB.

3.3.4 Positive Operating Income, Adequate Reserve Level

Health and mutual aid funds realised an operating profit again in 2025, in the amount of HUF 1.2 billion. Nine out of 15 institutions recorded positive operating income in 2025. The deduction of returns from non-paying members amounted to HUF 0.4 billion, but the sector would still have realised a profit without this.

In 2025, the amount of operating reserves increased from HUF 8.3 billion to HUF 9.6 billion. As of end-2025, the operating reserves available could have covered 14.8 months of operations if the sector had generated no income. While this is lower than the coverage at end-2024 (15.1 months), it is still sufficient for stable and secure operations.

Chart 3.19
Development of operating profit/loss of voluntary health and mutual aid funds



Source: MNB.

3.4 FUNDS MARKET RISKS

3.4.1 Sector Remains Stable, With Risks Still Present

Table 3.2
Risks of voluntary funds markets

Risk category	Risk groups	Risk rating	Risk outlook	Evaluation
Business model	Environment Strategy, business plans Sustainability of operation	🟠	⬈	Geopolitical uncertainty continues, tensions remained persistent Inflation fell at the end of 2025 and beginning 2026, but pressure may increase during the year Slow GDP growth Fund membership grows, positive operative result, adequate operational coverage Real estate benefits did not pose operational and liquidity risks *Personal income tax benefits may weaken the motivation to pay membership fees* *Current DÁP (Digital Citizenship Program) regulation on pension funds has significant costs, so a reduction in risks is not expected in the medium term*
Corporate governance	Exercise of owner's rights Internal governance Risk management system Internal control	🟠	⬊	Funds' internal control systems need to be strengthened Raising the upper limit on commission for the enrolment of new members *Improved financing opportunities to increase and rejuvenate membership, building a strategy*
Financial and operational risk	Insurance risk Investment risk of operational and liquidity reserve Operational risk	🟠	⬊	Voluntary pension fund cash flows are negative due to real estate benefits Growing space for financing the operations Operational risks in IT, accounting, data provision, member settlements *Cash flow balance may consolidate, due to the termination of the real estate benefit*
Sustainability and reserve risk	Coverage reserve investment risk Capital Operating and liquidity reserve	🟡	➡	Increasing membership fees and positive investment result offset real estate payments, resulting in an increase in the coverage reserve Largest increase occurred in the proportion of mutual funds *Assets under management may continue to grow due to investment results and increasing payments*
Market entry risk	Products Customers	🟡	⬊	Voluntary funds products are cost-effective Elimination of the 180-day waiting period for mutual fund benefits Number of complaints increased in 2025 Q1, due to real estate benefits, and then normalised to the previously usual level and did not rise significantly in 2025 Q3 and 2025 Q4 Funds handled increased benefit payment requests successfully 2025 investment result further improved the fund sector's reputation *Increased supervisory attention to the adequacy of member information and the operation of customer service and call centres*

Legend:

Degree of risks	*high* 🔴	*significant* 🟠	*moderate* 🟡	*low* 🟢
Direction of risks	*increasing* ⬈	*stagnant* ➡	*decreasing* ⬊	

Source: MNB.

Geopolitical uncertainty and tensions (war with Iran) remained persistent. Inflation declined towards the end of 2025 and in early 2026, but inflationary pressures may mount during the year. GDP growth remained subdued in 2025. Both the pension fund and healthcare fund sectors recorded an increase in membership, had a positive operating income, and maintained adequate operational covering and loss-absorbing capacity. The real estate-related benefit did not result in an operating and liquidity risk. The risk is that the PIT allowances for mothers with multiple children may weaken incentives to make contributions; furthermore, compliance with the current Digital Citizenship Programme (DÁP) requirements entails significant costs, and a reduction in these risks is not expected over the medium term.

The internal control systems of the funds require further strengthening: the activities of the audit committees and the documentation of such activities should be enhanced; furthermore, audit committees fail to consistently perform comprehensive statutory duties, in particular with respect to the annual review that establishes whether outsourced activities were carried out in accordance with applicable contractual provisions. In the future, the option to utilise the unused portion of the trustee fee cap for operational purposes (e.g. recruiting) could incentivise funds to adopt strategies aimed at expanding and rejuvenating the membership. The ceiling on member recruitment commission has been increased as a measure to incentivise recruitment and to increase the number of new entrants.

The voluntary pension fund cash flow balance was negative, due to the real estate-related payouts. At the sector level, reserve levels remained adequate, providing greater room for financing operations. Operational risks continue to arise in the areas of information technology, accounting, data reporting and member settlement. The phase-out of the real estate-related benefit may result in the pension fund sector's cash flow balance turning positive.

Growth in credited revenues and positive sector-level investment gains offset the real estate-related payouts, and, as a result, coverage reserve increased. Government securities continued to account for the largest share of investments, while investment fund shares recorded the largest increase. Assets under management may continue to increase, as a result of positive investment profits and rising contributions.

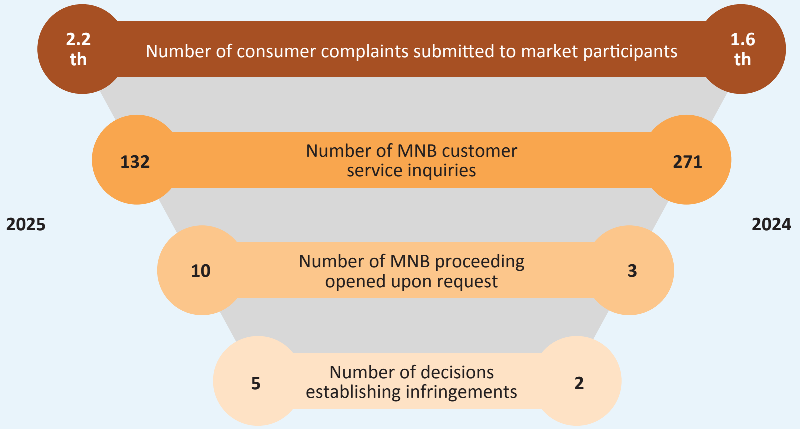
The fund products operate cost-effectively. The amendment to the Mutual Funds Act taking effect on 1 July 2025 aimed at simplifying the use of contingency benefits provided by health and mutual aid funds eliminated the 180-day waiting period for utilising contingency benefits. As a result, following a contribution, the member's balance can immediately be used for benefits such as child birth-related payments, housing loan repayments or school-start support. Therefore, these types of benefits are expected to account for an increasing share of the benefits portfolio. Even though the number of complaints increased in 2025 Q1 due to real estate-related payouts, it later stabilised at the usual level and did not increase significantly in either the third or fourth quarters. The funds successfully managed the higher volume of payment requests, and no disruptions to their services were observed. Returns observed in 2025 further improved the reputation of the fund sector. Supervisory attention has intensified with regard to the adequacy of member communications, as well as the operation of customer service functions and call centres.

3.5 CONSUMER PROTECTION IN THE FUNDS SECTOR

3.5.1 Complaints and Requests Related to the Funds Sector

The number of complaints remains low relative to the membership and size of the sector. The number of complaints received by pension, healthcare and mutual aid funds market participants increased, primarily driven by a rise in complaints relating to benefits (settlement and payments). The number of consumer enquiries received by the MNB concerning pension funds declined compared to the previous period, while the number of consumer submissions requesting an inspection increased in 2025. Consumer complaints mainly concerned the funds' complaint-handling practices, the establishment of membership, and the settlement and payment of benefits.

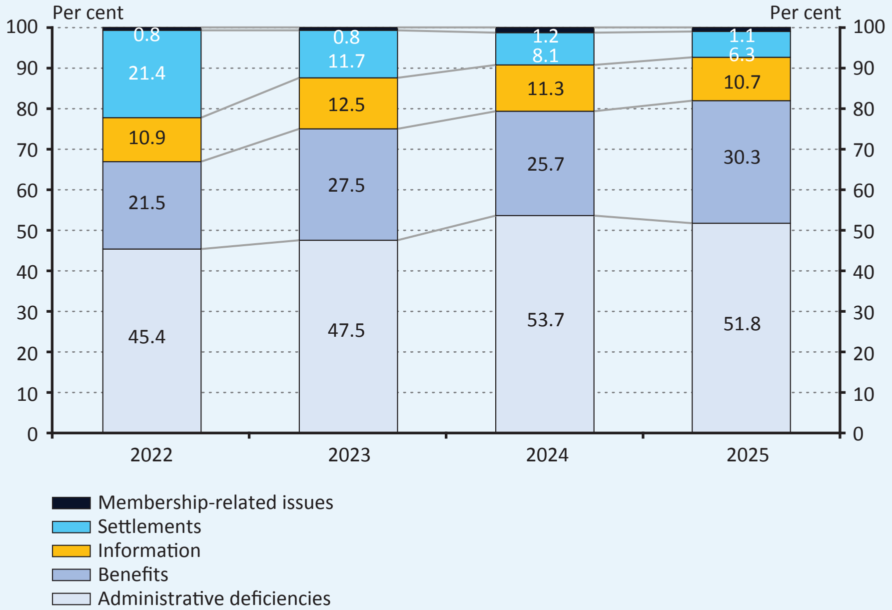
Chart 3.20
Pension, healthcare and mutual aid funds market complaints and requests



Source: MNB.

The majority of complaints fell within the category of administrative deficiencies. Members most frequently complained about the failure to deliver, or delays in the delivery of, healthcare fund cards, while recurring IT system issues, such as the unavailability of online member portals and login problems, also fell into this category. The second most significant category comprised complaints relating to benefits, including the reimbursement of submitted healthcare invoices and difficulties associated with payments from private pension funds, such as those made for housing-related purposes in 2025. A modest increase was observed in the latter type of complaint compared to previous years, which can be attributed to the higher level of utilisation of this benefit. The number of complaints relating to settlements has shown a steady decline since 2022 (currently accounting for approximately 6 percent of all complaints), indicating improvements in the accuracy and efficiency of funds' settlement systems. The number of complaints relating to inadequate information and to the establishment or termination of membership remained low, with these categories showing broadly stable trends in recent years.

Chart 3.21
Distribution of complaints submitted to funds categorised by type, over the last 4 years



Source: MNB.

3.5.2 Consumer Protection Risks in the Funds Sector

The risks identified in consumer protection proceedings initiated upon request primarily relate to the information and communications provided by pension, healthcare and mutual aid funds. The transparency of costs may present challenges for members, as some requests submitted to the supervisory authority indicate that members were not fully aware that charges would be deducted from their contributions, nor of the amount of such deductions. The level of operating costs is set out in each fund's statutes. Therefore, to avoid potential disputes regarding subsequent settlements, it is essential to study the statutes before joining the fund.

In some cases, supervisory inspections found misleading or incomplete information provided to members regarding the payment of membership contributions. In these cases, the fund presented the obligation to pay membership contributions during the sales process as an optional choice or as a requirement that could be disregarded without consequences. Such information was inadequate, as members undertake an obligation to pay membership contributions under the fund's statutes, which they accept upon joining the fund.

Pursuant to the provisions of the Voluntary Mutual Insurance Funds Act,[30] pension funds were required to provide their fund members with information on the balance available for housing-related purposes and, as part of that communication, to draw fund members' attention to the practical implications of the statutory provisions governing such use. Pension funds fulfilled this disclosure obligation first by 31 December 2024 and subsequently by 31 March 2025. Furthermore, in a management circular,[31] the MNB required the funds to strengthen their customer service functions and call centres in order to respond effectively to the expected increase in member enquiries relating to the real estate-related benefits.

[30] Act XCVI of 1993 on Voluntary Mutual Insurance Funds (Voluntary Mutual Insurance Funds Act).
[31] https://www.mnb.hu/letoltes/vezetoi-korlevel-onkentes-nyugdijpenztari-megtakaritasok-ingatlancelu-felhasznalasa-2024.pdf

4 Capital market and associated risks

In 2025, the value of client securities portfolios managed by investment service providers and the assets under management of investment funds in the Hungarian capital market continued to increase, while capital market turnover declined. In 2025, the number of investment service providers operating in the domestic capital market increased by one, bringing the total to 30. At end-2025, the client securities portfolio managed by investment service providers amounted to HUF 83,645 billion, of which HUF 73,855 billion was held at credit institutions and HUF 9,790 billion at investment firms; this exceeded the 2024 portfolio of HUF 73,372 billion by 14 percent. The number of client securities accounts maintained by investment service providers rose by 9 percent in 2025. In 2025, investment service providers – including credit institutions providing investment services and investment firms – generated total capital market turnover of HUF 1,177.1 trillion, representing a 10.6-percent decrease compared to the total capital market turnover recorded in 2024.

Table 4.1
Key data of investment service providers

Investment service sector	2024			2025		
	Credit institutions	Investment firms	Total	Credit institutions	Investment firms	Total
Number of institutions	17	12	29	17	13	30
Customer securities portfolio (HUF bn)	65093	8279	73372	73855	9790	83645
Number of securities accounts managed (thousand)	1741	335	2076	1836	427	2263
Capital market turnover (HUF bn)	1239708	76364	1316072	1117151	59909	1177061
Profit after tax (HUF mn)		30136			35853	
Solvency capital/Capital adequacy ratio (percent)		394%			290%	

Note: The number of institutions includes institutions subject to partial and other forms of prudential supervision, including branch offices.
Source: MNB

At the end of 2025, the 55 supervised investment fund managers oversaw assets totalling HUF 27,096 billion, which exceeded the 2024 level by 14.7 percent and reached a new historical high. The growth was primarily driven by a surge in the net asset value of investment funds, which rose by 16.3 percent to HUF 21,440 billion in 2025, while the assets of the other managed portfolios also expanded. The increase in the net asset value of investment funds was attributable in roughly equal measure to net capital inflows and investment returns. Accordingly, the aggregate profit after tax of investment fund managers also increased significantly, reaching nearly HUF 121 billion in 2025.

Table 4.2
Key data of investment fund managers

Investment fund management sector	2024	2025
Number of institutions	49	55
Number of funds managed	759	784
Volume of assets managed (HUF bn)	23621	27096
Profit after tax (HUF mn)	95316	120933

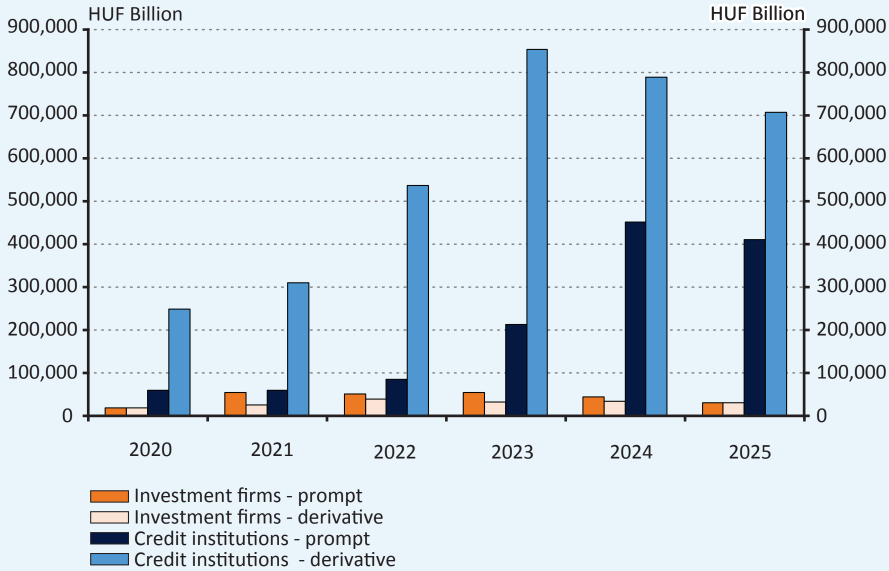
Source: MNB

4.1 INVESTMENT SERVICES MARKET: TURNOVER AND ASSETS UNDER MANAGEMENT

4.1.1 Capital Market Turnover Declined in 2025

In 2025, investment service providers – including credit institutions providing investment services and investment firms – generated total capital market turnover of HUF 1,177.1 trillion, representing a 10.6-percent decline compared to the figure of HUF 1,316.1 trillion recorded in 2024, while remaining above the levels observed in 2023 and earlier years. The capital market turnover of credit institutions fell by 9.9 percent to HUF 1,117.2 trillion, whereas the capital market turnover generated by investment firms declined by 21.6 percent to HUF 59.9 trillion from HUF 76.4 trillion in 2024. It should be noted that the decline observed among investment firms was primarily attributable to the withdrawal of a large, internationally-backed investment firm from the domestic capital market in 2024. The decline was observed across all market segments – with the exception of exchange-traded derivatives – including exchange-traded prompt transactions, over-the-counter prompt transactions and over-the-counter derivatives (Chart 4.1).

Chart 4.1
Developments in capital market turnover



Source: MNB.

The 2025 decline in credit institutions' capital market turnover was attributable to developments in the over-the-counter prompt and derivatives segments: in 2025, over-the-counter prompt turnover amounted to HUF 406.8 trillion, down 9.4 percent versus the previous year, while over-the-counter derivatives turnover totalled HUF 694 trillion, showing an 11.3-percent decrease relative to 2024. By contrast, the exchange-traded turnover of credit institutions increased overall in 2025, as the exchange-traded prompt turnover of HUF 2.9 trillion was 5.1 percent higher than one year earlier, while exchange-traded derivatives turnover more than doubled to HUF 13.5 trillion.

Investment firms' capital market turnover declined across all capital market segments in 2025. The exchange-traded prompt turnover of investment firms fell by one-half in 2025, with the HUF 9.6 trillion turnover recorded in 2025 standing 49.5 percent below the HUF 19.0 trillion recorded in 2024; the sharp decline in exchange-traded prompt turnover was attributable to transmitted turnover,[32] which was primarily affected by the withdrawal of a large, internationally-backed investment firm from the domestic capital market in 2024. By contrast, the executed component of the exchange-traded prompt turnover of investment firms increased strongly, with turnover reaching a new all-time high of HUF 8.8 trillion in

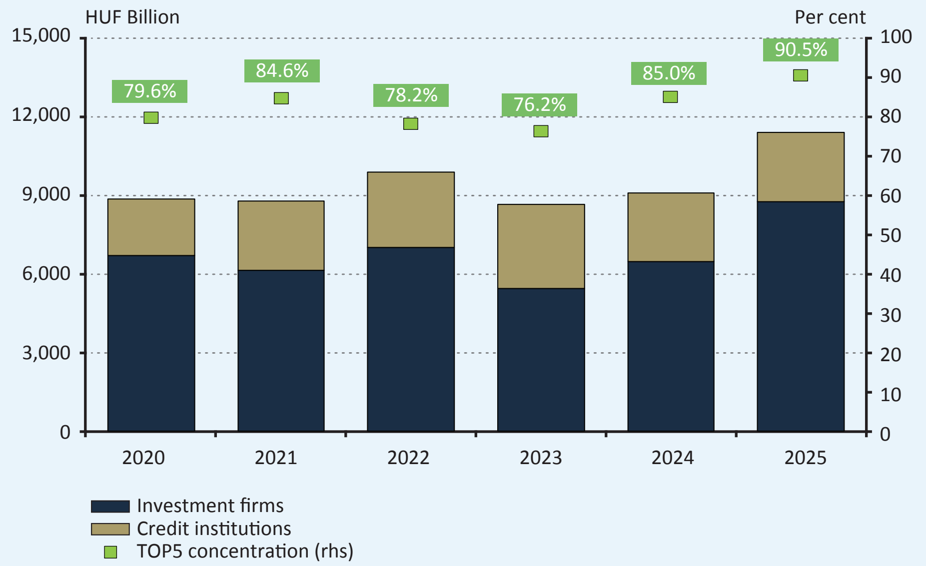
[32] 'Transmitted turnover' includes those transactions where the client order received by the investment service provider is not executed by the provider itself but is forwarded to another investment service provider which carries out the execution.

2025, up 34.9 percent on the previous year's level. A similarly pronounced decline was observed in the exchange-traded derivatives turnover of investment firms, which fell by 22.9 percent to HUF 5.1 trillion in 2025. A more moderate decline was recorded in over-the-counter prompt turnover, which decreased by 17.1 percent from HUF 24 trillion in 2024 to HUF 19.9 trillion in 2025, while over-the-counter prompt turnover amounted to HUF 25.3 trillion, 5.2 percent lower than in 2024. The dynamics of the executed and transmitted turnover of investment firms moved in opposite directions in 2025: executed turnover rose by 8.8 percent to HUF 54.5 trillion, while transmitted turnover fell by 79.4 percent to HUF 5.4 trillion; the latter decline was explained by the withdrawal of a large, internationally-backed investment firm from the domestic capital market.

4.1.2 Growth in Exchange-traded Turnover

In 2025, the exchange-traded prompt turnover[33] of investment service providers increased by 25.3 percent to HUF 11,416 billion, reaching a new all-time high and exceeding the levels recorded in all previous years. The increase was driven primarily by investment firms, whose exchange-traded prompt turnover rose by 34.9 percent to HUF 8,758 billion, while the 1.6-percent growth recorded for the exchange-traded prompt turnover of credit institutions was considerably more moderate. In 2025, the share of investment firms in total exchange-traded prompt turnover increased significantly, rising by 5.4 percentage points to 76.7 percent. As in the previous year, the five investment service providers with the largest exchange-traded prompt turnover in 2025 comprised three investment firms and two credit institutions, with their composition remaining unchanged and only their ranking changing. The concentration of exchange-traded prompt turnover increased further in 2025, with the combined market share of the five investment service providers generating the highest exchange-traded prompt turnover rising by 5.5 percentage points, from 85 percent in 2024 to 90.5 percent (Chart 4.2).

Chart 4.2
Stock exchange prompt capital market: turnover and concentration



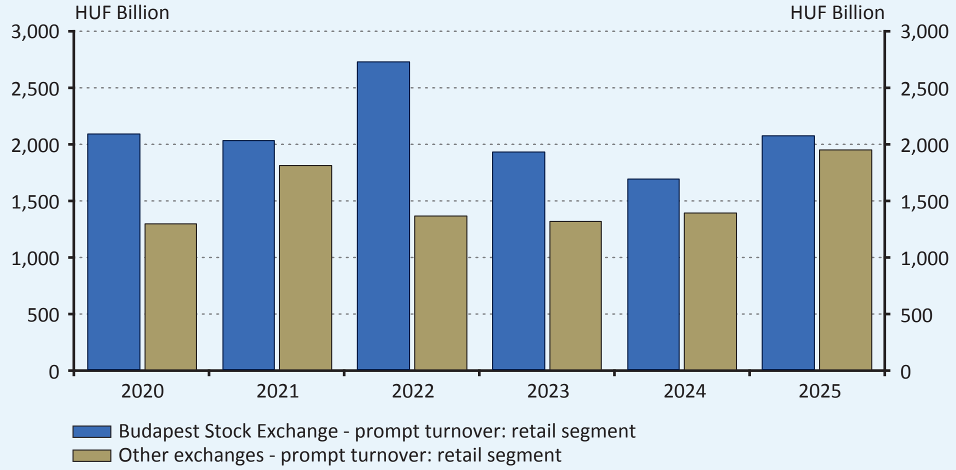
Source: MNB.

Exchange-traded prompt turnover increased strongly in 2025 for both corporate and household clients, with turnover generated by corporate clients rising by 22.2 percent to HUF 7,351 billion, while turnover generated by household clients increased by 31.4 percent to HUF 4,065 billion. On the domestic stock exchange, exchange-traded prompt turnover generated by household clients increased by 22.8 percent to HUF 2,074 billion in 2025, up from HUF 1,689 billion in 2024, while on foreign exchanges, exchange-traded prompt turnover generated by household clients increased at nearly

[33] Executed exchange-traded prompt turnover.

twice the pace, amounting to HUF 1,948 billion in 2025, which was 40.4 percent higher than the previous year's figure of HUF 1,387 billion. In 2025, exchange-traded prompt turnover executed on the domestic stock exchange by non-resident household clients through domestically supervised institutions continued to decline, with the HUF 6 billion turnover recorded in 2025 standing 13.5 percent below the previous year's level. In the case of exchange-traded prompt market turnover generated by household clients, turnover generated on foreign exchanges continued to increase, reaching a 49-percent share of total household exchange-traded prompt turnover by the end of 2025, representing a new all-time high (Chart 4.3).

Chart 4.3
Stock exchange prompt turnover: retail segment



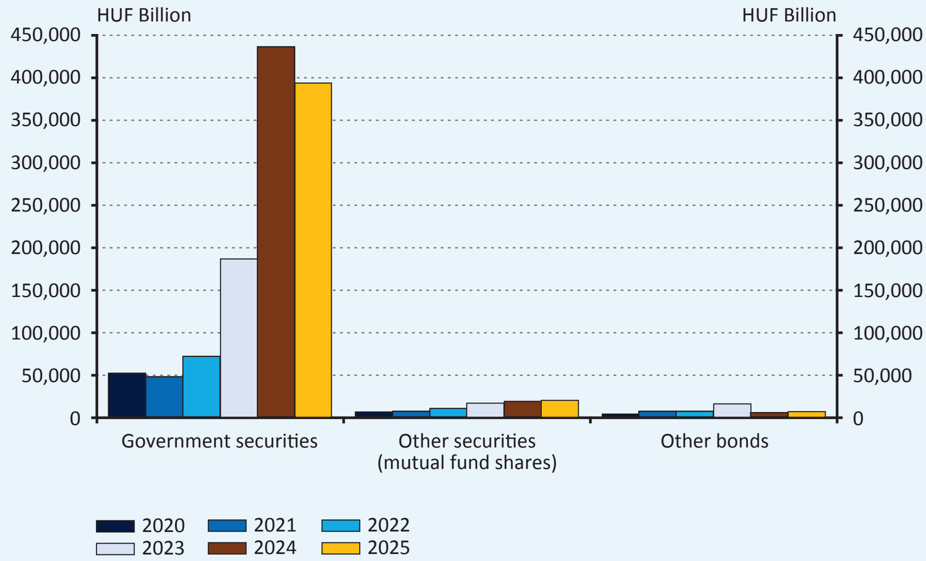
Source: MNB.

In 2025, executed exchange-traded derivatives turnover increased strongly by 18.7 percent, i.e. by approximately HUF 1,940 billion, to HUF 12,290 billion, following the 22.3-percent growth recorded in the previous year, and reached a new all-time high. Contrary to the trend observed in previous years, the concentration of executed exchange-traded derivatives turnover declined in 2025: the share of the five largest investment service providers in executed exchange-traded derivatives turnover fell from 86.8 percent in 2024 to 83.2 percent in 2025 (2020: 72.7 percent; 2021: 72.3 percent; 2022: 73.8 percent; 2023: 77.7 percent). The executed exchange-traded derivatives turnover of credit institutions providing investment services rose by 28.9 percent to HUF 7,203 billion in 2025, from HUF 5,587 billion in the previous year, with the increase primarily attributable to a single institution, while the executed exchange-traded derivatives turnover of investment firms increased by 6.8 percent year on year to HUF 5,087 billion. Accordingly, the share of credit institutions in executed exchange-traded derivatives turnover increased by 4.6 percentage points in 2025, rising from 54 percent in 2024 to 58.6 percent. As in previous years, changes occurred among the five largest investment service providers in terms of executed exchange-traded derivatives turnover in 2025: among investment firms, two institutions dropped out of the top five and were replaced by one new entrant, while among credit institutions, one new institution entered the top five.

4.1.3 Decline in the Over-the-counter Prompt Capital Market Turnover of Credit Institutions

Following six years of continuous, albeit uneven, growth, executed over-the-counter prompt market turnover generated by investment service providers declined by 8.8 percent to HUF 419,287 billion in 2025. The development of turnover was primarily driven by the decrease in the over-the-counter prompt market turnover of credit institutions, as their turnover declined by 9.6 percent to HUF 404,925 billion, while, by contrast, the over-the-counter prompt market turnover of investment firms increased strongly, with the HUF 14,361 billion recorded in 2025 exceeding the previous year's level by 22.9 percent. Accordingly, the dominance of credit institutions in over-the-counter prompt turnover declined, with their market share decreasing from 97.4 percent in 2024 to 96.6 percent in 2025. The number of credit institutions active in the over-the-counter prompt market segment increased from 13 in 2024 to 14 in 2025, while the number of active investment firms declined from eight to seven. The decline in over-the-counter prompt capital market turnover in 2025 was primarily attributable to lower government securities turnover, with over-the-counter government securities turnover amounting to HUF 393,259 billion in 2025, down 9.7 percent versus the previous year. By contrast, over-the-counter prompt turnover in other bonds increased significantly, rising by 19.0 percent from HUF 5,430 billion in 2024 to HUF 6,459 billion in 2025. Although the 6.1-percent growth in the over-the-counter prompt turnover of investment fund shares was less dynamic than that recorded for other bonds, the increase was larger in absolute terms, with over-the-counter prompt turnover in investment fund shares amounting to HUF 19,341 billion in 2025, HUF 1,110 billion higher than in the previous year. As in previous years, all of the five largest investment service providers in terms of over-the-counter prompt turnover were credit institutions in 2025, with one change in the top five (Chart 4.4).

Chart 4.4
Prompt OTC turnover by types of securities



Note: Shares are not included in the chart due to the negligible volume of OTC turnover.
Source: MNB.

4.1.4 Continued Growth in Client Securities Holdings

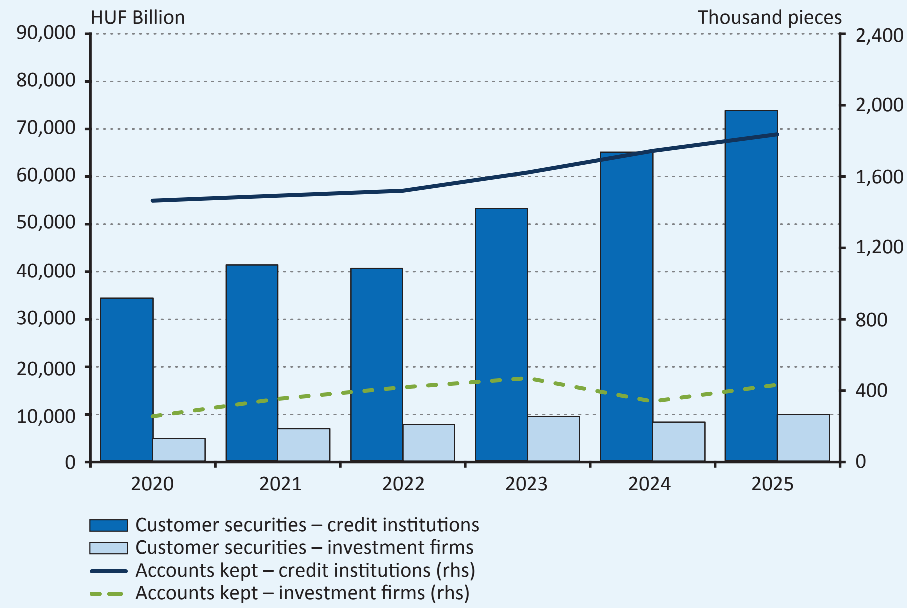
Client securities holdings managed by investment service providers continued to increase in 2025, with the market value of client securities rising by 14 percent, or approximately HUF 10,273 billion, to reach HUF 83,645 billion by year-end. Client securities holdings managed by credit institutions amounted to HUF 73,855 billion at the end of 2025, up 13.5 percent from the HUF 65,093 billion recorded at the end of 2024, with growth observed across virtually the entire sector. Client securities holdings managed by investment firms increased by 18.3 percent: the HUF 9,790 billion recorded at the end of 2025 was HUF 1,511 billion higher than the HUF 8,279 billion recorded at the end of 2024, with the increase primarily attributable to investment firms with large client securities holdings.

The client securities holdings of credit institutions increased in all asset classes in 2025. In line with the overall capital market trends, the strongest growth was observed in equities: holdings at the end of 2025 amounted to HUF 25,622 billion, 21.4 percent higher than in the previous year. This increase was also supported by growing holdings of investment fund shares at credit institutions: at the end of 2025, these holdings amounted to HUF 22,481 billion, up 16.1 percent relative to the figure of HUF 19,364 billion recorded at the previous year-end. Bond holdings followed a similar trend, increasing by 14 percent from HUF 4,678 billion at the end of 2024 to HUF 5,335 billion in 2025. Growth in government securities holdings was more moderate than in the other asset classes, increasing by 1.4 percent to HUF 19,668 billion in 2025.

For investment firms, changes in holdings by asset category varied in 2025, with equities, investment fund shares and bonds increasing, while government securities declined. Equity holdings increased by 15.4 percent, from HUF 2,179 billion in 2024 to HUF 2,515 billion by the end of 2025. Investment fund share holdings increased by approximately HUF 1,151 billion, from HUF 4,525 billion in 2024 to HUF 5,676 billion at the end of 2025, representing a 25.4-percent increase, with growth observed across the sector. Bond holdings increased by 5 percent, from HUF 562 billion at the end of 2024 to HUF 590 billion at the end of 2025. Government securities holdings recorded by investment firms shrank significantly in 2025, falling by 18.7 percent to HUF 597 billion at the end of 2025, HUF 137 billion below the level recorded at the end of 2024, with the decline observed across the sector, but driven primarily by the largest market participant.

In 2025, the number of client securities accounts managed by investment service providers increased strongly by approximately 9 percent to 2.263 million. The number of client securities accounts managed by credit institutions increased by 5.4 percent to 1.836 million, while the number of accounts managed by investment firms grew more dynamically, with the 427,000 accounts recorded at the end of 2025 standing 27.4 percent above the level recorded a year earlier, with around 70 percent of the increase attributable to a single institution (Chart 4.5).

Chart 4.5
Customer securities portfolio

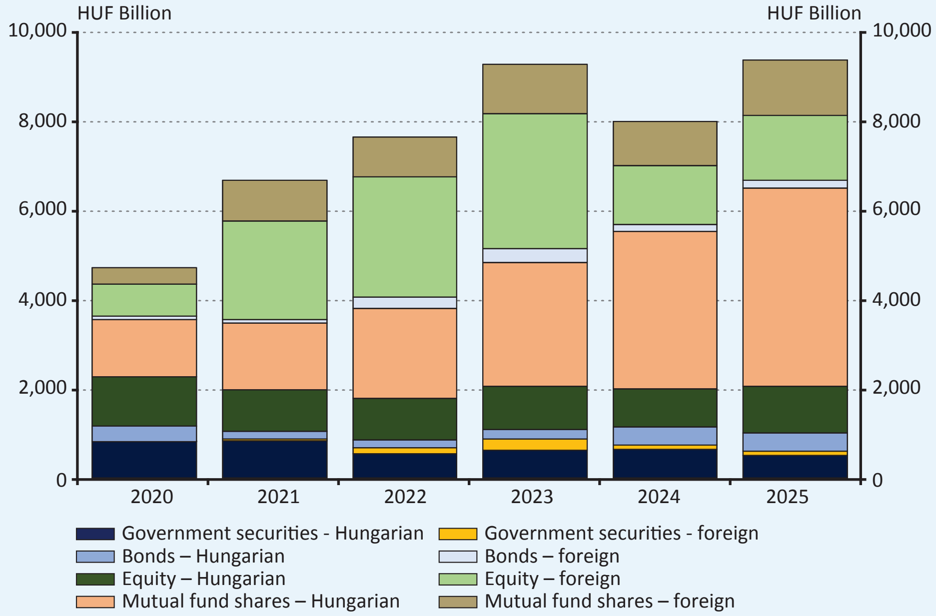


Source: MNB.

4.1.5 No Material Change in the Share of Foreign Issuers in Investment Firms' Client Securities Holdings

In terms of the proportions of the various asset classes within investment firms' client securities holdings, investment fund shares continued to account for the largest share: in 2025, the proportion of investment fund shares increased by 3.3 percentage points to 58 percent, while the ratio of equities declined marginally by around 0.6 percentage points to 25.7 percent. The share of the third-ranked asset class, government securities, declined further by approximately 2.8 percentage points to 6.1 percent in 2025. The asset class of corporate bonds, ranking fourth, saw its proportion decline marginally by 0.8 percentage point to 6 percent in 2025 compared to the previous year. In 2025, no material changes were observed in the domestic-foreign composition of the individual asset classes compared to the previous year, with foreign-issued securities accounting for 34.5 percent of client securities holdings in 2025 (34.4 percent in 2024) (Chart 4.6).

Chart 4.6
Customer securities portfolio by asset classes

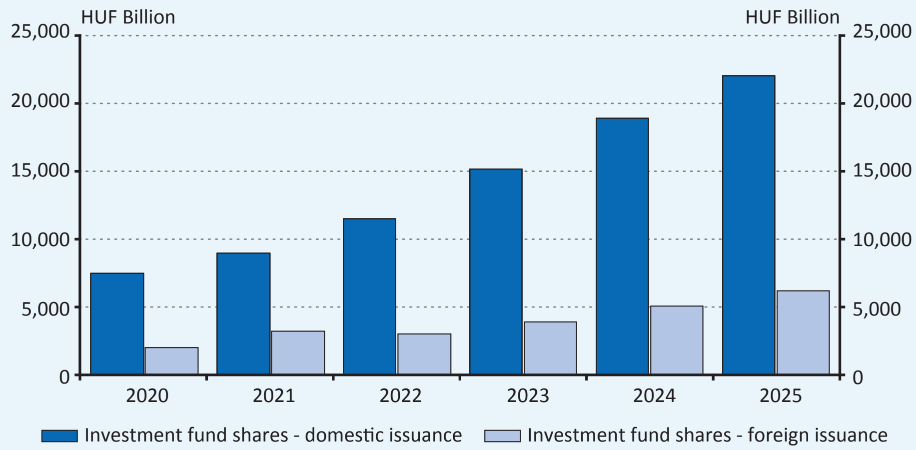


Source: MNB.

4.1.6 Further Increase in the Share of Foreign-issued Investment Fund Shares

Examining the holdings of domestic and foreign investment fund shares recorded within client securities by investment service providers, it is evident that foreign investment fund shares continued to show a higher growth rate in 2025, as holdings of foreign-issued investment fund shares increased by 22.2 percent, from HUF 5,050 billion in 2024 to HUF 6,172 billion in 2025, while holdings of domestically issued investment fund shares rose by 16.7 percent to HUF 21,985 billion. In both cases, growth was typically observed across the sector. For investment firms, the growth rate of domestically issued investment fund shares dropped from 27.5 percent in 2024 to 25.8 percent in 2025, with holdings amounting to HUF 4,442 billion at the end of 2025. Unlike in the previous year, holdings of foreign-issued investment fund shares managed by investment firms increased in 2025: the sum of HUF 1,234 billion recorded at the end of 2025 was 24.1 percent higher than the HUF 994 billion recorded in 2024. For credit institutions, holdings of domestically issued investment fund shares increased by 14.6 percent in 2025, reaching HUF 17,543 billion. Holdings of foreign-issued investment fund shares at credit institutions exhibited even stronger growth, rising by 21.8 percent to HUF 4,938 billion in 2025. The proportion of holdings of foreign and domestically issued investment fund shares increased further, from 26.8 percent in 2024 to 28.1 percent in 2025 (Chart 4.7).

Chart 4.7
Distribution of investment funds in terms of domestic-foreign issuance



Source: MNB.

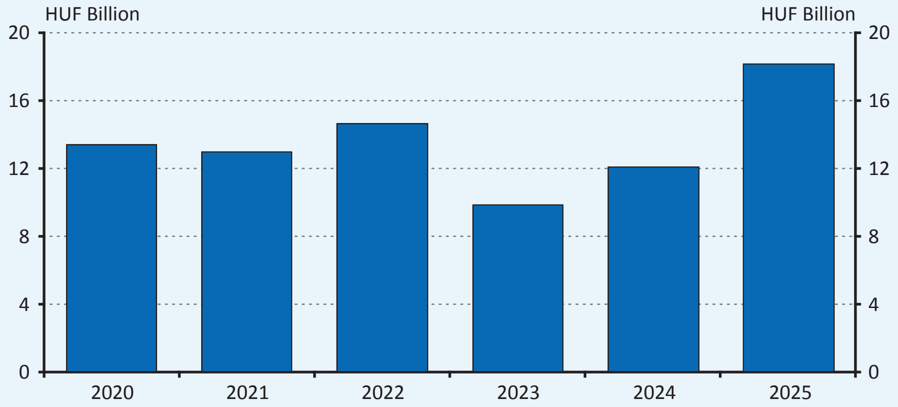
4.2 REGULATED MARKET

4.2.1 Turnover on the Budapest Stock Exchange Increased Strongly in Both Markets

In 2025, trading activity on the Budapest Stock Exchange was characterised by strong growth: total turnover amounted to HUF 7,961 billion in 2025, up 43.1 percent on the HUF 5,565 billion recorded in 2024. The 2025 turnover exceeded the previous all-time high of HUF 7,770 billion recorded in 2022. Growth in 2025 differed across prompt and derivatives turnover: the 2025 prompt turnover of HUF 4,707 billion was 51.8 percent higher than the 2024 figure, while the 2025 derivatives turnover of HUF 3,254 billion was 32 percent higher than in the previous year.

In 2025, the HUF 1,607 billion increase in prompt market turnover was mainly driven by a HUF 1,498 billion (50.7 percent) increase in domestic equities turnover and a HUF 69 billion (58.9 percent) increase in certificate turnover (Chart 4.8). The concentration of trading turnover in the prompt market remained broadly unchanged in 2025: turnover generated by the top five exchange members accounted for 89.1 percent of total prompt market turnover, around 0.4 percentage point lower than in 2024. The composition of the five largest exchange members by prompt market turnover remained unchanged between 2024 and 2025, with only their ranking changing. The HUF 789 billion increase in derivatives market turnover was mainly driven by an increase of HUF 602 billion (28.4 percent) in futures foreign exchange turnover and an increase of HUF 185 billion (88.3 percent) in futures equity turnover. Concentration in the derivatives market remained outstanding in 2025: turnover generated by the top five exchange members accounted for 95.4 percent of total derivatives market turnover, around 1.8 percentage points higher than the figure of 93.6 percent recorded in 2024. The composition of the five largest exchange members by derivatives market turnover remained unchanged between 2024 and 2025, with only their ranking changing.

Chart 4.8
Average daily equity market turnover on the Budapest Stock Exchange

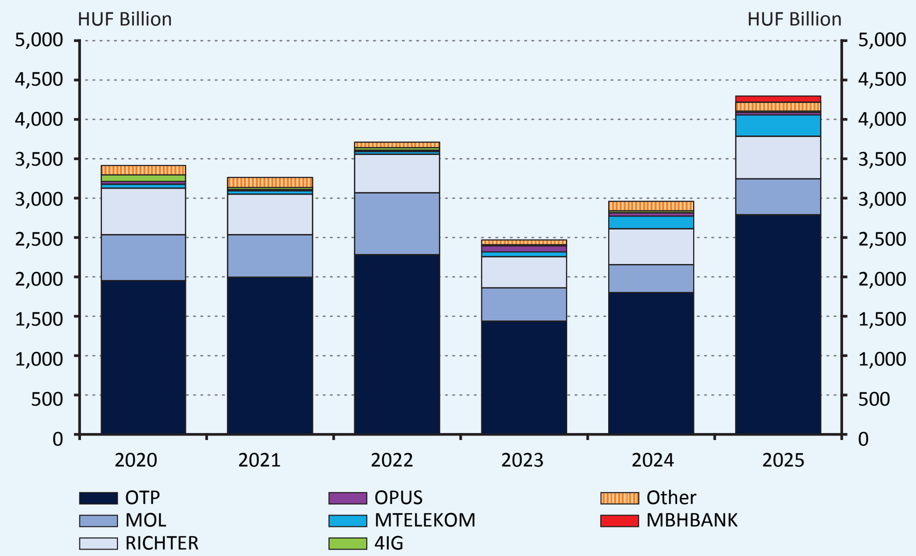


Source: MNB.

4.2.2 Further Decline in the High Concentration of Turnover on the Budapest Stock Exchange

In terms of issuers' equity market turnover, the composition and ranking of the three most traded equities remained unchanged in 2025: OTP retained the leading position with turnover of HUF 2,785 billion, followed by Richter with HUF 543 billion, while MOL remained in third place with HUF 456 billion. The high concentration of the equity market decreased further in 2025: the share of the three largest issuers in total equity market turnover amounted to 85.5 percent in 2025, down by around 3.4 percentage points from 88.8 percent in 2024 (2023: 91 percent). The lower concentration was primarily attributable to the 72.3-percent increase in the turnover of MTelekom shares (2024: HUF 157 billion; 2025: HUF 270 billion), the tenfold increase in the turnover of 4iG shares (2024: HUF 15 billion; 2025: HUF 150 billion) and the surge in the turnover of MBH Bank shares from HUF 1 billion in 2024 to HUF 75 billion in 2025 (Chart 4.9).

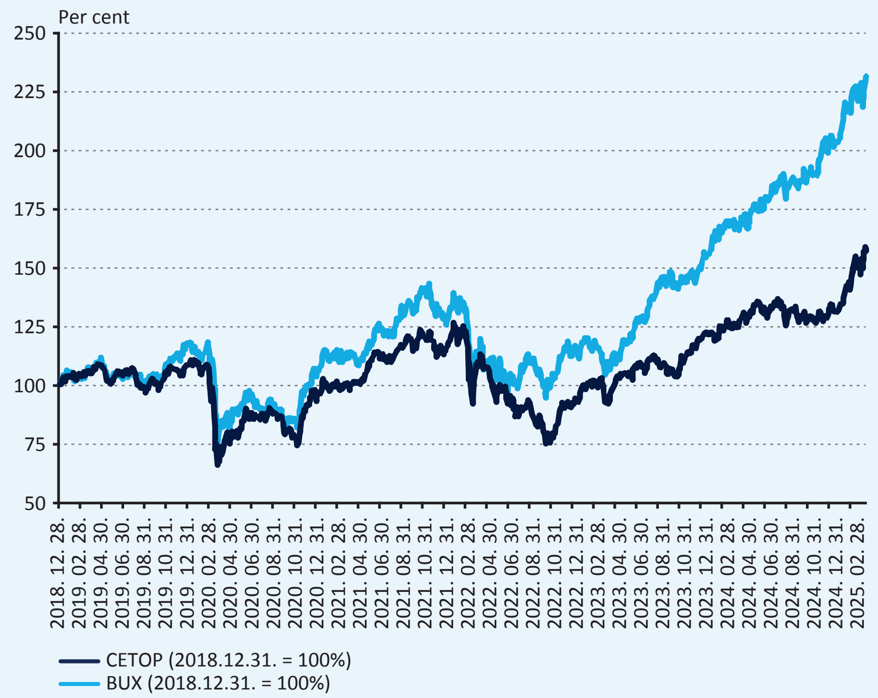
Chart 4.9
Annual stock exchange turnover of issuers



Source: MNB.

After growth of 30.9 percent in 2024, the BUX index continued to rise in 2025, amid optimistic capital market sentiment, advancing from 79,327 at end-December 2024 to 111,032 at end-December 2025 to show an increase of 40 percent. The BUX index reached its annual high on 23 December 2025 with a closing value of 111,047. Notably, 2025 marked the third year in which the annual increase in the BUX index exceeded 30 percent.

Chart 4.10
Changes in the BUX and CETOP indices



Note: CETOP is the Blue Chip Index of Central Europe and includes the 25 Central European equities of the highest capital value and stock exchange turnover.

Source: BSE, MNB.

4.2.3 Three New Equity Listings on BSE Trading Venues in 2025

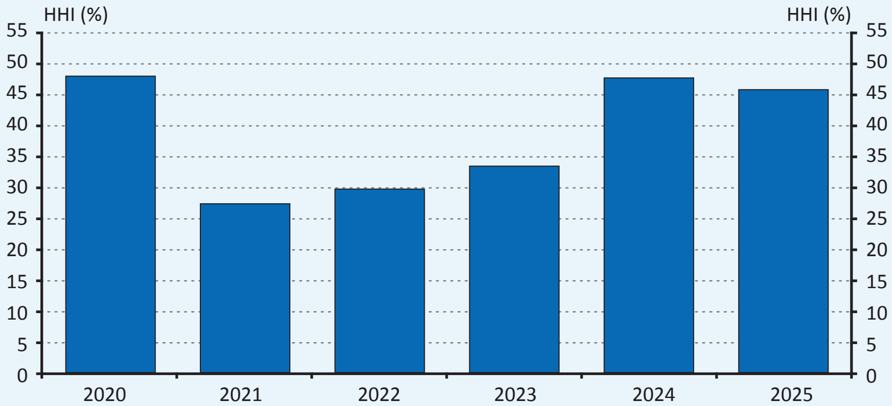
In 2025, the shares of two issuers – Goodwill Pharma Plc and STRT Holding Plc – were admitted to the Budapest Stock Exchange's main market, the Xbud regulated market. Both issuers had previously been listed on the Budapest Stock Exchange's Xtend multilateral trading facility for small and medium-sized enterprises, meaning that the admission constituted a transfer rather than a new listing. In 2025, the shares of three issuers – COOL-AIRCONDITIONAL Plc, Glia Nova Plc and MetMax Europe Plc – were admitted to the Budapest Stock Exchange's Xtend market, while the shares of Goodwill Pharma Plc and STRT Holding Plc were transferred from the Xtend market to the Xbud regulated market. No delistings occurred in 2025.

4.3 RISKS AFFECTING INVESTMENT FIRMS

4.3.1 Lower Market Concentration in the Investment Firm Sector

The concentration of investment firms' client securities holdings, as measured by the Herfindahl-Hirschman Index (HHI), stood at 45.8 percent at the end of 2025, down 1.9 percentage points from 47.7 percent in the previous year. The decline was primarily attributable to the decrease in one investment firm's market share in terms of client securities holdings. The market share of small investment firms contracted in 2025, as the combined market share of the three investment firms with the smallest client securities holdings fell from 1.5 percent in 2024 to 1.2 percent (Chart 4.11).

Chart 4.11
Market concentration of customer securities portfolio

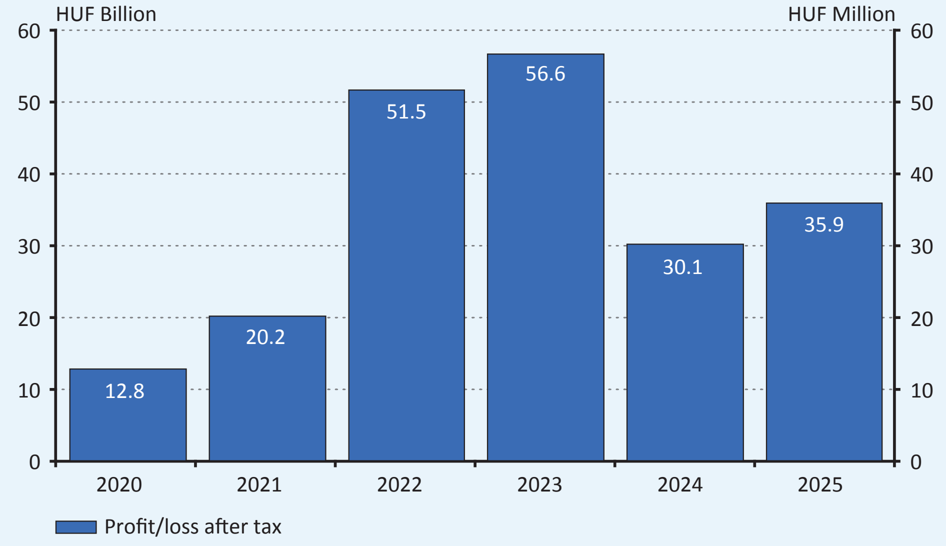


Source: MNB.

4.3.2 Increase in the Sector's Profit After Tax

The profitability of the investment firm sector, including branch offices, rose in 2025: profit after tax amounted to HUF 35.9 billion in 2025, 19.3 percent higher than the HUF 30.1 billion recorded in 2024, with the increase primarily attributable to three investment firms. At the same time, it should be noted that the profit after tax of smaller investment firms declined. Of the 13 investment firms operating at the end of 2025, five recorded an increase in profit after tax, six saw a decrease, one showed no change and one entered the market in 2025. In 2025, breaking the trend of previous years, the sector's earnings concentration declined: the combined profit after tax of HUF 31.3 billion earned by the three market participants with the highest profit after tax accounted for 87.4 percent of the sector's total profit after tax, down from 90.9 percent in 2024 (Chart 4.12).

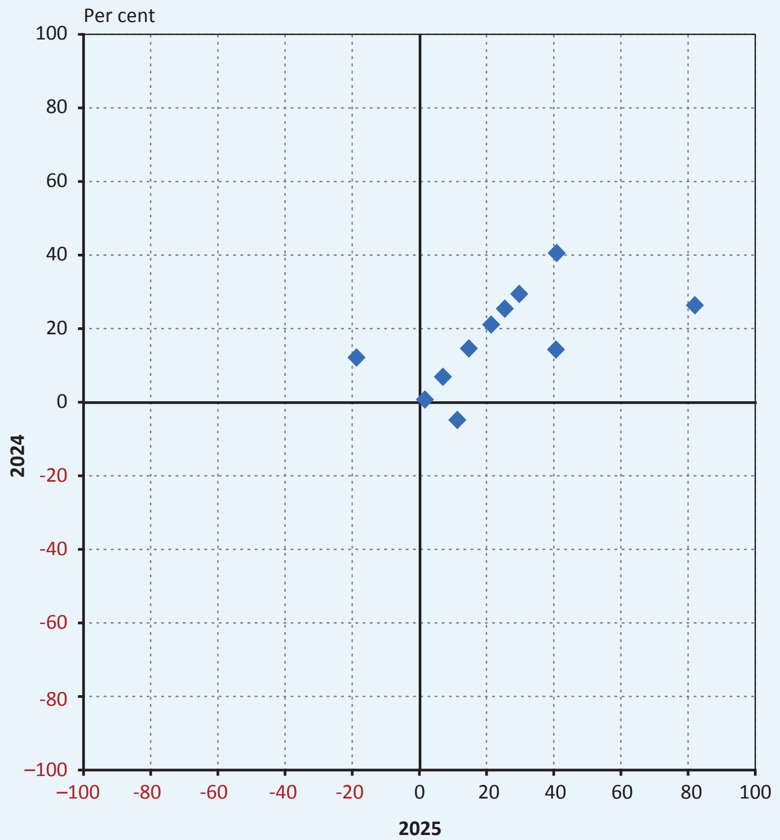
Chart 4.12
Profitability of investment firms



Source: MNB.

Two investment firms reported a loss in 2025. One of the loss-making investment firms obtained its licence in 2025 Q4; accordingly, its negative profit after tax was primarily attributable to start-up costs. The other loss-making investment firm had also reported losses in previous years, with the exception of 2024. The improvement in sector-level income is also reflected in the indicator for after-tax return on equity (ROE): as shown in Chart 4.13, investment firms were clustered to the right of the vertical zero axis.

Chart 4.13
ROE value of investment firms (percent)

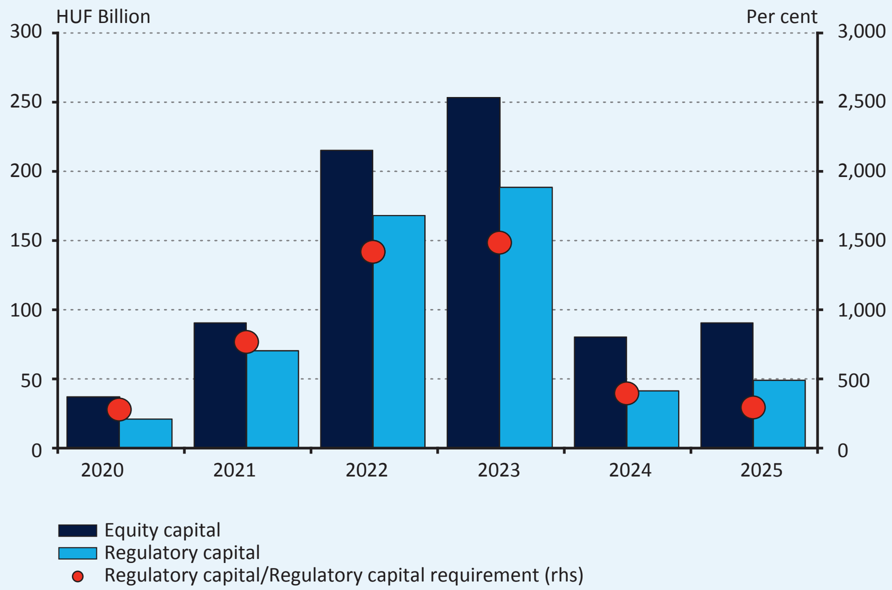


Source: MNB.

4.3.3 Good Capitalisation at Sector Level

Investment firms' equity rose from HUF 80.1 billion in 2024 to HUF 90.4 billion by the end of 2025, an increase of HUF 10.3 billion, while six investment firms recorded a decline in equity. The sector-wide own funds requirement increased by 61 percent from HUF 10.5 billion in 2024 to HUF 16.9 billion in 2025. Own funds available at the end of 2025 amounted to HUF 48.9 billion, 18.2 percent higher than the level recorded a year earlier. In line with the above, the sector-wide capital adequacy of investment firms declined, as the ratio of own funds to the own funds requirement fell from 394 percent in 2024 to 290 percent in 2025; nevertheless, this remains an outstanding level (Chart 4.14).

Chart 4.14
Capital and capital adequacy ratio of investment firms



Source: MNB.

Table 4.3
Sector level risk of investment firms

Risk category	Risk groups	Risk rating	Risk outlook	Evaluation
Market risk	Global geopolitical and financial market events, security and technological challenges	🟠	↗	Geopolitical tensions and security risks at the global level not only increase volatility in capital market trading, requiring institutions to adopt rigorous and effective risk management practices, but can also impact the operational integrity of the IT infrastructure services. Emergence of artificial intelligence may pose a medium- to long-term strategic challenge to business models.
Profitability	Interest rate environment, inflation, international regulation	🟡	→	The business models and profitability of investment firms are stable at the sectoral level, ensuring long-term capital adequacy. However, EU regulatory initiatives aimed at centralising capital markets and the global rise of artificial intelligence may pose challenges to the business models of smaller market players in the medium to long term.
Capital adequacy	Risks associated with own trading book positions Counterparty risk	🟡	→	The capital adequacy ratio of the investment firm sector is favourable and stable. Trading book exposures and counterparty risk are influenced by changes in the yield environment and price volatility; investment firms apply the risk management controls defined in the IFR/IFD on a proportionate basis to manage these factors. Firm-specific liquidity and capital adequacy risks linked to business models may arise, necessitating the imposition of additional requirements. The review of the IFR/IFD regime commenced in 2024, and the EBA and ESMA finalised their package of proposals in late 2025, submitting it to the European Commission.
Regulatory risk	Continuous review of EU capital market regulations, emergence of new regimes	🟠	↗	The evolution of the international capital market regulatory environment presents ongoing business adaptation and implementation challenges for domestic investment firms. One key development in this regard is the change to the CSDR regime, under which the settlement deadline for securities transactions executed on trading venues will shift to the day following execution, effective October 2027. This transition is expected to tie up significant development and testing resources among capital market participants in 2026–2027.

Legend:

Degree of risks — *high* 🔴 *significant* 🟠 *moderate* 🟡 *low* 🟢

Direction of risks — *increasing* ↗ *stagnant* → *decreasing* ↘

Source: MNB.

Overall, it can be concluded that, despite the capital market price movements driven by geopolitical tensions, the profitability and capital position of investment firms remained stable in 2025. The ongoing evolution of the international capital market regulatory environment continues to require business adaptation and poses implementation challenges for domestic investment firms. It should also be noted that the emergence of artificial intelligence may pose a strategic challenge to business models in the medium to long term.

Box 4.1
Shortening of the EU securities settlement cycle

One key element of the regulatory development process aimed at enhancing the competitiveness of the European Union's capital markets is improving the efficiency of securities settlement, including a review of the securities settlement cycle. As part of the review of the CSDR regime, ESMA was mandated to prepare a report assessing the benefits and risks of shortening securities settlement cycles – similarly to the US markets – which was published in November 2024. In the report, ESMA proposed transition from the current T+2 settlement deadline to a T+1 settlement deadline for securities transactions under the CSDR regime, and this intention was confirmed by the European Commission, the European Central Bank and ESMA – the coordinating bodies of the transition project – in a joint statement. According to the current roadmap, transition to the T+1 settlement cycle is scheduled to take place in October 2027, where possible in coordination with the United Kingdom and Swiss markets, by which time the affected market participants – investment service providers, trading venues and professional clients (such as investment fund managers) – will need to be technologically prepared for the change.

The regulatory framework for the transition is set out in Article 5(2) of Regulation (EU) No 909/2014 (CSDR), as amended by Regulation (EU) 2025/2075, and in the proposed amendments to Regulation (EU) 2018/1229 (CSDR RTS). Regulation (EU) 2025/2075, which sets out the textual amendments to Article 5(2) of the CSDR, was published in the Official Journal of the European Union on 14 October 2025, while ESMA published the final draft text of the amendments to the CSDR RTS, setting out the detailed requirements for the transition, in its Final Report on 13 October 2025. The amendments are expected to enter into force in three stages. Of these, it is particularly noteworthy that from 7 December 2026 the information required for settlement will have to reach central securities depositories by 23:59 on the trade date and investment service providers by 23:00 on the same day.

In Hungary, the settlement deadlines of securities – under the currently known regulatory concept – would affect equities trading on the Budapest Stock Exchange as well as transactions executed by investment firms carried out on other EU trading venues. For this reason, as part of its prudential supervision of capital markets, the MNB has closely monitored regulatory developments from the outset and, through direct engagement with investment service providers as part of its ongoing supervisory activities, has encouraged their participation in the market consultation launched by ESMA, as well as the identification and planning of the information technology developments and other measures necessary for transition to the T+1 settlement cycle and the enhancement of settlement efficiency.

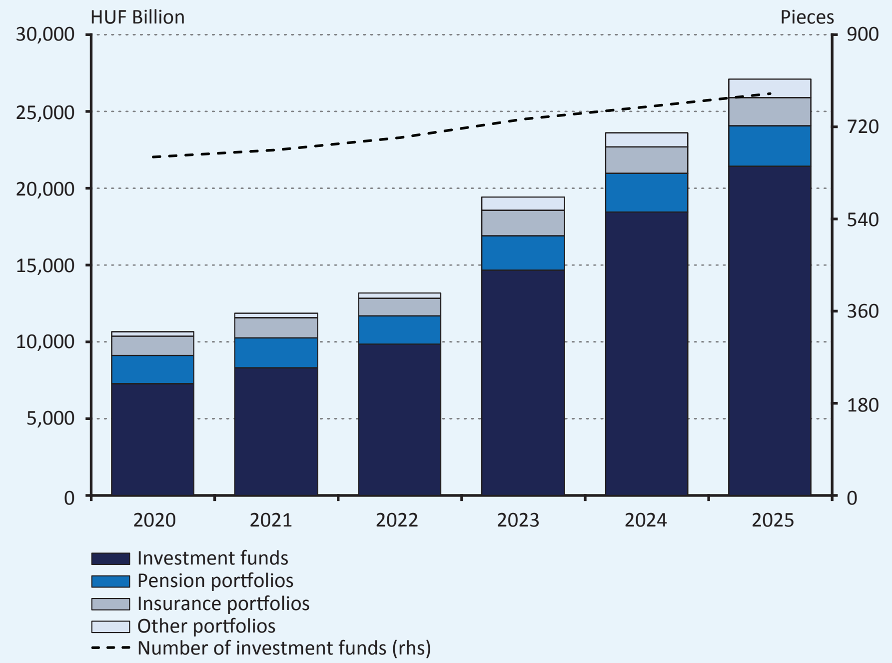
4.4 FUND MANAGEMENT MARKET AND RISKS IN RELATION TO INVESTMENT FUND MANAGERS

4.4.1 Further Growth in Assets Managed by Investment Fund Managers

The number of investment funds managed by the 55 supervised investment fund managers at the end of 2025 increased by 23 to 784 in 2025. Based on the regulatory classification of investment funds, at end-2025 there were 537 securities funds, 1 mixed fund and 246 real estate funds. While the number of securities funds declined from 541 in 2024 to 537 in 2025, and the number of mixed funds fell from 47 in 2024 to 1 in 2025, the number of real estate funds increased dynamically by 73 to 246 in 2025.

In 2025, despite geopolitical tensions, amid generally positive capital market sentiment, the assets under management by domestic investment fund managers rose by HUF 3,475 billion from HUF 23,621 billion at the end of 2024 to HUF 27,096 billion at the end of 2025, reaching a new all-time high. The 14.7-percent growth rate recorded in 2025 was lower than the 21.8-percent growth recorded in 2024 and the historic peak of 47.5 percent in 2023, but remained well above the growth rates observed in earlier years. The increase in total assets managed by fund managers – including investment funds, pension funds, insurance and other portfolios – was predominantly (87 percent) due to a rise in the net asset value of investment funds. At end-December 2025, the net asset value of investment funds amounted to HUF 21,440 billion, up by around HUF 3,008 billion (16.3 percent) from HUF 18,432 billion one year earlier. The assets of pension funds managed by investment fund managers increased by 3.5 percent in 2025, a slower pace than in the previous two years, reaching HUF 2,610 billion by the end of the year, with all three types of pension funds – private pension funds, voluntary pension funds and healthcare funds – seeing an increase in assets under management. In relative terms, the strongest growth was recorded in the assets of healthcare funds (+10.8 percent), while in absolute terms, the assets managed by voluntary pension funds increased the most, rising by approximately HUF 58 billion. Assets managed in insurance portfolios increased by 4.8 percent from HUF 1,732 billion in 2024 to HUF 1,816 billion, while assets managed in other portfolios grew sharply by 31.6 percent to HUF 1,230 billion, with the increase driven primarily by a single investment fund manager (Chart 4.15).

Chart 4.15
Assets managed by investment fund managers and the number of investment funds



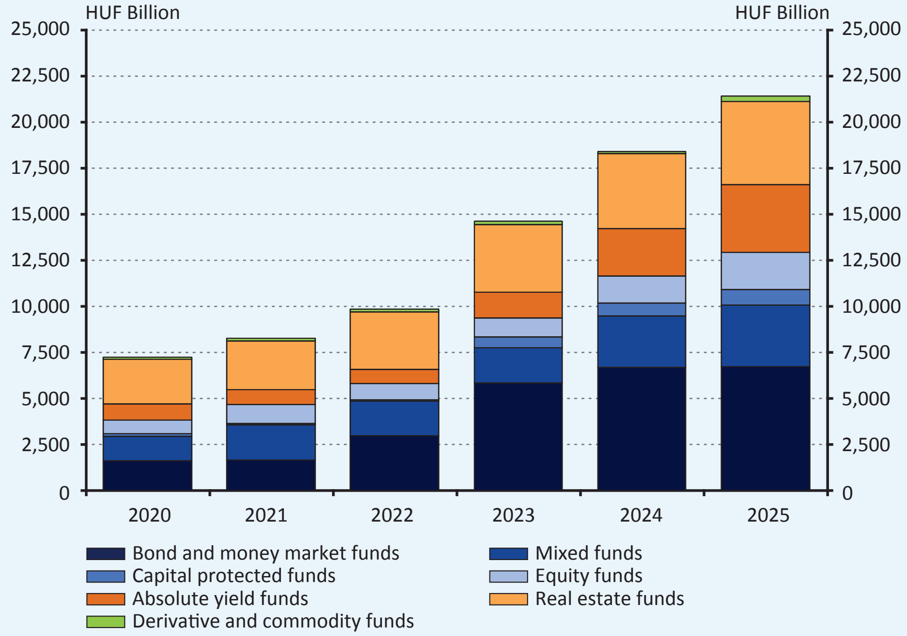
Source: MNB.

4.4.2 New Historic High in Assets Under Management in Investment Funds

Strong household demand for investment funds continued to be seen in 2025 as well, leading to a 16.3-percent increase in the net asset value of investment funds to HUF 21,440 billion in 2025. Half of the increase in the net asset value of investment funds in 2025 can be explained by net capital inflows and the other half by returns on investments: accordingly, of the HUF 3,008 billion increase in net asset value, HUF 1,594 billion was due to net capital inflows, while the remaining HUF 1,414 billion was related to returns on investment.

The assets managed in bond and money market funds did not change materially: the HUF 6,726 billion recorded in 2025 was approximately 0.5 percent higher than the stock of the previous year. The assets managed in mixed funds increased further, rising from HUF 2,819 billion in 2024 to HUF 3,378 billion by the end of 2025: the HUF 559 billion increase in stock corresponds to a growth rate of 19.8 percent. The assets managed in capital protected funds also showed similar growth: the net asset value of HUF 827 billion in 2025 was higher than the closing value of HUF 688 billion in 2024 by HUF 140 billion, i.e. by nearly 20.2 percent. The assets managed in equity funds also continued to increase: the net asset value of HUF 2,023 billion in 2025 exceeded the value in the previous year by 38.2 percent: of the HUF 559 billion increase, HUF 314 billion was attributable to the return on investments, i.e. price gains. At the top of the list was the increase in the net asset value of absolute return funds, both in absolute and relative terms: the assets managed in absolute return funds grew from HUF 2,597 billion in 2024 to HUF 3,691 billion by the end of 2025, expanding by HUF 1,094 billion, which constitutes an annual increase of 42.1 percent. It is worth noting that the net asset value of absolute return funds has grown nearly five-fold in the span of three years. In line with market trends in the previous years, the amount of assets managed by real estate funds – funds investing directly and indirectly in real estate – continued to rise in 2025, as their net asset value increased by 10.5 percent to HUF 4,498 billion (Chart 4.16).

Chart 4.16
Breakdown of investment funds by investment policy

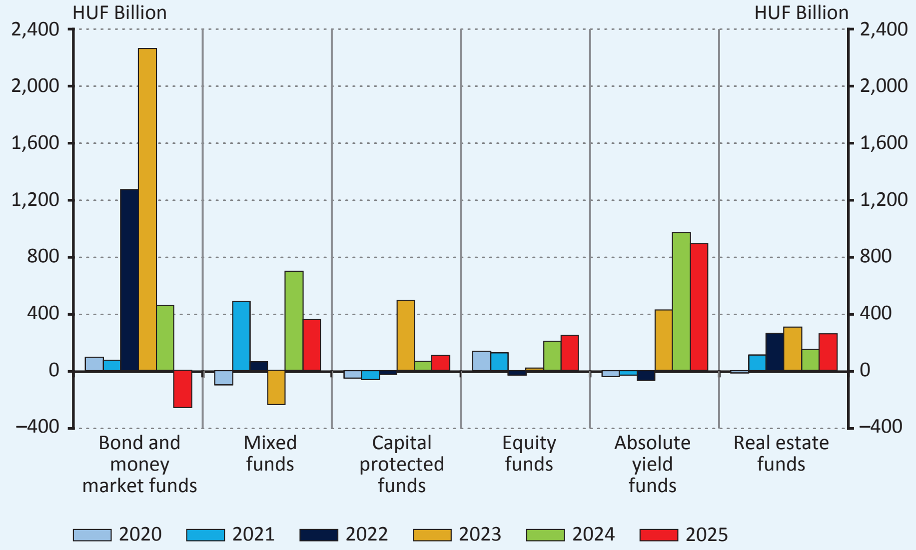


Source: MNB.

4.4.3 Investment Funds Continued to be Characterised by Strong Net Capital Inflows

In 2025, investment funds continued to record strong positive net capital inflows: although the net capital inflow of HUF 1,594 billion in 2025 was lower than net capital inflow of HUF 2,538 billion in 2024 as well as the record-high inflow of HUF 3,266 billion in 2023, it still significantly exceeded the levels seen in previous years. This strong growth in net capital inflow was based on increased household demand for absolute return funds and mixed funds. The largest net capital inflow in 2025 was observed for absolute return funds, reaching HUF 889 billion: although this was lower than the previous year's net capital inflow of HUF 968 billion, it was still well above the amounts recorded in earlier years. Net capital inflows of mixed funds decreased compared to 2024, but still reached HUF 358 billion in 2025. By contrast, after several years of strong net capital inflows, bond and money market funds were characterised by net capital outflows in 2025: net capital outflows amounted to HUF 262 billion in 2025. The last time this type of fund recorded net capital outflows was in 2019 (HUF -41 billion). Demand for real estate funds increased in 2025, as the net capital inflow of real estate funds rose from HUF 146 billion in 2024 to HUF 259 billion in 2025 (Chart 4.17).

Chart 4.17
Net capital flows of investment funds



Source: MNB.

Box 4.2
Description of liquidity management tools

Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 on the review of the directives regarding AIFMs and the UCITS was published on 26 March 2024. Its domestic implementation was carried out by amending and supplementing the relevant provisions of Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the amendment of certain financial laws (Collective Investments Act), through Act C of 2025 on the amendment of legislation affecting the financial intermediary system. As part of the amendments to the directives, the use of liquidity management tools that may be deployed in the event of liquidity shocks is being made available for investment funds in a uniform manner across the European Union.

Liquidity management tools are most effective when they are implemented in the event of market stress situations, in a coordinated manner. In such cases, the new rules allow investment fund managers to use nine new liquidity management tools. Open-ended funds, in addition to the suspension of trading available as a last resort, are required to select at least two of the liquidity management tools listed: funds authorised as money market funds constitute an exception, as in their case – with consideration for their highly liquid nature – only one must be selected. The available liquidity management tools are as follows:

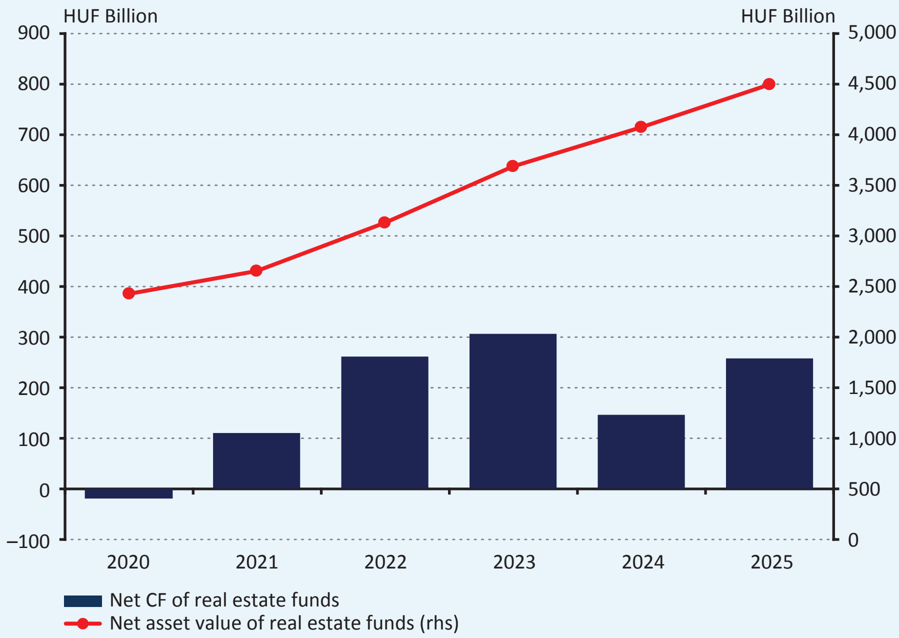
– suspension,
– redemption restrictions,
– extension of prior notice period (extension of the redemption period),
– redemption fee,
– swing pricing,
– dual pricing,
– anti-dilution levy,
– redemption in kind,
– segregated asset accounts.

The regulatory technical standards containing the detailed rules on liquidity management tools, specifically Commission Delegated Regulations (EU) 2026/465 and 2026/466, entered into force on 19 March 2026 and have been applicable since 16 April 2026. As a general rule, in the case of already registered funds, a compliance period of up to twelve months is available, and the affected funds must comply no later than 16 April 2027, calculated from the date of application of the RTS. However, based on the referenced RTSs, investment fund managers may decide to apply the provisions of the RTSs starting 16 April 2026, provided that the investment fund manager has notified the MNB of such and has also brought its liquidity management policy into compliance, in line with the relevant provisions of the Collective Investments Act.

4.4.4 Further Growth in Real Estate Funds' Net Asset Value

In 2025, the net asset value of real estate funds increased from HUF 4,072 billion in 2024 to HUF 4,498 billion, expanding at a rate of 10.5 percent. This growth rate is basically identical to the growth recorded in 2024, but falls short of the rate of around 18 percent that was characteristic of the previous two years. Of this change of HUF 426 billion in net asset value, HUF 259 billion was attributable to net capital inflows and HUF 167 billion to returns. The net capital inflow of HUF 259 billion in 2025 exceeded the level of HUF 146 billion that was recorded in 2024, but was lower than the levels observed in the previous two years. This means that there continues to be strong demand for real estate funds, both public and private (Chart 7.18).

Chart 4.18
Portfolio and net capital inflows of real estate funds



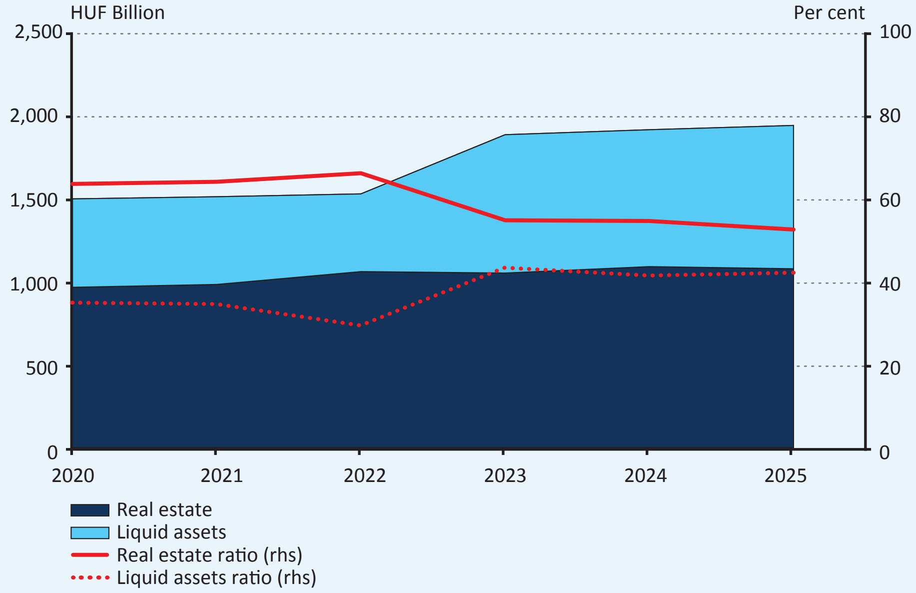
Source: MNB.

4.4.5 Higher Net Asset Value for Public Real Estate Funds

The net asset value of public real estate funds increased in 2025, albeit at a slower pace compared to previous years, rising by 2.7 percent from HUF 1,994 billion in the previous year to HUF 2,047 billion at end-2025 (growth amounted to 3.8 percent in 2024, 20.1 percent in 2023, 4.3 percent in 2022, 0.6 percent in 2021 and 6.9 percent in 2020). The HUF 53 billion increase in the net asset value of public real estate funds in 2025 was the result of two opposing effects: investment returns of HUF 107 billion boosted the net asset value, while the net asset outflow decreased it by HUF 54 billion; thus household demand and interest for public real estate funds continued to wane in 2025. The proportion of real estate investments by public real estate funds fell from 55 percent in 2024 to 52 percent in 2025, which is explained by the

1.3-percent decrease in the stock of real estate investments (Chart 7.19). The high market concentration typical of public real estate funds increased in 2025: the top three public real estate funds with the largest net asset values accounted for 83.1 percent of the total net asset value of public real estate funds, which is 2.7 percentage point higher than the figure of 80.4 percent recorded for 2024.

Chart 4.19
Real estate investment portfolio of public real estate funds and ratio of the portfolio to net asset value



Source: MNB.

Box 4.3
Advantages and risks of private credit in the US and Hungary

Private credit plays an important role in bridging financing gaps in many countries around the world. This financing channel became highly popular following the tightening of banking regulations after the 2008 global financial crisis as well as in the credit freeze during the Covid-19 pandemic. This segment is a typical representative of the rapidly growing, less regulated shadow banking system, alongside the strictly regulated banking system.

Even today, there is no harmonised definition of private credit, but private credit should be understood as the issuance of debt instruments to companies, the terms of which are determined by the interested parties and freely adjusted to the circumstances. This means that private credit is a form of non-bank lending in which investment fund managers managing institutional capital provide financing directly to companies, real estate projects or assetbacked transactions.

Private credit funds have enjoyed growing popularity in the US for years, and by the end of 2025, the financing they provided accounted for nearly one-tenth of the US corporate lending portfolio. At the same time, these funds not only provide a flexible financing option and attractive returns for investors, but also carry systemic risks. It is concerning that private credit funds and other shadow banking entities provide lending in a less transparent manner than banks; therefore, a market shock could trigger a crisis across the entire financial system. Due to the interconnectedness between non-bank financial institutions and banks, the ECB identified private credit as one of the main sources of risks to financial stability in its most recent stability report from April 2026.

In mid-February 2026, reports appeared in the press that several private lenders attracting retail savings may have been window-dressing the reports presenting their financial situation. As a result, investors withdrew significantly more capital than usual from several private credit funds in the first quarter, amplifying trust concerns regarding the private credit segment. BlackRock, the world's largest asset manager, which manages approximately USD 14 trillion, announced that it would limit capital withdrawals from one of its flagship bond funds after a sudden surge in redemptions. The fund paid out USD 620 million in the first quarter, reaching 5 percent of its net asset value – the threshold at which investment fund managers are permitted to restrict redemptions. The negative news also affected capital raising by funds focused on private credit: capital raising effectively stagnated in the first quarter, while the volume of direct lending fell to a 3-year low in the USA. The slowdown in capital raising could pose a serious challenge for the sector, because funds typically use incoming fresh capital to cover their payments.

The US-Israeli-Iranian conflict that erupted in late February further increased market uncertainty. In early March, wealthy private investors began withdrawing their capital from private equity funds at an accelerating pace after Blue Owl Capital suspended redemptions from one of its unlisted funds. These adverse developments were further fuelled by market concerns regarding the rise of artificial intelligence and the valuation of investments in software companies as well as by the disclosure of competitors' past redemption data. In April, Blue Owl Capital restricted redemption for two additional funds, which resulted in the share price of the company falling by 8.8 percent.

In the case of private credit, it is extremely difficult to determine the fair value of the underlying assets, which represents an additional risk, as market concerns generally intensify in the case of opaque pricing. One favourable factor, however, is that the private credit market's current volume of approximately USD 2,000 billion accounts for less than 1 percent of the global securities portfolio. By contrast, in 2007 the market for mortgage-backed securities, with a size of USD 7,200 billion, represented approximately 5 percent of the total.

The exposure of domestic capital market institutions to US private credit funds is extremely low: the investment funds and managed portfolios held in custody by supervised investment service providers (insurance, pension fund and other asset-managed portfolios) had no such exposure, while the value of exposure in the client securities portfolios of investment service providers' clients amounted to only HUF 23 million at the end of 2025, which is a negligible amount compared to the total client securities portfolio of HUF 83,645 billion.

Regulations also closely follow international and domestic developments related to investment funds. In line with European Union regulation, from 16 April 2026 the concept of the loan-originating alternative investment fund (AIF) was incorporated into the Collective Investments Act, defined as a lending AIF whose investment strategy primarily consists of granting loans, or where the face value of loans accounts for at least 50 percent of its net asset value. Under previous regulations, private equity funds and venture capital funds could only grant loans to enterprises they owned (member loans), and real estate funds could also grant loans to real estate companies they owned. From 16 April 2026, lending on behalf of an AIF may only be conducted if the AIF holds an operating licence.

It should be noted that an AIF may not grant loans or engage in credit servicing activities to consumers; furthermore, the leverage ratio of a lending AIF may not exceed 175 percent if the AIF is open-ended or 300 percent if the AIF is closed-ended. In the case of lending AIFs, investment fund managers allocate funds by managing investors' capital, and unlike credit institutions, the risks are borne entirely by the AIF's investors. Thus, the risk of a defaulted, non-performing loan is borne directly by the investor, and the guarantee of the Investor Protection Fund does not apply to price losses. The law requires investment fund managers managing loan-originating funds to maintain effective, up-to-date procedures and policies, reviewed annually, with respect to the granting of loans, as well as the assessment and monitoring of their risks. As to precisely what these measures and methods are, the legislation currently does not provide an answer. Moreover, at present, investment fund managers managing loan-originating AIFs are also not required to join the central credit information system.

For open-ended, publicly-offered lending AIFs, liquidity risk is a key concern, which – similar to real estate funds – arises from maturity transformation. In its final report issued on 26 September 2025, the European Securities and Markets Authority (ESMA) stipulates that open-ended funds must be able to demonstrate to supervisory authorities the liquidity management method by which they bridge the risk that the loans granted by them have fixed maturities, whereas investors are entitled to redeem their investment units at any time and thereby withdraw their money from the fund. With regard to this, an appropriate redemption policy and liquidity rules must be established, regular liquidity stress tests must be carried out and the composition of the portfolio must be monitored.

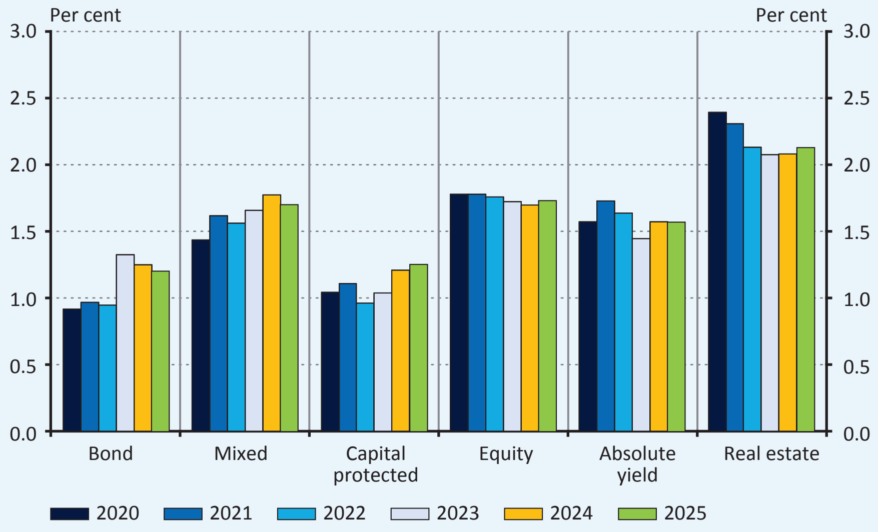
The detailed EU technical rules are still under development; however, due to AIFMD 2.0, the main rules have already entered into force. As such, the current period is a transitional one, in which the legislation already permits the operation of loan-originating funds, but the underlying sufficiently detailed technical standards are not yet in place. This is particularly true because, based on the communication published on the ESMA website on 21 October 2025, the Commission will issue the technical rules no earlier than 1 October 2027.

It is very important that regulation keep pace with international and domestic developments, encourage private lenders to maintain prudent lending portfolios and prevent savings from being invested in ‘worthless’ projects or assets. The US Department of the Treasury has begun consultations with domestic and international insurance supervisory authorities regarding concerns about the private credit markets, with the aim of establishing more transparent oversight of the non-bank lending sector.

4.4.6 Costs of Public Investment Funds in 2025

The total expense ratio (TER) – based on preliminary, unaudited individual data reporting – remained essentially unchanged in 2025 compared to the previous year. Based on an examination of the cost structure, it can still be determined that bond funds and capital-protected structures belong to the categories with lower average cost levels. In these categories, changes in opposite directions were observable in 2025: in the case of bond funds there was a decline, while capital-protected funds saw a moderate increase. The average TER indicator of bond funds saw a modest decline in 2025 compared to 2024, indicating an improvement in cost-efficiency. This change occurred in conjunction with an increase in the total net asset value of the funds. By contrast, the average expense ratio of capital-protected funds increased somewhat. However, it is important to highlight that, given the small number of funds in this category, changes in the characteristics of individual funds have a more significant impact on the aggregate indicator. A different situation can be identified with regard to funds with higher risk profiles: the average TER of mixed funds decreased, while a slight increase was observed in the case of equity funds, and the cost level of absolute return funds remained unchanged. Real estate funds continue to operate with the highest average cost ratio, which increased to a lesser degree in 2025 when compared to the previous year. The increase occurred in conjunction with a small drop in total assets. Over the past four years, the TER of real estate funds has fluctuated within a narrow range, at just above 2 percent. Overall, it can therefore be established that the average TER remained essentially unchanged in 2025, as the result of opposing effects, while a slight improvement in the cost efficiency of the largest asset class was observed. The fundamental characteristics of the cost structure did not change: funds based on lower-risk, interest-bearing assets continue to operate with more favourable fees, while higher cost levels can be observed in the case of funds that utilise more complex and active investment strategies. After receipt of the audited data – in line with previous practice – the MNB will publish TER indicators broken down for the individual funds (Chart 4.20).

Chart 4.20
Development of the TER ratio of domestic public investment funds



Source: MNB.

Box 4.4
Loan-originating investment funds

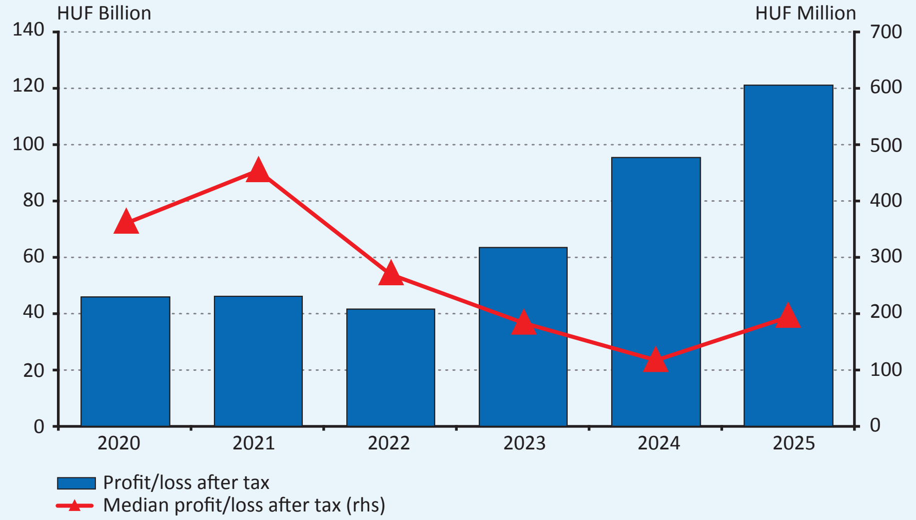
Due to small and medium-sized enterprises often having more difficulty accessing traditional credit sources, loanoriginating funds may represent a key alternative source of financing for the economy. The package renewing the AIFMD regulatory regime applicable to alternative investment fund management therefore introduced the concept of loan-originating alternative investment funds, which covers alternative investment funds (AIFs) whose main activity is lending – thereby enabling loan-originating AIFs to operate uniformly across the European Union, in a harmonised manner with regard to risk management and transparency. Transposition of the regulatory package renewing the AIFMD regime into Hungarian legislation was implemented via the amendment of the Collective Investments Act; the relevant provisions will enter into force on 16 April 2026.

As a general rule, the new provisions apply to funds established from 15 April 2024, while transitional provisions apply to loan-originating funds established before that date. Based on the latter, these funds are exempt from compliance with the new rules until 16 April 2029. If they do not raise additional capital after 15 April 2024, they will enjoy an exemption without any time limit. The detailed rules relating to the loan-originating activity of openended alternative investment funds are being developed in the form of a regulatory technical standard (RTS). ESMA published the completed draft on its website on 21 October 2025 and submitted it to the European Commission.

4.4.7 Profitability of the Fund Management Sector Continued to Increase Dynamically

The profit after tax of investment fund managers increased further, in line with the growth in assets under management, as the sector-wide profit after tax of HUF 121 billion in 2025 was 27 percent higher than the sector-wide profit after tax recorded in the previous year. The number of loss-making investment fund managers increased from 11 in the previous year to 13 in 2025, although two of these became supervised institutions in the previous year. The profit after tax of loss-making investment fund managers amounted to HUF -717 million in 2025 (Chart 4.21).

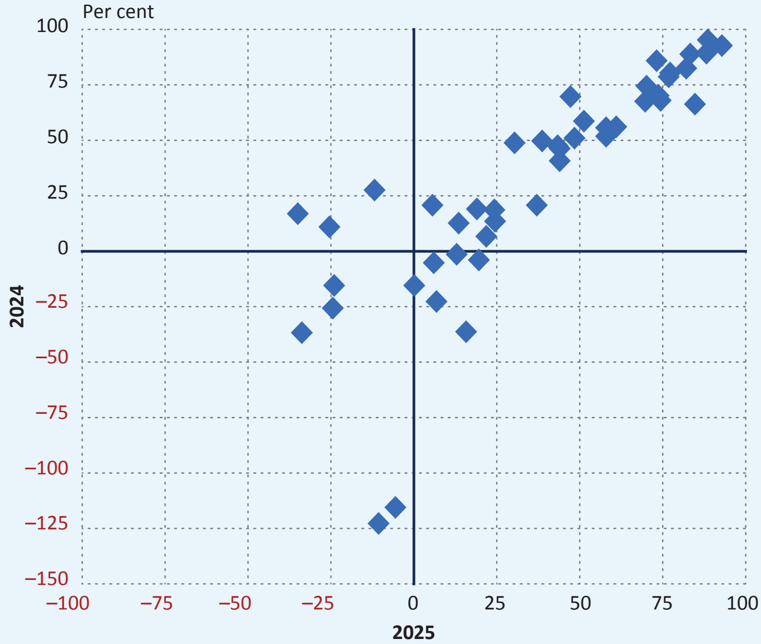
Chart 4.21
Profitability of investment fund managers



Source: MNB.

In 2025, the growing trend of income concentration in the investment fund management sector continued: the profit after tax of the five largest market participants with the highest profits after tax accounted for 68.3 percent of the profit after tax of the entire sector, up 0.7 percentage point versus 2024. Overall, investment fund managers were characterised by outstanding profitability in 2025, which is also reflected in the high level of ROE, as the ratio of profit after tax to equity capital: Chart 4.22 presents investment fund managers that operated both in 2024 and 2025, and whose operating licence was not revoked in 2025. The high profitability is also supported by the fact that, in the chart, investment fund managers are clustered in the upper-right quadrant.

Chart 4.22
ROE value of investment fund managers (percent)



Source: MNB.

Box 4.5
Name usage recommendation for investment funds

Recommendation 16/2025 (XII.9.) of the MNB on the use of environmental, social and governance (ESG) and sustainability-related terms in the names of investment funds sets out guidance for fund managers regarding the use of sustainability-related terminology in the names of the investment funds they manage. Within this framework, the recommendation defines MNB expectations regarding the interpretation of key concepts in this area, such as ‘transition’, ‘environment’, ‘social’, ‘governance’, ‘impact’ and ‘sustainability’. With regard to such funds, it is expected that a certain proportion of the assets of a fund (at least 80 percent) should consist of investments that the fund uses to fulfil its environmental or social characteristics, or its sustainable investment objectives. Furthermore, the application of an exclusion policy is also required, under which the fund undertakes not to invest in certain activities that are considered incompatible with sustainability objectives. The recommendation also sets out the MNB expectation that terms such as ‘transition’, ‘social’, ‘governance’, ‘environment’, ‘impact’ or ‘sustainability’, and related expressions, may only be included in a fund name if the fund qualifies under Article 8 or Article 9 of the relevant regulation, namely the SFDR. The recommendation further sets out an expectation that asset managers notify the MNB of any reduction exceeding 5 percentage points in the limits prescribed for investments.

Table 4.4
Sector-level risks of investment fund managers

Risk category	Risk groups	Risk rating	Risk outlook	Evaluation
Market risk	Liquidity, foreign exchange market turbulence Operation of real estate funds in a stress environment	🟡	➡	Fund managers continued to see capital inflows into various funds in 2025, meaning the long-standing growth trend remained unbroken. Notably, the expansion of assets under management in real estate funds continued.
Corporate governance	Tokenisation, digitalisation, use of artificial intelligence	🟠	⬈	In line with international market and supervisory trends, the issue of tokenisation has come to the fore in the asset management sector. The use of new technologies entails higher risk. The use of artificial intelligence remains limited for the time being.
Profitability	Market yield environment	🟢	⬊	The profitability of the asset management sector grew dynamically in 2025. At the same time, the sector continues to undergo transformation, with a large number of new players entering the market as regulated asset managers.
Operational risk	Risk management systems	🟠	⬈	Expanding operations into real estate fund management and the emergence of several new, small supervised fund managers represent rising operational risk at the sector level among small fund managers.
Capital adequacy	Profitability	🟡	➡	The profitability of the asset management sector remained high in 2025. A risk factor for certain asset managers was the lack of regulatory capital held in liquid assets.

Legend:
Degree of risks — *high* 🔴 *significant* 🟠 *moderate* 🟡 *low* 🟢
Direction of risks — *increasing* ⬈ *stagnant* ➡ *decreasing* ⬊

Source: MNB.

The increase in energy prices and the effects of the wartime environment made the investment market uncertain, but despite this, capital inflows into investment funds continued. Prospects are uncertain due to the wartime sanctions and international political tensions. Investments may receive a significant boost from the resolution of the Russian–Ukrainian conflict, the restoration of supply channels and increased confidence in the investment market. Changes in the legislative background and compliance with the new expectations arising from the transposition of EU directives pose a challenge for the investment fund management sector. At the sector level, the expansion of smaller fund managers into real estate fund management, together with the emergence of several new small supervised investment fund managers, continue to represent an increasing operational risk. These challenges necessitate the strengthening of the internal lines of defence, in particular in risk management. Overall, it can be said that the profitability and capital positions of the fund management sector are adequate. At the sector level, tokenisation and the emergence and application of new technologies represent an increasing operational risk.

Box 4.6
Savings and Investment Union (SIU) – capital market

The European Commission adopted its strategy regarding the Savings and Investments Union (SIU) on 19 March 2025, with the aim of moving the single market into its next phase. The SIU is an initiative of key importance that seeks to improve the way in which the EU financial system channels savings towards investments. Its objective is to provide households with broader access to capital markets, while also improving the access of companies to funding opportunities. This may increase the financial welfare of EU citizens, while boosting the economic growth and competitiveness of the EU.

The strategy addresses the identified needs by way of four pillars, namely:

1. General public and savings: Household savers already play a central role in financing the EU economy through their bank deposits. However, it is important that they be able to invest their retirement or other savings to a greater extent in capital market instruments that offer better returns. This objective may be encouraged, among other things, by the EU-level institutionalisation of savings/investment accounts similar to the Hungarian TBSZ and NyESZ accounts, and by encouraging participation in voluntary pension funds. There is also a need to develop a strategy that lays the foundation for broadening financial literacy, in order for households to be able to make sufficiently well-founded investment decisions.

2. Investment and financing: In order to encourage investment, especially in key sectors, the Commission will put forward initiatives aimed at improving the availability and accessibility of capital for all companies, including start-ups, as well as small and medium-sized enterprises. Possible tools for this include encouraging equity investments by institutional investors, simplifying the securitisation framework and reforming the regulation applicable to qualified venture capital funds (EuVECA).

3. Integration and economies of scale: In order to mitigate the efficiency problems that arise from fragmentation, significant efforts must be made to remove regulatory or supervisory barriers that hinder the cross-border activities of market participants, asset management and the allocation of resources. Removing these barriers will facilitate the successful expansion of countries within the EU. This includes, for example, proposals aimed at integrating trading and post-trading infrastructures, as well as removing barriers to cross-border investment fund management.

4. Efficient supervision across the single market: The Commission will propose measures to ensure that all financial market participants receive equal treatment, regardless of which EU country they are headquartered in. In order to do this, convergence tools must be reinforced, and the possibility of centralised supervision in certain areas (e.g. ESG and crypto) must be examined.

In terms of its main objectives, the SIU may be regarded as the successor to the Capital Markets Union (CMU). However, compared to the CMU, which focused exclusively on the capital market, the SIU represents a holistic approach that also extends to the banking sector. Therefore, the European Commission treats the competitiveness and integration of the banking sector as a quasi-fifth pillar. Another change compared to the CMU is that it places greater focus on household savers, whom the CMU was not able to involve to a sufficient extent, and that it is based on the joint efforts of the EU and the Member States.

The key elements of the package of proposals include, among other things, the renewal of the pan-European personal pension product (PEPP) scheme with a view to making supplementary pension schemes more attractive, as well as the package regarding capital market integration and supervision (MISP). The latter contains amendment proposals aimed at removing regulatory, supervisory and operational barriers hindering market participants and infrastructures, simplifying the regulation and reducing administrative burdens, all in the interest of more integrated and efficient EU capital markets. In line with these objectives, the main intentions of the package are as follows:

– facilitating the provision of cross-border services (with particular emphasis on the operation of trading platforms and central securities depositories, as well as investment fund management);
– promoting supervisory convergence and expanding the supervisory powers of ESMA;
– narrowing the scope for Member State discretion in legislation;
– supporting innovation.

MISP affects the following regimes, among others: MiFID/MiFIR, UCITS, AIFMD, EMIR, CSDR, MiCA, DLT Pilot regime, SFR.

4.5 SUPERVISION OF ISSUERS AND MARKET OVERSIGHT

4.5.1 Investigation of Market Abuse

In 2025, the MNB launched twelve market oversight procedures into market abuse and closed 24 such procedures. Of the procedures related to market abuse that were closed in 2025, the Bank initiated criminal proceedings in nine cases. The MNB imposed measures and sanctions on 16 private individuals and 4 legal persons, and levied a total market supervisory fine of HUF 333.75 million.

The MNB conducted an ex officio market supervision procedure in which it examined whether, during exchange trading in PannErgy shares from January 2022 onwards, the provisions of the European Union regulation on the prohibition of market abuse (MAR) had been breached. The financial supervisory authority established that in April 2022 the general meeting of PannErgy Nyrt. authorised the board of directors of the company to carry out a significant own share buy-back. The issuer duly published the general meeting resolution on this matter on the MNB's official disclosure portal, in accordance with the law. Concurrently, the investigation revealed that between May 2022 and December 2023 PannErgy Nyrt. placed buy orders for its own shares on the Budapest Stock Exchange in such volumes that the transactions concluded on the basis of those orders exceeded 50 percent of the total daily turnover of PannErgy shares on 112 trading days, 75 percent of such turnover on 40 trading days, and 90 percent of such turnover on 12 trading days.

The MNB sanctions only those conducts that deviate from customary capital market trading and may be capable of influencing the investment decisions of reasonably acting investors. Therefore, from among the transactions of PannErgy Nyrt., it singled out those whose parameters differed from the characteristics of customary exchange trading to a significant degree. The orders constituting the infringement (in breach of the provisions of the MAR) may have conveyed false or misleading signals regarding the development of the exchange trading turnover of PannErgy shares, thereby impairing the fairness and transparency of trading in financial instruments and, consequently, the integrity of the capital market. This conduct was specifically capable of creating a false impression among investors regarding the true market perception of the share.

In connection with this infringement, the MNB drew attention to the exemption mechanism regulated in Article 5 of MAR concerning share buy-back programmes. Full compliance with the rules specified therein and in the relevant EU regulation means that a given issuer is exempt from the prohibitions on insider trading and market manipulation when performing a buy-back of its own shares.

In the present case, however, the MNB established that PannErgy Nyrt., despite its public communication suggesting otherwise, had not launched a share buy-back programme under the MAR, and therefore, in reality, acted outside the limits of the regime providing exemption from market manipulation.

If an issuer buys back its own shares outside the framework of a share buy-back programme under Article 5 of the MAR, it does not automatically constitute market manipulation. However, unless there is full compliance with the aforementioned EU regulations, issuers buying back their own shares are no longer legally exempt from the prohibition on market abuse; their stock exchange activity must therefore be evaluated according to general rules.

For all of these reasons, in its decision issued in January 2025, the MNB prohibited PannErgy Nyrt. from renewed violation of the provisions on market manipulation, imposed a market supervision fine of HUF 10 million and filed a police report for suspected illegal market manipulation. In determining the amount of the fine, it was considered an aggravating circumstance that the issuer committed the act as the issuer of public securities admitted to stock exchange trading, repeatedly and over the course of several months. Moreover, during the period affected by the infringement, PannErgy shares were listed in the Premium stock exchange category, and were included in the BUX and BUMIX index baskets.

Box 4.7
Share buy-back programmes with regard to MAR

It is a widespread practice among both domestic and international public share issuers to repurchase their own shares on the market within the framework of share buy-back programmes. In most cases, these programmes are aimed at reducing the capital of the company or at facilitating the implementation of employee ownership programmes; additionally, companies are increasingly using them as an alternative to dividend payments, as a kind of payment instrument targeting share owners.

Stock exchange issuers must proceed with particular caution when buying back their own shares, as both domestic and EU regulations impose strict requirements on the implementation of such programmes. In the case of share buy-back programmes, domestic regulation always requires that a general meeting of the issuer entity give prior authorisation to the board of directors to acquire the issuer's own shares; such authorisations must declare the number of shares that may be acquired, as well as minimum and maximum consideration.

The authorisation issued by the general meeting does not legally constitute an obligation to buy back the issuer's own shares, it merely creates a legal framework for the board of directors. Accordingly, authorisation alone does not grant exemption from compliance with the Market Abuse Regulation (MAR) of the EU; therefore, issuers must also ensure that share transactions are completed in a lawful manner.

It is particularly important that the obligation of equal treatment towards shareholders in a similar situation is not violated in the course of own share purchases, and that the provisions on the prohibition of market manipulation and insider trading are also complied with. However, the regulation also allows for issuers to be exempted from these provisions.

The fundamental rules governing exemptions applicable to the above share buy-back programmes are set out in Article 5 of MAR and in Commission Delegated Regulation (EU) 2016/1052. If the trading conditions outlined therein are not complied with, issuers are not entitled to the exemption, and their transactions concerning their own shares are judged according to general rules.

One fundamental condition for exemption under Article 5 of MAR is that issuers are obligated to publicly disclose the details of the share buy-back programme before commencing trading. Such disclosures must include the purpose of the programme (e.g. capital reduction or bond conversion, or fulfilling company obligations arising from stock option programmes), the buy-back period, the total sum allocated for the purchase and the volume of shares to be acquired. Furthermore, issuers must notify the competent supervisory authority with jurisdiction over the trading venue of all transactions executed under the programme, in detailed and aggregated form.

Pursuant to the conditions of the exemption for trading in the issuer's own shares, an issuer may only buy back its shares on trading venues where the shares have been admitted or are traded. Orders submitted on a trading venue conducting continuous trading may not be submitted during an auction phase, and orders submitted before an auction phase may not be modified during said phase. On trading venues conducting only auction trading, issuers may submit and modify orders during auctions.

From a supervisory perspective, one key execution requirement is that issuers may not purchase a volume of their own shares exceeding 25 percent of the average daily share turnover on any single trading day. The regulation outlines two options for calculating average daily turnover. Accordingly, the volume of shares that may be purchased must not exceed either 25 percent of the daily average turnover calculated on the basis of the monthly share turnover in the month preceding the mandatory disclosure – said volume must be declared in advance in the share buy-back programme – or 25 percent of average turnover in the 20 trading days preceding the day of purchase.

Furthermore, when recording buy offers, issuers must also consider that they are not entitled to purchase shares at a price higher than either the price of the last independent transaction (trade) or the price of the current highest independent buy offer (whichever is higher); also, as a general rule, they are not entitled to conduct sell transactions. A further requirement for meeting the exemption conditions is that in the course of the share buy-back programme, the issuer must not conduct transactions in the 30-day prohibition period prior to the announcement of an interim financial report or an end-of-year report, and must not conduct trades during the delay of inside information.

Regulations concerning periods preceding company reports and periods affected by the delay of inside information – similar to restrictions on share sales – need not be applied by issuers if they have a scheduled buy-back programme, or if the principal organiser of the buy-back programme is an investment firm or credit institution that makes trading decisions concerning the timing of purchases of the shares of the issuer independently of the issuer.

It must be emphasised that if an issuer buys back its own shares outside the framework of a share buy-back programme under Article 5 of MAR, the trades completed by the company do not, in and of themselves, constitute market manipulation. In such cases, however, issuers must pay particular attention to compliance with general legal provisions prohibiting market manipulation and insider trading, primarily focusing on the impacts of the transactions concluded by the issuer on other market participants and, in a broader sense, on supply and demand conditions for the shares concerned.

The legislator established the detailed rules and the current conditions of the exemption system with the specific intention that the possibility of committing market abuse and trading conduct constituting prohibited market manipulation should not only be minimised, but should also guarantee the prevention of infringements. Neither the Market Abuse Regulation nor the associated detailed rules, recommendations and guidelines supporting the application of EU law prescribe provisions specifying such detailed and specific trading reference points as those found in the context of the exemption system.

In light of the detailed rules governing share buy-back programmes under Article 5 of MAR, it is apparent that if issuers choose to execute their share buy-back programmes in compliance with exemption conditions for the prohibition of market manipulation and insider trading, although doing so also entails administrative obligations for the companies, and within the framework of a well-thought-out programme monitored by corporate governance, they are able to implement their programme under more favourable trading conditions compared to general requirements.

In a number of ex officio market supervisory procedures, the MNB examined – among other circumstances – whether provisions of the market abuse regulation of the European Union (MAR) on the prohibition of insider trading had been violated in connection with stock exchange orders placed by private individuals. The market supervisory procedures were focused on the period directly preceding the announcement on the afternoon of 21 July 2023 by OPUS GLOBAL Nyrt. (OPUS) of its share buy-back initiative.

The private individuals covered by the MNB investigation purchased shares of the public issuer at the price prevailing a few hours before OPUS's announcement and then sold the same shares a few days or weeks later at a profit. In its resolutions released during November 2025 the MNB found that the four private individuals involved in the investigation had learned of the share buy-back programme – categorised as 'insider information' – before the OPUS announcement and placed the stock exchange orders based on such information, which constitutes 'insider trading'. One of the individuals carried out some of the transactions not for his own benefit but on behalf of other persons, using their funds. The same person also unlawfully disclosed the insider information to others, explicitly referring to its confidential nature. Consequently, the MNB imposed a market supervision fine on the four individuals concerned, in amounts of HUF 40 million, HUF 11 million, HUF 10 million and HUF 3.75 million, respectively, for trading with inside information, and charged one of them an additional HUF 10 million fine for the unauthorised disclosure of insider information. The MNB determined the amounts of the fines in view of the fact that the individuals' activities were suitable for undermining investor confidence in the financial system and violating the transparency of the capital market. As a result of the events, the supervisory body filed a police report to the competent authority based on the suspicion of insider trading and unauthorised disclosure of inside information.

4.5.2 Investigation of Illicit Activities

In 2025, the MNB initiated eight market supervision procedures on the suspicion of unauthorised activities, i.e. activities conducted without a licence or without registration, and closed 17 market supervision procedures, imposing market supervision fines totalling HUF 996.3 million. As in previous years, the MNB performed wide-ranging investigations in 2025, with market supervision procedures covering various suspicious financial, investment and insurance activities. However, one significant segment of the investigations focused on examining unauthorised financial services in the categories of '*deposit taking and acceptance of other repayable funds from the public*', as well as '*receivables purchases*'.

The case of TheGroup One Zrt. should be noted in particular among the market supervision proceedings concluded in 2025, for the company taking funds as a regular business activity under the Credit Institutions Act without a licence from the MNB. Offering a '*real estate investment*' opportunity, the company accepted money from hundreds of Hungarian individuals, with promises of increasing their funds and repaying them with a profit. During the approximately 2-year period covered by the investigation the investors transferred funds to the company of a total of more than one billion forints. As a result, in December 2025 the MNB banned TheGroup One Zrt. – permanently in the wake of the earlier temporary prohibition – with immediate effect from performing financial services activities without its licence and simultaneously imposed a market supervisory fine of HUF 540 million. Moreover, the MNB imposed a market supervisory fine of HUF 27 million on a private individual who had been actively participating in TheGroup One Zrt's operations.

In the summer of 2025, the MNB concluded its market supervisory procedure of the activities of OMR OIL LLC, a company domiciled in the USA, which used to operate the website olajkutam.com as well as social media platforms to promote its activities. The investigation found that OMR OIL LLC had concluded service contracts with dozens of Hungarian natural persons with the aim of taking funds for the establishment and operation of alleged oil wells in the USA. The investors had transferred hundreds of thousands of US dollars to OMR OIL LLC in exchange for which the company undertook to pay them returns on a regular basis. The MNB also found that one participating natural person played an active role in initiating and controlling the company's activities as its owner and executive.

As a result, the MNB banned the company, permanently after the earlier temporary prohibition, with immediate effect, from performing financial services as a regular business activity – specifically, taking funds – under the Credit Institutions Act without an MNB licence and imposed a market supervisory fine in the amount of HUF 55 million. Moreover, the MNB imposed a market supervisory fine of HUF 5.5 million on a private individual who had been actively participating in the company's operations.

Another market supervisory procedure concluded in 2025 that is worth specifically noting was focused on a private individual who signed service contracts with as many as 160 Hungarian individuals regarding its '*free trading on the stock exchange*' or '*specific fixing*' services. The individual concerned offered a 100-percent capital guarantee for the funds received and in relation to its '*specific fixing*' service they even made an offer regarding returns. Investors transferred large amounts during the period concerned to the individual covered by the investigation, who used some of the money for trading in currency pairs, generating a significant loss. Moreover, the person used the funds transferred by the investors together with their own and other investors' money, in bulk. As a result, in November 2025 the MNB banned the natural person concerned – permanently in the wake of the earlier temporary prohibition – with immediate effect from taking funds as a regular business activity under the Credit Institutions Act without its licence and at the same time charged them a market supervisory fine amounting to HUF 160 million.

In December 2025, the MNB concluded another market supervisory procedure investigating a case of taking funds without a licence. The MNB found that the individual concerned had taken funds from Hungarian investors – for investment in securities, currency pairs and crypto currencies – who had paid the individual hundreds of millions of forints. Initially, the individual concerned signed receipts, and later service contracts, with investors; the individual provided capital guarantee for the funds received and promised monthly returns of 2.5–6 percent. In some cases they even promised returns of up to 7 percent per month in oral conversations. The investigation found that in reality they only traded with the funds received during an initial period, however, as they admitted, later they spent a significant portion of the money to cover their own personal expenses. As a result, in December 2025, the MNB banned the natural person concerned – permanently in the wake of the earlier temporary prohibition – with immediate effect from taking funds as a regular business activity under the Credit Institutions Act without its licence and at the same time charged them a market supervisory fine of HUF 42 million.

Box 4.8
False promises, real risks in unauthorised investments

More and more ads promising exceptionally high returns are appearing in social media, with many of the companies and individuals advertising such 'investment opportunities' operating without licences, which poses serious risks to the customers they have taken in. The MNB's market supervisory division is receiving increasing numbers of reports of unauthorised financial operations, while taking action against fraudulent operators by way of warnings, proceedings and, when necessary, official notifications. It is imperative for investors that they use their best efforts to stay informed and check the MNB's records.

With the growing social media penetration, the number of online ads promising outstanding returns has risen sharply in recent years. Appearances, however are often deceptive, as legal investment opportunities and, in particular, market rates of return, have not increased so fast, unlike the number of individuals taking advantage of gullible investors. Such 'service providers' operate without the required MNB licences or notification, and the MNB's market supervisory division is taking actions against them in order to keep the financial markets clean.

Investors may submit notifications through the MNB's website in the case of suspicion of unlicensed financial operations. The notifications filed during the past five years show a clear pattern of the main trends of abusive practices. Previously, a large number of offers appeared, promising quick gains through offshore forex trading, then schemes based on various coins, tokens and crypto currencies – exploiting the novelty of the crypto world

– gradually gained ground. Today, 'infallible trading' by artificial intelligence (AI) based 'robots' is the buzzword in both the financial and crypto markets.

As part of its investor protection objectives, the MNB posts warnings on its website when it learns of domestic or international entities operating without licences, potentially pursuing fraudulent goals in the online space. By November 2025, the number of such warnings had already reached approximately 43,000. Investors contracting with persons or companies appearing on this 'blacklist' expose themselves to substantial financial risks.

Extracts of the decisions of the market surveillance procedures concluded with findings of violations of the law can also be found on the MNB website. The MNB also points out that unauthorised financial activity is classified as a crime as well, and upon establishing such a case it files a report with the police.

Since January 2022, the MNB can also block websites in its market supervision procedures in order to protect investors from the steadily increasing dubious investment opportunities in the online space. The mere fact that a company is listed in some trade register, or in other words, that it has been lawfully established, does not mean that it is automatically authorised to perform the financial or investment activity it is advertising.

Before deciding to use a service or a product, investors are advised to check whether the service provider concerned holds the necessary MNB licence or it is registered by the MNB, or whether it is listed in its register of supervised institutions. The same website also shows the aforementioned warnings issued to investors. Investors should contact the MNB's Customer Relations Information Centre with any questions regarding the licence or registration of a service provider. By carefully gathering information, an investor may avoid financial losses through service providers fraudulent operations.

The most important rule is that no legitimate investment will guarantee unreasonably high risk-free rates of returns. Should an investor nevertheless be deceived and transfer money to an unauthorised service provider, or in case deception or fraud is proven to have occurred, the investor concerned should immediately notify the MNB and, if any loss has been incurred, file a report with the police.

4.5.3 Supervision of Issuers

By the end of 2025, the regulated market (Xbud) operated by the BSE had 47 companies, the Xtend multilateral trading system had 22 companies and the Xbond multilateral trading system had an additional 90 companies with securities in circulation. As part of its continuous supervision of issuers, the MNB issued 19 decisions in 2025, including six fines totalling HUF 11.5 million in penalties. There were an additional 141 cases of inquiries and requests for statements made to issuers, shareholders and auditors. Moreover, the MNB launched eight targeted investigations of public issuers and closed five targeted investigations in the IFRS category in 2025; in one of these cases, the MNB issued a fine of HUF 4 million and initiated one additional targeted investigation concerning regular and special notifications.

As part of its continuous supervisory activity, the MNB conducted a targeted inspection, including an on-site audit, without prior notification, at FuturAqua Ásványvíztermelő és Vagyonkezelő Nyrt. (FuturAqua). The targeted inspection focused on the public issuer's disclosure practices, the soundness of the information contained in its regular and extraordinary disclosures and its compliance with the capital market act and the EU market abuse regulation (MAR). The MNB found that the issuer had regularly released disclosures for the public – its investors – containing false or misleading information, which may have led investors to form an unrealistically positive view of FuturAqua.

In view of the infringements that were identified, the MNB ordered the issuer to refrain from renewed violation of the market abuse regulations and levied a market supervisory fine of HUF 30 million on the company. Moreover, the MNB warned the issuer to always comply with the regulations regarding extraordinary disclosures and imposed an additional HUF 5 million supervisory fine for breaching such regulations. The supervisory authority determined the amounts of the fines in view of the issuer's high free-float ratio, the length of the period during which the infringement prevailed and the long-term nature of the same.

4.5.4 Continuous Supervision of Issuers

In the course of its supervision of listed issuers, the MNB places particular emphasis on safeguarding confidence in the capital market and therefore continuously monitors and reviews the disclosures made by listed issuers. Legislation – such as Act CXX of 2001 on the Capital Market (Capital Market Act) and Decree 24/2008 (VIII.15.) of the Minister of Finance on the Detailed Rules of Disclosure Obligations related to Publicly Traded Securities (Decree of the Minister of Finance) – imposes strict disclosure requirements on issuers. The provisions of such apply to all issuers listed on the regulated market of the BSE, regardless of market capitalisation, free float or volume of revenue. Under the Capital Market Act, issuers are obliged to submit regulated information to the officially designated information storage system operated by the MNB, making such information accessible to market investors.

The foundation for the continuous supervision of issuers is monitoring compliance with both regular and extraordinary disclosure obligations. Primary regular disclosure obligations are the publication of annual and half-year reports. Furthermore, on the last day of each calendar month, issuers are obligated to publish the number of voting rights associated with each series of their shares, including any treasury shares and the amount of capital stock, without delay, but no later than the following working day. As part of the extraordinary disclosure obligations, an issuer of securities admitted to a regulated market must inform the public of any information that directly or indirectly affects the value or yield of the securities or the issuer's assessment, without delay, but no later than one working day. Detailed rules on extraordinary disclosure are also outlined in the Decree of the Minister of Finance (for example, significant changes in the issuer's plans or strategy following the most recent disclosure, large orders, new investments by the issuer, substantial increases or decreases in its assets, changes of auditor and the justification of such changes, etc.).

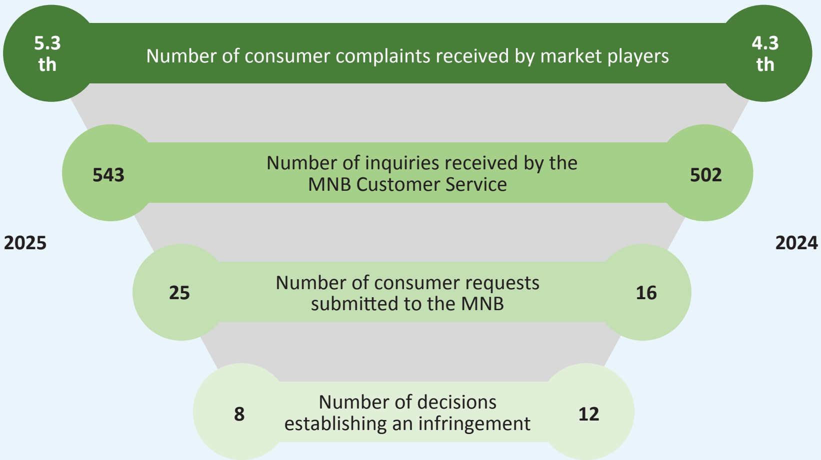
The objectives of the MNB include encouraging public securities issuers to act in voluntary compliance with the law, rather than relying on ex post sanctions, and providing comprehensive information on its requirements and the best practices prescribed by relevant legislation. To this end, in May 2025 the MNB released a management circular entitled '*Management circular on the calculation of the ratio of voting rights and influence, and the purchase of treasury shares*'. The primary target group of this circular are issuers listed on the Xtend and the Xbud market.

4.6 CONSUMER PROTECTION IN THE CAPITAL MARKET

4.6.1 Complaints and Requests Relating to the Capital Market

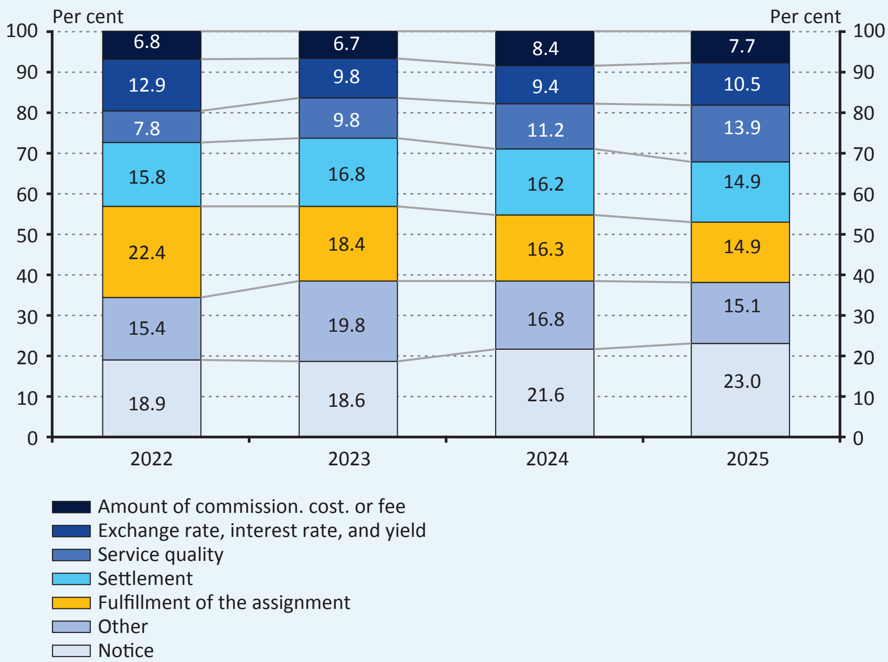
According to data reported to the MNB on complaints managed by investment service provider institutions, the number of complaints received by such institutions increased by more than 20 percent year-on-year in 2025. The number of consumer protection procedures initiated upon request filed with the MNB also increased. One of the reasons for the decrease in the number of decisions finding infringements in the cases in which requests for procedures were filed by customers in spite of the above was that some of the complaints were submitted against cross-border institutions or ones operating in the form of branches, over which the MNB has only limited supervisory powers. The MNB may conduct only limited procedures, and in exceptional cases, concerning cross-border service providers, while in all cases in which practices giving rise to concern are identified in connection with cross-border operations of investment firms headquartered in other EU member states and operating in the territory of Hungary the MNB notifies the competent supervisory authority of the home member state. Also frequent are cases in which one or another condition for initiating a consumer protection proceeding is not met; for instance, the time limit for responding to the complaint had not yet expired at the time the request was submitted to the MNB, or the applicant failed to respond to the MNB's request to provide additional information.

Figure 4.23
Capital market complaints and requests



In most cases, customers of investment service providers filed complaints with the institutions concerned because of incomplete information they were provided with. The number of such complaints has been increasing slowly but steadily; one of the reasons for this is that some new or innovative investment facilities require more in-depth financial knowledge. Also, the complexity of products makes it difficult for customers to understand the relevant risks, costs or other parameters.

Figure 4.24
Proportion of the most common complaint categories regarding investment service providers, past 4 years



A modest but steady decline in the number of complaints relating to the execution of orders has been a clear trend in recent years; one reason for this improvement has been an expansion in the range of online products available without in-person administration and in that of functions accessible through customer portals and mobile applications,[34] while a decrease in manual processing reduces the risks of errors in execution.

4.6.2 Consumer Protection Risks in the Capital Market

Consumer protection procedures initiated at customers' request investigate and uncover consumer protection shortcomings at the investment service providers concerned, linked to the specific initiating consumers; nevertheless, there were no general concerns found regarding the service providers' practices in terms of information provision or the management of complaints, nor were there any sector-wide risks in relation to consumer protection.

Most complaints were related to service providers' complaint-handling practices; in many cases consumers are not provided with comprehensive responses to their complaints, or the institutions concerned fail to provide sufficiently detailed justifications for rejecting complaints. Another frequently encountered problem is that the complainant receives no response at all or within the statutory 30-day time limit. The latter is a result in most cases of the institution's administrative employee's failure to identify the consumer's submission as a complaint, or of the delay in the customer's complaint objection, submitted through an unofficial complaint channel, in being forwarded to the organisational unit designated to handle complaints.

It has been observed, in general, that consumers lodged complaints in some cases in their applications submitted to the MNB about the quality of services or the circumstances regarded as contractual disputes; nevertheless, these complaints cannot be investigated in an administrative procedure on the basis of consumer protection rules.

[34] https://www.mnb.hu/en/publications/reports/fintech-and-digitalisation-report/fintech-and-digitalisation-report-november-2025

5 Non-bank financial enterprises and associated risks

5.1 MARKET PRESENCE

In assessing the risks of financial enterprises not belonging to a banking group (in the following, we use the "non-bank financial enterprises"), data from the past five years were used: the 2021–2024 figures are based on annual audited reports, while the 2025 data are based on preliminary[35] data.

In order to avoid distortions and be able to assess the actual risks associated with the sector, the data of two non-bank financial enterprises engaged in specific activities not related to the general business operations of financial enterprises were excluded, except for the data presented in Table 5.1 (those non-bank financial enterprises merged in 2025).

Table 5.1
Key data of non-bank financial enterprises

	2021	2022	2023	2024	2025
Balance sheet total of non-bank financial enterprises (HUF billion)	1735	1961	2079	2299	2273
Number of non-bank financial enterprises	226	223	222	215	214
Number of non-bank financial enterprises that did not provide audited report in the examined period	2	3	1	1	2*

**Note: The table shows the actual data of non-bank financial enterprises that submitted report to the MNB in the relevant period.*
Source: MNB.

The number of non-bank financial enterprises slightly decreased in the 2021–2023 period, then after a larger decrease in 2024, the number of institutions stagnated in 2025. The number of newly established non-bank financial enterprises in 2025 – when the MNB authorised the establishment of three financial enterprises – was enough to offset the decreases that occurred during the year. The decline is attributable to the consolidation of two non-bank financial enterprises via mergers, alongside the revocation of one enterprise's operating licence for failing to meet the licensing criteria.

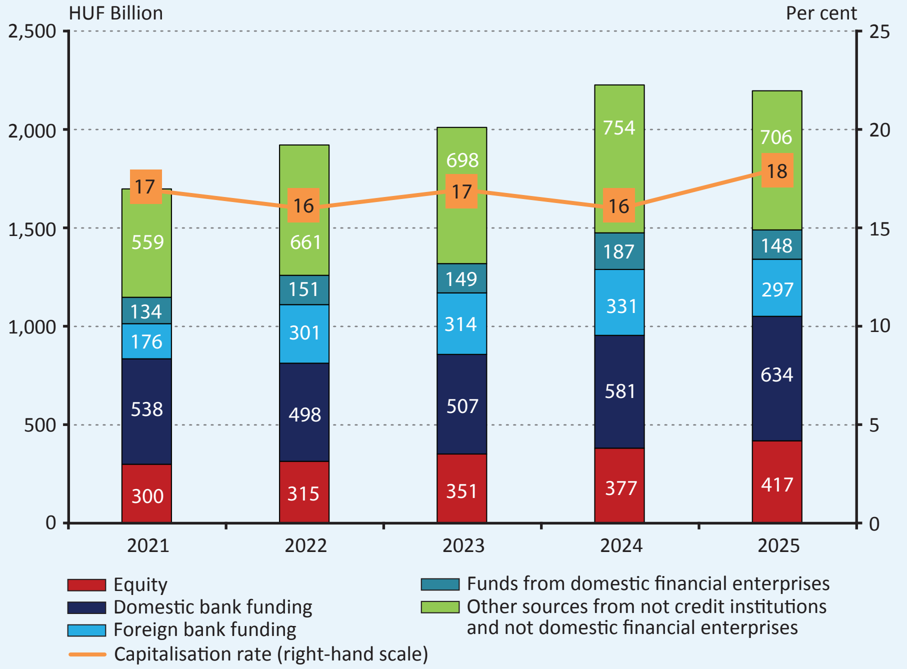
The sector's balance sheet total increased until 2024, then in 2025 it turned into a modest, 1-percent decrease compared to 2024. The decrease resulted from the drop in the customer receivables in two train sectors – the provision of lending and financial leasing – which had a negative impact on the sector's balance sheet total. The contraction of the lending portfolio primarily stemmed from a contraction of the lending portfolio of non-bank financial enterprises belonging to a single group of owners, while the drop in the financial leasing portfolio was caused by a decline in the portfolios of two non-bank financial enterprises engaged primarily in corporate leasing.

5.2 GROWTH IN EQUITY AND DECREASE IN EXTERNAL FINANCING

In 2025, the growth in the rate of financing observed in the period 2021–2024 turned into a 1-percent decrease, primarily as a result of a 4-percent drop in the total portfolio of liabilities, while non-bank financial enterprises' own funds continued to increase as they did during the preceding years. The sector's capitalisation was higher in 2025 than in the previous years.

[35] The difference compared to the 2025 report arises from the fact that audited data as at 31st December 2024 were not available in 2025, whereas the current report includes the audited 2024 data.

Chart 5.1
Sources of financing of non-bank financial enterprises



Source: MNB.

Other funds not originating from credit institutions or domestic financial enterprises continued to be the dominant element of external funds (other than the institutions' equity) in 2025 as well (accounting for 40 percent), despite the 6-percent decrease compared to 2024. The bulk of other sources from non-credit institutions and non-domestic financial enterprises continued to be financed by domestic and international groups (e.g. private shareholding companies and holding companies) that do not fall into any of the following categories.

The portfolio of domestic bank funding increased by 9 percent compared to the previous year, making up 36 percent of the total liability in 2025. The bulk of the funding portfolio of domestic credit institutions continued to be concentrated at two domestic banks, with MFB Magyar Fejlesztési Bank Zrt. (accounting for 51 percent of the portfolio of funds from domestic credit institutions) as the largest domestic financier in the sector, followed by Eximbank Zrt. (accounting for 16 percent of the portfolio of funds from domestic credit institutions). The third largest financier is a commercial bank, which provided 8 percent of the portfolio of funds from domestic credit institutions.

In 2025, MFB Zrt. refinanced 21 percent of non-bank financial enterprises based on the number of institutions. MFB Zrt. increased its portfolio of receivables by another 10 percent in 2025 after an 18-percent expansion in 2024. Eximbank Zrt., which had a significantly smaller volume, refinanced 8 percent of non-bank financial enterprises and its portfolio decreased by a marginal 0.3 percent compared to the previous year.

No significant change occurred in the activities of larger non-bank financial enterprises financed by domestic credit institutions which had a balance sheet total over HUF 10 billion. They remain primarily focused on lending activities. A high degree of concentration persists: 82 percent of the portfolio of domestic bank funding was concentrated in 2025 at 8 percent of the non-bank financial enterprises (based on the number of institutions).

Foreign bank funding decreased by 10 percent compared to the previous year, to a mere 17 percent of the total liability. Foreign bank funding, which decreased in 2025, remains concentrated among a few foreign-owned enterprises, typically engaged in vehicle leasing activities.

The portfolio of funds from domestic financial enterprises dropped by 21 percent and thus constituted 8 percent of the total liability in 2025. The decrease resulted mostly from a drop in the total liability of three institutions belonging to a single group of owners: in 2025, the liabilities of one non-bank financial enterprise using more than 70 percent of the funds from domestic financial enterprises decreased by 7 percent, and the portfolio of liabilities of the two non-bank financial enterprises using a total of 25 percent of the total portfolio dropped by more than 40 percent compared to the previous year.

From another perspective (this type of categorisation is not included in Chart 5.1), in 2025 the funding by the owners declined by 17 percent and the funding by the affiliated undertakings by 2 percent compared to the previous year. The decrease of funding by owners can be observed at the portfolio level, while the number of institutions receiving funding increased (the number of non-bank financial enterprises that received funds from their owners increased from 60 in 2024 to 62 in 2025). Part of the reason for the decline in funding by owners was a 10-percent drop in financing by the owners of the non-bank financial enterprise that received the largest share of funding by owners. An additional reason was that the financing of another institution by its owners – which accounted for 7 percent of the portfolio of funding by owners in 2024 – was replaced in 2025 as a result of change in ownership – by financing from an affiliated undertaking.

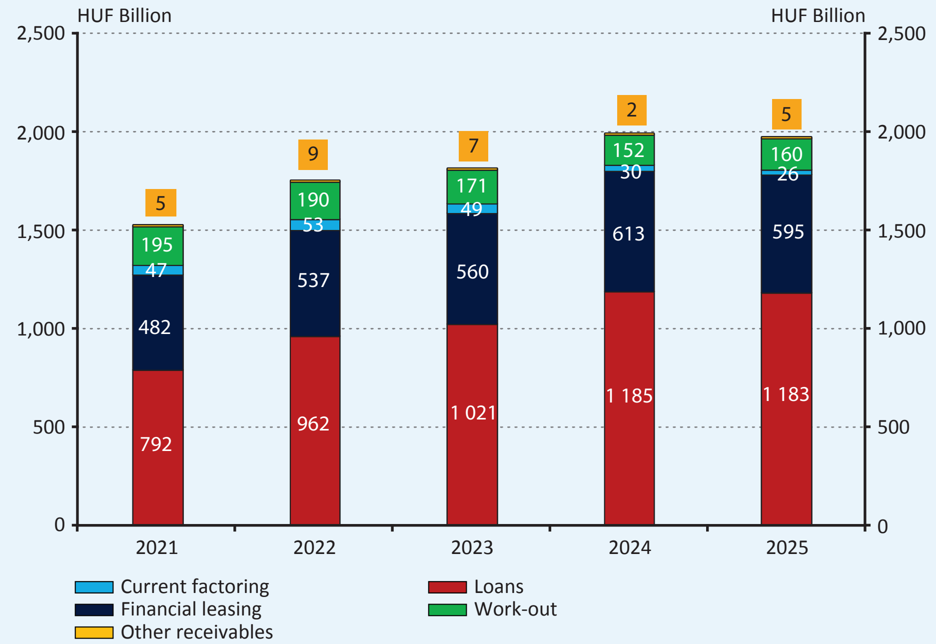
Equity in the sector has been increasing steadily, although at varying rates since 2021, and in 2025, it grew by another 11 percent compared to the previous year. 34 percent of the non-bank financial enterprises had over HUF 1 billion in equity and 3 percent of them had less than HUF 100 million. The capitalisation of non-bank financial enterprises (equity / balance sheet total) increased from 16 percent in 2024 to 18 percent in 2025.

5.3 MODERATELY DECREASING RECEIVABLES

The total amount of gross receivables from customers of non-bank financial enterprise continued to equal nearly HUF 2,000 billion in 2025 but decreased by 1 percent compared to 2024.

Unlike in the previous years, in 2025, the volume of lending decreased by 0.1 percent, while the financial leasing portfolio fell by 3 percent. The volume of factoring (work-out) purchased for receivable management rose by 5 percent in 2025, after decreasing in the preceding three years. Compared to 2024, in 2025, the current factoring portfolio decreased by a further 12 percent, while the portfolio of receivables from other activities more than doubled in a year-on-year comparison; nevertheless, it still made up a mere 0.3 percent of the total portfolio of receivables. A significant 58 percent of the increase in the receivables from other activities was related to one non-bank financial enterprise.

Chart 5.2
Composition of the receivables of non-bank financial enterprises



Source: MNB.

The proportion of gross receivables from customers by activity was similar to the previous year: in 2025, the lending activity remained dominant, accounting for 60 percent, followed by the financial leasing activity at 30 percent and the factoring (work-out) at 8 percent.

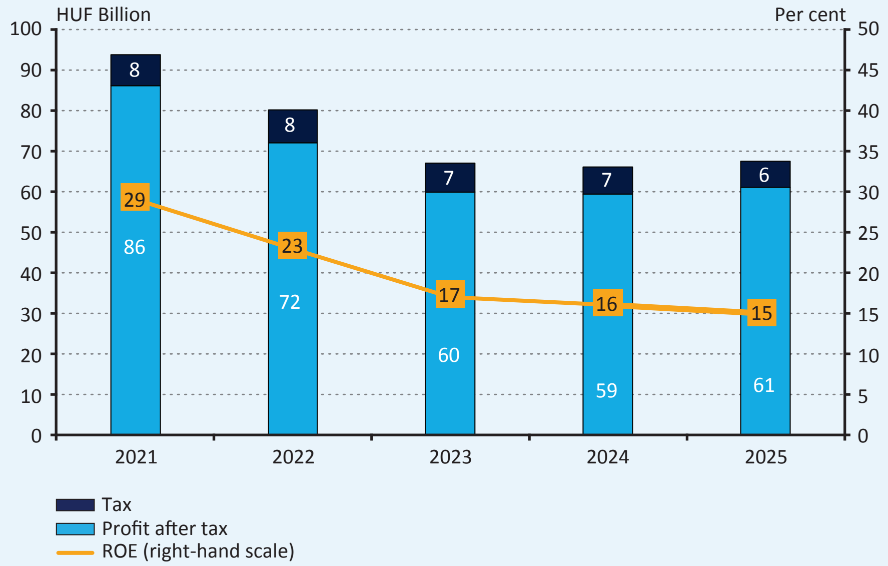
In the sector under review, the number of institutions that reached or exceeded HUF 100 billion in gross receivables from customers decreased. In 2025, six financial enterprises, each with receivables exceeding HUF 100 billion, held 43 percent – HUF 845 billion – of the total gross receivables from customers of the institutions under review. In 2024, seven financial enterprises had gross receivables from customers exceeding HUF 100 billion, amounting to HUF 952 billion.

In the case of non-bank financial enterprises with receivables exceeding HUF 100 billion, the portfolio arising from lending and financial leasing was dominant. In the past two years, all of the non-bank financial enterprises referred to had receivables arising from lending: four of them had receivables arising from financial leasing in 2024 and three of them in 2025, while only one non-bank financial enterprise had factoring (work-out) portfolio in both 2024 and 2025.

5.4 STAGNANT PROFITABILITY

In 2025, around 82 percent of the non-bank financial enterprise sector operated profitably. This year, the sector-level annual profit after tax remained below the levels of 2021 and 2022, showing only a minimal increase in absolute terms in 2025 compared to 2024, while the return on equity continued to decline to a small extent.

Chart 5.3
Profit of non-bank financial enterprises



Source: MNB.

In 2025, there were ten financial enterprises with a positive profit after tax reaching or exceeding HUF 1 billion; all of them carried out lending and/or work-out activity in 2025. The five biggest financial enterprises suffering the largest – exceeding HUF 1 billion – decline in profit after tax compared to 2024, while four of them remained profitable despite the decrease in profit, but collectively they achieved nearly HUF 8 billion less in profit after tax than in 2024.

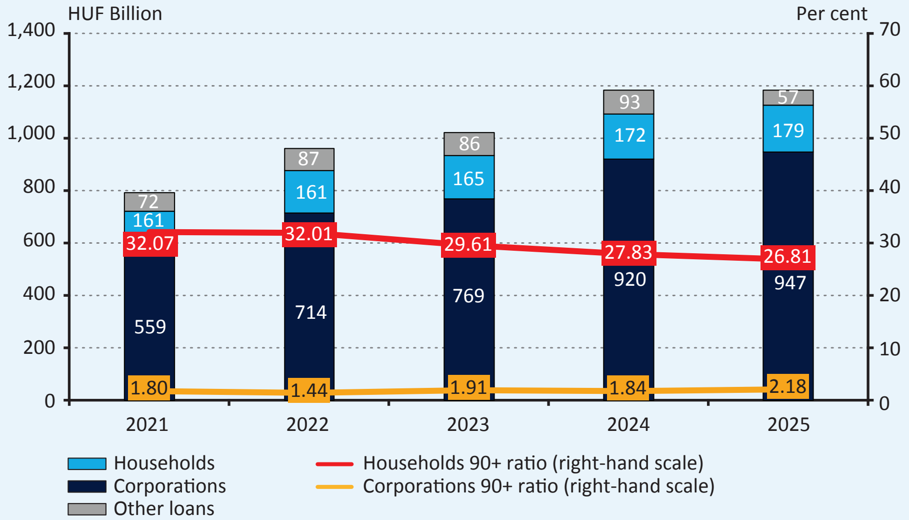
The number of non-bank financial enterprises with a positive profit after tax showed an unfavourable shift, as 26 financial enterprises reported a negative profit after tax in 2024, while this number rose to 36 in 2025, and the number of financial enterprises reporting a positive profit after tax decreased by ten, to 177 in 2025.

The impact of the special tax on financial institutions and the windfall tax remained present in the sector in 2025. Alongside the slight increase in profit after tax, the equity of financial enterprises increased by 11 percent compared to the previous year. Due to the modest increase in profit after tax and the stronger growth in equity, ROE continued to show a downward trend.

5.5 MODESTLY DECREASING LENDING PORTFOLIO

For the first time in the sector, in 2025, breaking the growth trend observed since 2021, gross receivables from customers arising from lending showed a decline, albeit not to a significant extent (0.1 percent). The decrease was attributable to a 39-percent decline in the other lending portfolio, which accounted for 5 percent of the total portfolio, compared to the portfolio at the end of 2024, which could not be offset even by the combined modest growth in the corporate portfolios (+3 percent) and household portfolios (+4 percent). Corporate lending remained dominant within the lending portfolio, accounting for 80 percent of the total.

Chart 5.4
Composition of the lending portfolio of non-bank financial enterprises



Source: MNB.

Despite the decline in the portfolio, the number of non-bank financial enterprises engaged in lending activity increased in 2025. Whereas 135 financial enterprises had a portfolio arising from lending activity in 2024, this number had risen to 139 by 2025.

The number of non-bank financial enterprises with lending portfolios exceeding HUF 10 billion also increased versus the previous year, rising from 27 to 30. The share of these non-bank financial enterprises in the total lending portfolio did not change significantly: they accounted for 87 percent of the total lending portfolio in 2025 (in 2024, it was 86 percent). The non-bank financial enterprises with lending portfolios exceeding HUF 10 billion typically engage in corporate lending activity. Compared to 2024, the same three non-bank financial enterprises had lending portfolios exceeding HUF 100 billion. Of these institutions, one provided loans to the household sector, while two had corporate lending portfolios.

The number of contracts arising from lending showed a 7-percent increase by the end of 2025, in contrast to the declining trend observed in 2024. The majority of the contracts continued to consist of household loan contracts.

In line with the trend from previous years, the corporate lending portfolio expanded in 2025 again, albeit at a much more moderate pace than in 2024. While in 2024, it increased by 20 percent compared to 2023, in 2025, the increase was 3 percent compared to 2024. The number of non-bank financial enterprises with a corporate lending portfolio exceeding HUF 10 billion also increased. In 2024, 22 non-bank financial enterprises had a corporate lending portfolio reaching or exceeding HUF 10 billion, while by the end of 2025 the number of these institutions had increased to 25. In 2025, only one institution was capable of increasing its corporate lending portfolio by more than HUF 10 billion, and the growth of this institution accounted for 39 percent of total growth. The corporate lending portfolio of one non-bank financial enterprise decreased significantly, by more than HUF 10 billion by the end of 2025, mainly owing to large-value early repayment and waiver.

The sector's household lending portfolio increased by 4 percent in 2025 compared to the previous year, but within the total lending portfolio, it remained at the 2024 level of 15 percent. The household lending portfolio of the sector continued to be exposed predominantly by the lending of two non-bank financial enterprises that engaged in quick loans and loans secured by pledged assets. One non-bank financial enterprise within the sector of household outstanding loans secured by pledged assets changed its profile and therefore the number of non-bank financial enterprises engaged in outstanding loans secured by pledged assets fell to 17. Nevertheless, the portfolio still increased, whereas from the 17 non-bank financial enterprises engaged in lending secured by pledged assets, the portfolio declined at only three financial enterprises.

Other loans were at the lowest level in 2025 over the 5-year period under review, accounting for only 5 percent of the total lending portfolio. The 39-percent decline in the other lending sector was mainly due to the significant drop (more than 60 percent) at two non-bank financial enterprises belonging to the same ownership group, which was typically caused by a decrease in the loans outstanding provided to non-bank financial enterprises belonging to the same ownership group.

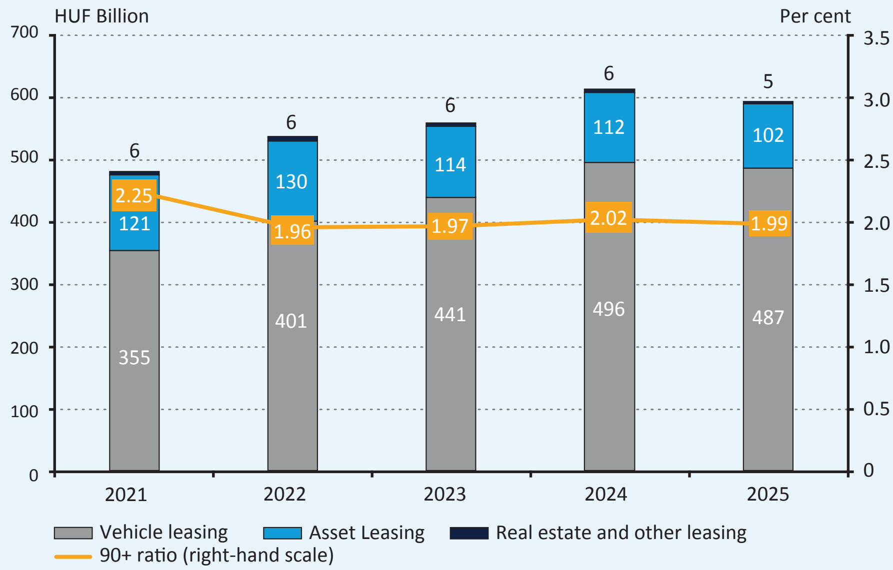
The quality of the portfolio has not changed materially since 2024. Assessing the corporate lending portfolio, continuing the trend from previous years, the amount of lending portfolio past due over 90 days remained stable and low (2.18 percent). The household lending portfolio past due over 90 days also did not change materially in 2025 compared to the previous year, and its ratio decreased minimally. At 70 percent, the lion's share of the household portfolio past due over 90 days was attributable to the portfolio of one financial enterprise.

5.6 MODERATELY DECREASING FINANCIAL LEASING PORTFOLIO

In 2025, the number of non-bank financial enterprises engaged in financial leasing activity decreased by two compared to 2024. One of the non-bank financial enterprises no longer carried out financial leasing activity in 2025, while the other merged into a third financial enterprise which was previously also engaged in financial leasing activity.

Overall, the total leasing portfolio managed by the non-bank financial enterprises decreased by 3 percent in 2025 compared to the previous year. By product type, the vehicle leasing portfolio fell by 2 percent, the asset leasing portfolio by 9 percent, and the real estate leasing and other leasing portfolio by 11 percent compared to the previous year. The decline in the financial leasing portfolio was mainly attributable to a decrease in the portfolio of two non-bank financial enterprises predominantly engaged in corporate leasing.

Chart 5.5
Composition of the financial leasing portfolio of non-bank financial enterprises



Source: MNB.

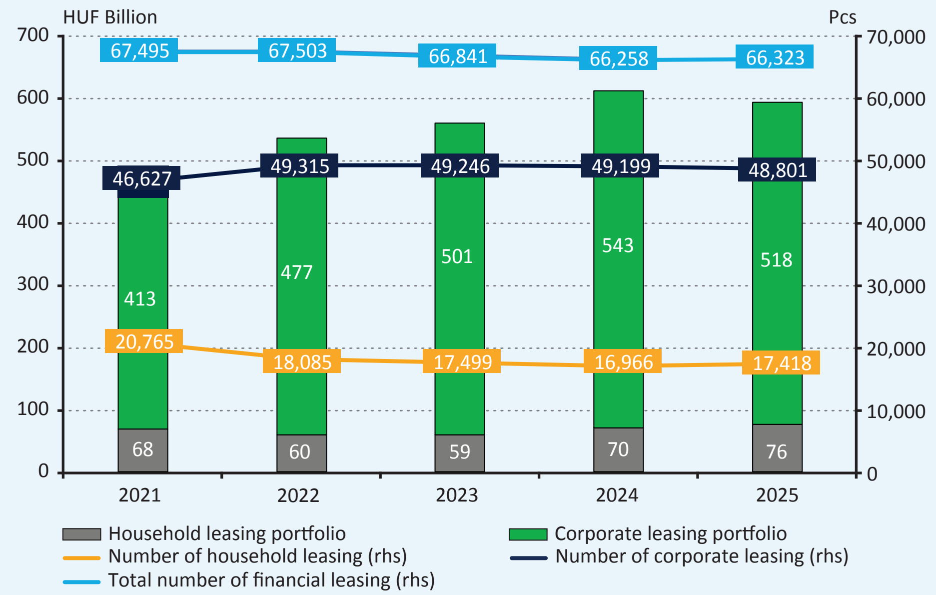
In terms of the composition of the total leasing portfolio, the asset leasing accounted for 17 percent and the vehicle leasing for 82 percent of the portfolio managed by non-bank financial enterprises in 2025. The distribution by leasing type in 2025 continued to follow the trend of previous years. The leasing activity of non-bank financial enterprises has been continuously shifting towards vehicles, while the leasing of production assets, machinery and equipment has become increasingly less typical of the institutions under review.

In 2025, eight financial enterprises had a vehicle leasing portfolio exceeding HUF 10 billion, and these institutions accounted for 97 percent of the total vehicle leasing portfolio and 79 percent of the total leasing portfolio. By comparison, the asset leasing portfolio of only four non-bank financial enterprises exceeded HUF 10 billion in the year under review. Their share of the total asset leasing portfolio was also 97 percent; however, they accounted for only 17 percent of the total leasing portfolio. In 2025, no non-bank financial enterprise had a real estate leasing and other leasing portfolio exceeding HUF 10 billion.

The quality of the financial leasing portfolio remained good. In 2025, the share of the portfolio of non-bank financial enterprises past due over 90 days decreased minimally. As a result, the risk arising from non-payment continued to be low at sectoral level.

Examined by customer type, the corporate leasing portfolio fell by 5 percent, while the household portfolio increased by 9 percent compared to the previous year. A significant, 87-percent share of the financial leasing portfolio was linked to the corporate sector, and only 13 percent was linked to the household segment. In the case of the financial leasing provided to corporate customers, in 2024 two institutions had corporate leasing portfolios exceeding HUF 100 billion, accounting for 40 percent of the corporate financial leasing portfolio. In 2025, only one institution's portfolio reached or exceeded HUF 100 billion in the corporate sector (the other approached the threshold under review from below) and accounted for 21 percent of the corporate leasing portfolio. Within the household leasing portfolio, none of the portfolios reached or exceeded HUF 100 billion in either 2024 or 2025. However, in both years, the household portfolio of the same two institutions exceeded HUF 10 billion, and their portfolios increased from 2024 to 2025.

Chart 5.6
Composition of the financial leasing portfolio and the number of leases of non-bank financial enterprises



Source: MNB.

The aggregate number of financial leasing contracts remained almost unchanged in 2025 compared to 2024. The number of household leasing contracts rose by 3 percent, while that of corporate leasing contracts fell by 1 percent. The average size of household leasing transactions was HUF 4.4 million, while that of corporate leasing transactions was HUF 10.6 million.

Compared to the previous year, average transaction sizes decreased by 4 percent for corporate leases and increased by 7 percent for household leases.

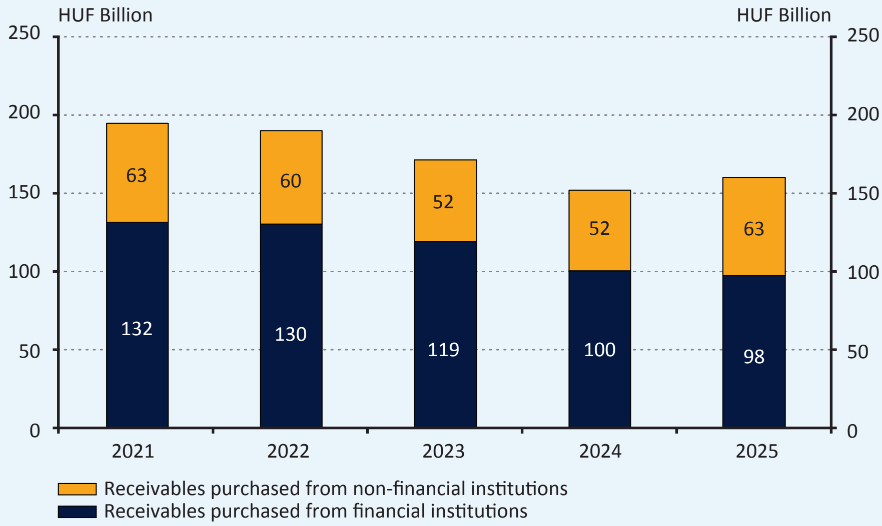
5.7 MODESTLY INCREASING WORK-OUT PORTFOLIO

The carrying amount of the work-out portfolio managed by non-bank financial enterprises, as well as the number of contracts purchased for debt management, increased by 5 percent compared to the previous year.

In the sector, the work-out portfolio purchased from financial institutions fell by 3 percent compared to the previous year (showing a 2-percent increase in the case of the number of contracts). The portfolio of receivables purchased from financial institutions has been declining year by year, but remained dominant in 2025, accounting for 61 percent of the carrying amount of the overall work-out portfolio. The portfolio of receivables arising from the mortgage loans secured by real estate of the household sector and purchased from financial institutions decreased by 16 percent, while in terms of number of contracts, it increased by 8 percent compared to the previous year.

At the same time, the portfolio purchased from non-financial institutions showed growth of 21 percent compared to 2024 (and increased by 8 percent in the case of the number of contracts); thus, it accounted for 39 percent of the total receivables. In 2025, two institutions increased their work-out portfolio purchased from non-financial institutions at book value by more than HUF 1 billion, accounting for 56 percent of the increase in 2025.

Chart 5.7
Composition of the work-out portfolio of non-bank financial enterprises



Source: MNB.

The carrying amount of the total increase in portfolio in 2025 (including purchases and other increases) slightly decreased to the 2024 value and thus exceeded the total portfolio decline reported in 2025 (including repayments, sales, waivers and other decreases), the value of which was 35 percent below the 2024 value. Thus, the increase in the work-out portfolio in 2025 was essentially due to the decline in portfolio-reducing items compared to 2024.

In 2025, similarly to 2024, the work-out portfolio at carrying amount of two financial enterprises reached or exceeded HUF 10 billion. Of the two institutions, one had credit institution funding for financing the activity. The profit after tax of financial enterprises also engaged in receivables purchase rose by 19 percent compared to 2024; however, it should be emphasised that these data do not allow the profitability of individual activities to be separated.

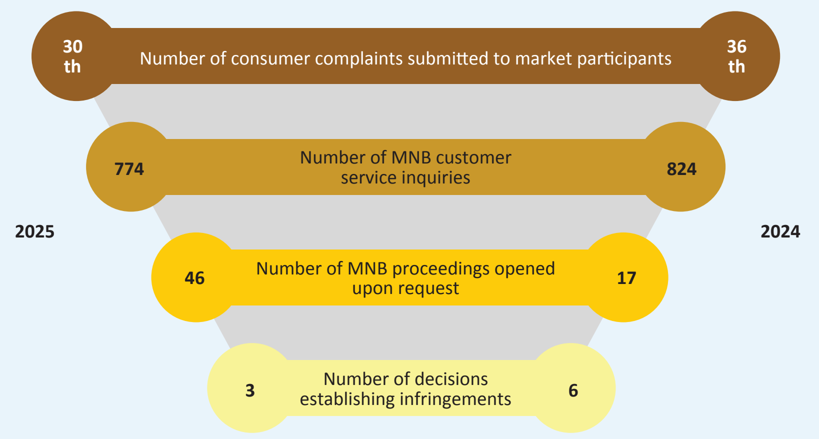
Act XII of 2025 on credit servicers and credit purchasers of non-performing loan agreements entered into force in 2025

On the 16th of May 2025, Act XII of 2025 on credit servicers and credit purchasers of non-performing loan agreements (NPL Act) entered into force. Pursuant to the NPL Act, credit purchasers and credit servicers appeared as new market participants in the debt management sector. The MNB is also responsible for the supervision of the credit servicers and the activities of credit purchasing. According to the NPL Act, the credit servicing activity requires authorisation from the MNB. However, based on Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the Credit Institutions Act), entities already licensed by the MNB for lending or purchasing receivables may be entitled to perform credit servicing activities without a separate MNB authorisation. Although no operating licence was issued for credit servicing activities in 2025, out of the 216 non-bank financial enterprises, 211 were entitled, based on their existing authorisations, to perform credit servicing activities for their own portfolios as well as on an assignment basis. Of these, more than 130 institutions have so far indicated to the MNB that they intend to perform credit servicing activity in respect of their own portfolio or on the basis of assignment.

5.8 CONSUMER PROTECTION OF NON-BANK FINANCIAL ENTERPRISES

In 2025, the number of consumer complaints received by non-bank financial enterprises and the number of related inquiries received by the MNB decreased. At the same time, the number of consumer requests submitted to the MNB increased significantly, a substantial part of which consisted of objections related to the judgment of the Court of Justice of the European Union concerning former foreign currency loan products.

Chart 5.8
Consumer complaints and consumer protection activities at non-bank financial enterprises



Source: MNB.

In the complaints submitted to non-bank financial enterprises, consumers most frequently objected to the quality of services, settlement disputes, deficiencies in information provision and case administration related to the Central Credit Information System (CCIS) list in 2025, similarly to the previous year.

The MNB's consumer protection activity relating to non-bank financial enterprises in 2025 primarily concerned financial enterprises providing small-value loans and debt management companies.

In several cases in 2025, it was found that supervised institutions operated their websites with inadequate data content. The published complaints handling policies and other documents were not prepared in accordance with the regulatory environment in force, and direct access to the documents was not properly ensured in all cases. The MNB considers it important that supervised institutions operate with consumer protection considerations in mind and, in this spirit, keep their online interfaces continuously up to date.

In several cases, the MNB called on debt management companies to comply with the expectations set out in the MNB's recommendations regarding the tone of communication. A key supervisory expectation for non-bank financial enterprises is also that they conduct their customer communication to a high professional standard, in a respectful style and free from psychological pressure.

In 2025, the consumer protection supervisory proceedings launched upon request most frequently identified complaint-handling deficiencies such as incomplete responses, breaches of statutory response deadlines, and the failure to classify and handle consumer submissions as complaints. The MNB considers complaints handling rules to be a cornerstone of consumer protection compliance, and in 2026 particular emphasis will continue to be placed on enforcing compliance with the expectations in relation to complaints handling.

6 Intermediaries and associated risks[36]

6.1 INSURANCE INTERMEDIARIES

6.1.1 Further Concentration in the Brokerage Market, Outstanding Revenues

In 2025, the decline observed for years in the number of institutions holding an insurance intermediary licence continued. The rate of decline was 7 percent, which may be considered significant compared to the decrease recorded in the previous year (4 percent) (Table 6.1). As in the previous year, the change continued to be driven by the concentration of the brokerage market based on portfolio transfers, in the course of which typically smaller brokers join brokers operating with more extensive administration, taking advantage of the benefits offered by larger infrastructure and more advanced digitalisation technologies, while also ensuring compliance with the legal requirements affecting their operation. It is encouraging that in the year under review both the number of natural persons engaged in brokerage and multiple-agent activities and commission and remuneration income increased, with the latter rising by 10 percent.

Table 6.1
Key data of insurance intermediaries

	Insurance intermediary	
	2024	2025
Number of institutions	344	**322** ↓
Broker	*308*	*285*
Multiple Agent	*36*	*37*
Number of natural persons	12 102	**12 492** ↑
Commission income or indirect remuneration (HUF bn)	142,4	**157,5** ↑

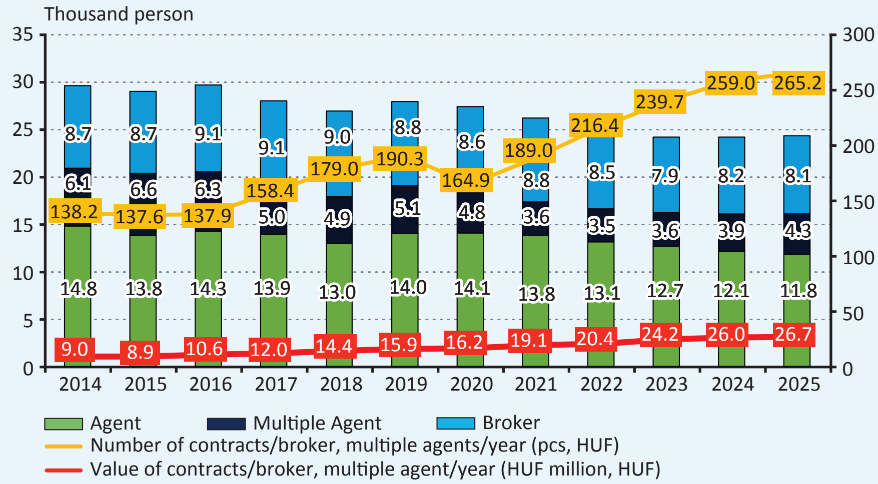
Note: The number of insurance intermediary institutions includes institutions registered as insurance intermediaries and carrying out insurance intermediary activity as their main activity, as well as institutions registered under another main activity that also carry out insurance intermediary activity.
Source: MNB

6.1.2 Stagnating Intermediary Headcount

The halt in the decline in intermediary headcount observed in 2024 was also seen in the year under review. Accordingly, it can be said that the number of natural persons engaged in intermediary activity has remained unchanged for three years. No measurable change occurred in the year under review compared to the previous year, as the 2.5-percent decrease in insurers' tied-agent networks – although lower than in the previous year – was once again offset by headcount growth in the multiple-agent and broker networks, keeping the overall level stable, similarly to 2024 (Chart 6.1).

[36] Intermediaries are legal persons holding an MNB licence in the insurance or money market and selling competing products in relation to a given product group. In all other cases, they are named separately.

Chart 6.1
Trends in the number of insurance intermediary natural persons

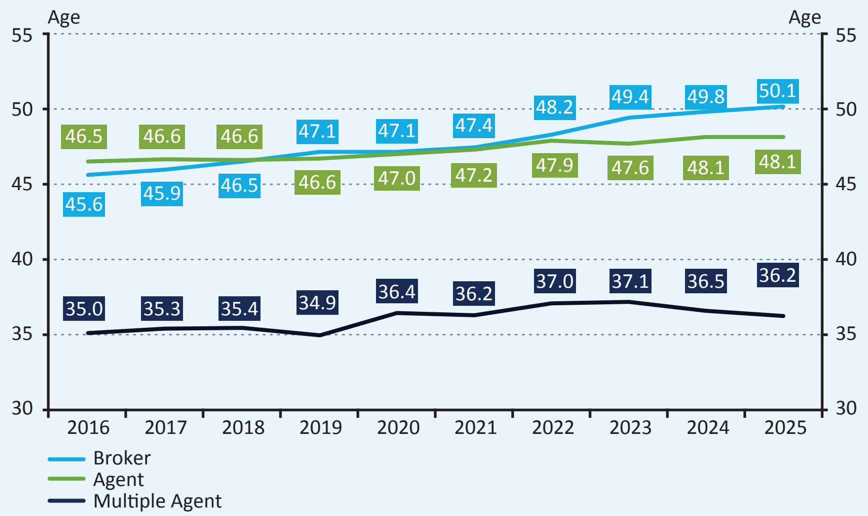


Source: MNB.

The stabilisation in headcount, however, was still not accompanied by a rejuvenation of the intermediary population, at least as regards broker and agent networks. The trend lines in the chart show that the median age shifted towards older age groups: among brokers and agents, the average age is approximately 15 years higher than in multiple-agent models, which typically attract younger age groups.

The differing rate of change in the average age of intermediaries can be attributed to the characteristics of the individual forms of activity and the differences inherent in them, and these differing features are also reflected in the difficulties experienced in recruiting new intermediaries. Beyond differences in remuneration opportunities, the selection of new staff has for some time also been made more difficult by the younger generation's attitude to work and different communication habits. Addressing this issue remains urgent, and this is not materially altered by the transformation of the forms of activity whereby insurers' agent networks are being reorganised or discontinued.

Chart 6.2
Trends in the average age of insurance intermediary natural persons



Source: MNB.

6.1.3 Outstanding Performance in the Non-life Segment

In the year under review, the intermediation of non-life insurance strengthened further, thereby increasing the traditional shift of broker and multiple-agent sales towards these products. Alongside growth in the value and number of intermediated non-life insurance contracts, the decline observed in previous years in terms of the premium and number of intermediated life insurance contracts continued in 2025. Based on the results of the year under review, the dominance of brokers in non-life insurance sales and of multiple agents in life insurance product sales can also be established (Table 6.2).

Table 6.2
Sales data of insurance intermediaries

		Value of contracts (HUF bn)		Number of contracts		Remuneration income (HUF bn)	
		2024	2025	2024	2025	2024	2025
Non-life segment		**284.2**	**303.3**	**3,067,198**	**3,246,703**	**114.5**	**127.9**
Compulsory motor third-party liability insurance		130.7	134.9	1,871,103	1,977,933	25.8	28.0
Household property insurance		13.3	12.5	232,642	200,617	11.9	13.2
Motor casco insurance		61.9	66.6	245,804	262,381	19.5	23.5
Corporate and institutional property insurance		50.9	54.2	52,449	96,242	38.3	41.5
Travel insurance		7.1	8.0	562,834	600,824	2.8	3.1
Other non-life insurance		20.3	27.2	102,366	108,706	16.3	18.6
Life segment		**31.0**	**30.7**	**67,532**	**66,594**	**27.8**	**29.6**
Risk (term/death benefit) life insurance [before 2022: traditional life insurance]		4.1	3.9	19,798	21,749	5.4	6.4
Savings-type life insurance		25.9	25.2	45,315	44,095	21.2	21.9
Of which	Unit-linked life insurance	24.8	24.2	43,874	42,807	20.4	21.2
	Traditional life insurance	1.0	0.9	1,441	1,288	0.8	0.7
Other life insurance		1.1	1.6	2,419	750	1.2	1.2

Source: MNB.

In 2025, the premium of non-life insurance contracts increased by 6.7 percent and their number rose by 5.8 percent, while brokers and multiple agents recorded 12 percent higher revenues as consideration for intermediation; however, the rate of growth fell short of that recorded in the year preceding the year under review. The largest revenues in the year under review were generated in corporate and institutional property insurance: an 8.4-percent increase in premiums was observed here compared to the previous year, with an 83.5-percent increase in the number of contracts and a 6.5-percent rise in contract value. The exceptionally high increase in the number of contracts was caused by the introduction, from January 2025, of compulsory contractors' liability insurance for undertakings carrying out construction activities.

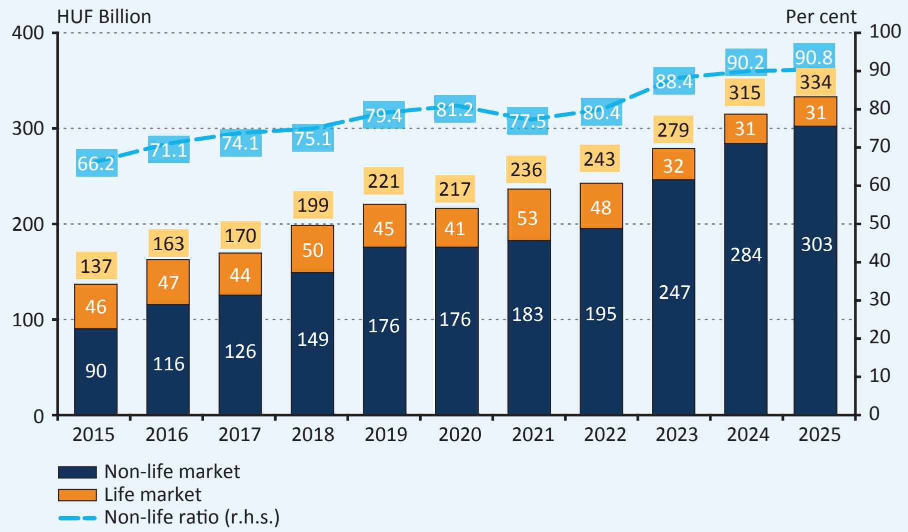
The trend-like growth in motor vehicle insurance continued in 2025. In the year under review, the number of compulsory motor third-party liability insurance contracts concluded with the involvement of insurance intermediaries increased by 5.7 percent, which is half of the previous year's growth, while their value rose by only 3.2 percent. In the case of motor casco insurance, the number of contracts increased by 6.7 percent, while the value of contracts rose by 7.6 percent, which indicates stagnation in terms of growth in the number of contracts relative to the previous year, but a significant decline in the magnitude of the change in value. Demand for household property insurance may also be considered significant in the year under review, but it did not exceed the 2024 level in terms of either value or number.

Overall, the intermediation of life insurance products continued to present an unfavourable picture in the year under review. In the case of term life insurance products, the number of contracts increased by 10 percent, while the value of contracts decreased by 5 percent; in the case of unit-linked life insurance, both the number and value declined by 2.5 percent. Average life insurance premiums per contract showed stagnation compared to the year preceding the year under review, while remuneration income from their intermediation rose by 5.7 percent.

6.1.4 Concentrated Intermediary Sales in Non-life Insurance Products

In the year under review, the total value of intermediated contracts exceeded HUF 330 billion, resulting in 6-percent growth relative to the previous year. At the same time, the rate of growth fell significantly short of the increase recorded in the past two years, amounting to roughly half of it. The increase in the share of non-life insurance products is unstoppable and, although the pace of change was slower, the shift is irreversible. The nearly 91-percent share of non-life sales in the year under review was also influenced by the further decline in the intermediation of term and savings-type life insurance products, which are regarded as the main products in the life segment. Although the decrease in the amount of intermediated contracts was 1 percent in the case of life insurance products, the increase in the amount of intermediated non-life insurance contracts, while roughly halving compared to the year preceding the year under review, was still close to 7 percent. The decrease observed in the life segment continued to be due to the decline in sales of savings-type life insurance products, which could not be offset by the growth in term life insurance, while on the non-life side the increase was caused by growth in value and number in almost all product categories.

Chart 6.3
Trends of insurance premiums mediated by brokers and multiple agents

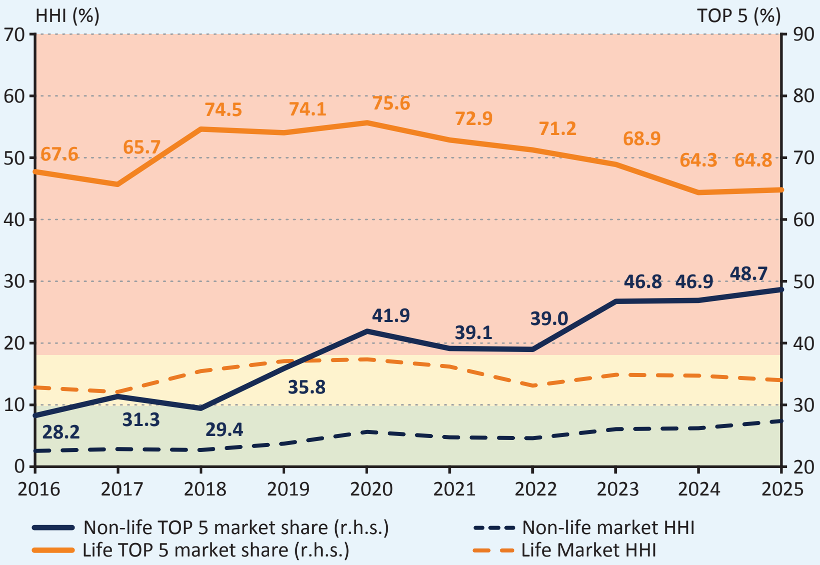


Source: MNB.

6.1.5 Opposing Trends, Stable Market Structure

In the year under review, the concentration indicators determined on the basis of intermediated gross premium written and portfolio premium in the life and non-life insurance product markets reflected only moderate changes; overall, the level of concentration can be considered unchanged (Chart 6.4). In the life insurance segment, the Herfindahl–Hirschman Index (HHI) and the indicator measuring the combined share of the five largest intermediaries (TOP 5) showed slight but opposite changes; the trend-like decline in TOP 5 concentration came to an end, while concentration in the life segment remained within the moderate range. In parallel, the HHI and TOP 5 values showed a slight increase in the non-life insurance market. The extent of the shift does not suggest a major transformation in market structure. Concentration remained low, but is increasing in a trend-like manner without materially affecting market structure. This is due not only to rearrangements within the existing structures, but also to the decline in the number of independent insurance intermediary institutions in parallel with brokerage portfolio transfers.

Chart 6.4
TOP 5 independent insurance intermediary shares and Herfindahl-Hirschman index based on gross premium

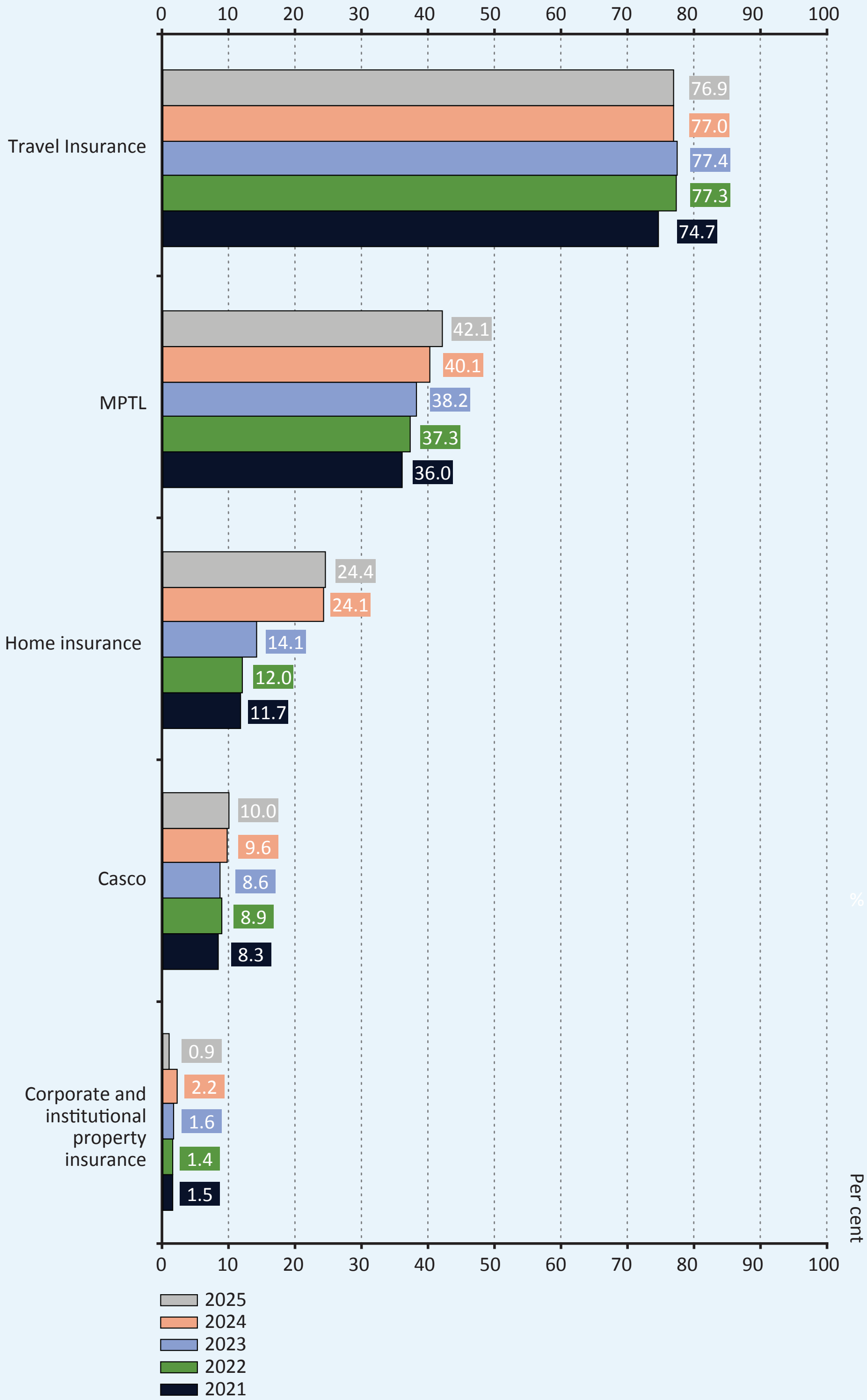


Source: MNB.

6.1.6 Buoyant Online Sales

In the year under review, the electronic, intermediary-free sale of non-life insurance was, overall, characterised by the stagnation observed in previous years, with more substantial growth seen only in the case of compulsory MTPL insurance. Significant or more decisive electronic penetration continued to be observed in the case of price-sensitive, standardised products that can be easily compared and calculated. In 2025, in addition to the growth in electronically concluded compulsory MTPL insurance, the online sale of household property insurance and motor casco insurance also showed smaller increases, amounting to 0.3 percentage point in the former case and 0.4 percentage point in the latter. In the case of travel insurance, which has traditionally been sold electronically and has long shown the maximum level of electronic penetration, a barely visible decrease of 0.1 percentage point was observed, meaning that the decline seen since 2022 continued (Chart 6.5).

Chart 6.5
Proportion of electronically mediated non-life insurance contracts (by number, proportion within mediated contracts)



Source: MNB.

6.2 MONEY MARKET INTERMEDIARIES

6.2.1 Market Concentration Continuing Along Operating Conditions

The concentration of independent money market intermediaries in relation to operating conditions continued in 2025. The number of institutions decreased by 14 percent, exceeding the rate of decline recorded in the previous year, but this continued to occur within the framework of the MNB's planned market clean-up activity. As a result of the activity also aimed at supporting a clean market and active participants, the number of multiple agents intermediating hire-purchase loans decreased by 41 percent, while the headcount of multiple agents declined by 5.5 percent. In view of the exit from the market of typically inactive intermediaries, the efficiency of the intermediary market did not change: in the year under review, both the number of natural persons and total commission income increased. In the latter case, growth was exceptionally high, at 43.5 percent, which was clearly due to the intermediation of mortgage loans affected by state subsidies (Table 6.3).

Table 6.3
Key data of independent money market intermediaries

	Money market intermediary	
	2024	2025
Number of institutions	405	**351**
Broker	*16*	*17*
Multiple Agent	*292*	*276*
Multiple featured intermediary	*5*	*4*
Hire-purchase intermediary	*92*	*54*
Number of natural persons	10,412	**10,957**
Commission income (HUF bn)*	26.9	**38.6**

Note: The number of independent money market intermediaries includes institutions registered as money market intermediaries and institutions performing money market intermediary activities as their main activity, as well as institutions registered on the basis of other main activities and performing final activities. Hire-purchase money market intermediaries are not required to report data. Overlap is possible between money market and insurance intermediary natural persons.

Source: MNB

6.2.2 A historically Active Year in Intermediated Lending

In the field of household lending, 2025 brought a breakthrough. The aggregate value of household lending contracts exceeded HUF 1,000 billion, rising to HUF 1,337.9 billion and reaching historic highs. The outstanding product type within the product group was the mortgage loan, where a 24-percent increase in the number of contracts was accompanied by a 45-percent increase in contract value. In the year under review, nothing could surpass the growth in mortgage loans. The significant expansion was primarily due to the Home Start Programme introduced during the year, which provided a further boost to mortgage lending. State-subsidised schemes and the improving interest rate environment together resulted in the number of mortgage loan contracts concluded by intermediaries exceeding 42,000. In addition to mortgage loans, personal loans also recorded significant growth in the household segment, with the number of intermediated contracts increasing by more than 50 percent. The corporate lending and financial leasing product category also expanded, with the number of contracts increasing by nearly 19 percent and their value by 24 percent. It can clearly be established that in the year under review the intermediary market moved up a level not only in volume, but also in value. State subsidy programmes, particularly the Home Start Programme, and rising real wages provided a stable basis for the market, while concentration further demonstrated the market's strong activity (Table 6.4).

Table 6.4
Sales data of independent money market intermediaries

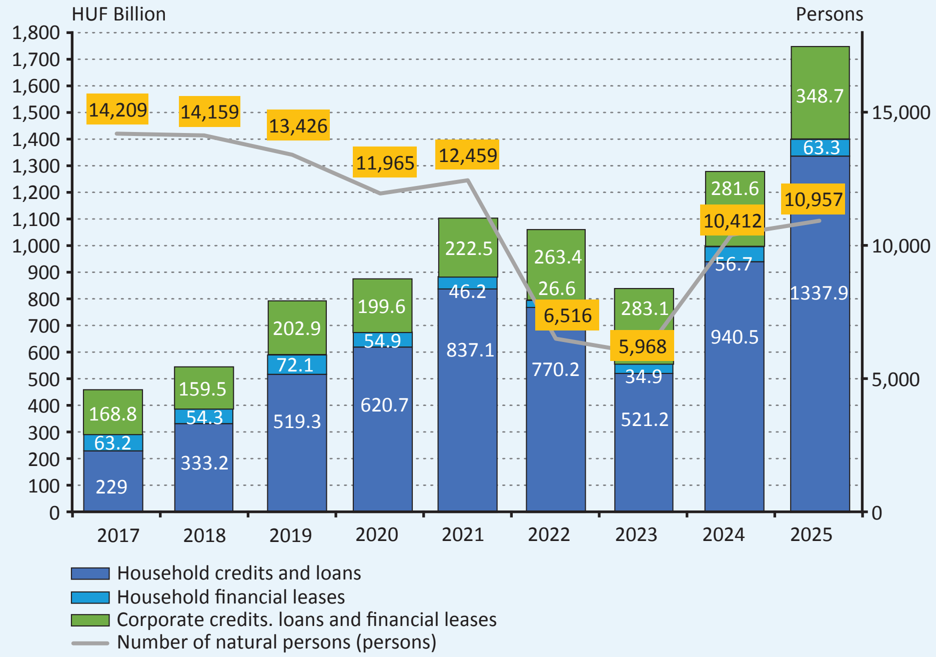
	Value of contracts (HUF bn)		Number of contracts		Commission income (HUF bn)	
	2024	2025	2024	2025	2024	2025
Corporate credits, loans and financial leases	281.6	**348.7**	19,705	**23,459**	3.4	**3.3**
Total household credits and loans	940.5	**1,337.9**	165,663	**179,486**	18.8	**27.4**
Of which: Mortgage	*769.8*	*1,120.5*	*33,900*	*42,120*	*13.3*	*19.8*
Motor vehicle	*0.1*	*0.0*	*14*	*175*	*0.00*	*0.0*
Personal loans	*97.7*	*136.6*	*15,603*	*23,938*	*2.7*	*4.9*
Credit card	*1.8*	*8.9*	*2,462*	*26,297*	*0.07*	*0.6*
Other	*71.1*	*72.0*	*113,684*	*86,956*	*2.7*	*2.0*
Total household financial leases	56.7	**63.4**	11,411	**12,480**	0.4	**0.7**
Of which: Real property	*1.8*	*1.6*	*116*	*86*	*0.0*	*0.0*
Motor vehicle	*55.0*	*61.7*	*11,295*	*12,394*	*0.3*	*0.7*
Other	*0.0*	*0.0*	*0*	*0*	*0.0*	*0.0*

Source: MNB.

6.2.3 Unprecedented-value Intermediary Lending

In the year preceding the review period, in terms of household lending, household credit intermediation had already reached an unprecedented level; in 2025, surpassing all expectations, it exceeded HUF 1,300 billion. The driving force behind household lending was clearly mortgage loan intermediation, which accounted for 84 percent of the total amount of household credit and leasing. In the case of intermediated corporate lending and financial leasing, the growth observed for years continued in the year under review and, moving beyond the stagnation seen in the previous year, expansion amounted to 24 percent. Overall, it can be established that money market intermediaries closed a historic year, and their role in the sector's expansion and effectiveness is indispensable.

Chart 6.6
Number of money market intermediaries and the total value of intermediated loans and leases



Source: MNB.

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