MARKET TRANSFORMATION UNDER FIDESZ ENERGY AND BANKING POLICY REVIEW SINCE 2010[1]

Paulina LENIK[2]
University College London, London, UK

A b s t r a c t

The paper identifies several policies introduced under the Fidesz government in the years 2010-2019, which were supposed to advance wealth redistribution and assist the poorest strata of society. This narrative however, as the argument is put forward, has little applicability in the actual policy implementation. The paper is structured as follows; firstly it takes a close look at the political promises of the Fidesz government in their run-up to power. Secondly, it provides an analysis of the two major industries in order to illustrate how these political promises transformed into a form of soft-nationalisation. Lastly, it discusses the potential consequences of such a state of affairs. The main focus is rather on what these policies entail for the end-users' interests, which, despite the political ferocity of Fidesz, seem to be de facto undermined.

Key words: *market interventionism, Fidesz, energy and banking sector, Hungary, populism*

Campaigner's bait

Fidesz's victory back in 2010 did not come as a surprise. The previous government's mismanaged policymaking (Martin 2017) — further deteriorated by the 2008 crisis — had left a social stigma among the electorate that sought out political alternatives. Fidesz fiercely opposed the deal with the IMF, capitalising its popularity on the extremely disenchanted electorate in the midst of imposed austerity measures. Moreover, Fidesz was acutely well prepared for the electoral campaign. The message they gave was succinctly clear — a promise of better days for Hungarians by lowering taxes, renegotiating the IMF-imposed conditions and reversing many austerity measures imposed by the socialist government.

Fidesz's charismatic leader, former Hungarian Prime Minister (PM), Victor Orban, was at the centre of the party's campaign. Orban pledged for a radical change of the system, departing strongly from the Europhile socialist government. Once in power, and back in the prime minister's seat, his political narrative further radical-

[1] UCL PhD student, FATIGUE Early Stage Researcher — This research is part of a project that has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No. 765224. The author would like to thank two anonymous reviewers from Transparency International, Budapest for their invaluable feedback and guidance while working on this article.

[2] p.lenik@ucl.ac.uk

ised following the 2015 migration crisis. The PM has ostracised "Brussels bureaucrats" as having no right to undermine the Hungarian way of dealing with migration or protecting Christian family values (Hopkins and Peel 2020). Ever since, it has remained the party's frontline rhetoric. It has also been complemented by generous income-redistribution policies with a sound degree of anti-immigrant and Europhobic sentiments.

Study rationale

This paper considers two aspects of Fidesz's market interventionism — that is, its policies vis-à-vis the banking and energy sector. Naturally, the government has been active in a plethora of spheres, such as pensions, the tobacco industry, co-operatives, the judiciary, media and so forth. However, a comprehensive analysis of all those developments goes beyond the scope of this paper. That is not to say that these are of lesser importance. The selection of energy and banking as illustrative cases was guided by two main assumptions. Firstly, the vested characteristics of these two market spheres. The energy sector is paramount in the state's role as a provider of security, both in terms of a supply guarantor, as well as it's way of embodying the geopolitical position of the country. It is also often portrayed as a reflection of national sovereignty (Voszka 2018). Similarly, in banking, the power of the central bank steers the functioning of the market, something that has become particularly visible after the failures of 2008. The efficiency of corporate banking is strictly dependent on regulatory framework. The sector is founded on mutual inter-institutional, as well as customer trust. Secondly, Fidesz in their political programme has ferociously addressed the instant need for the state to address the policy failures of the previous government towards these two market segments. It has departed strongly from the immediacy of the post-crisis response evidenced in the West, rather to reformulate the pillars of the capitalist system erected during the post-communist transformation (Voszka 2018). The implemented policies seem to reflect those employed in the pre-transition period, strongly reminiscent of the paradigms of a post-war welfare state.[3] Therefore, this study takes a look at how the government has approached these two paramount sectors which gives a succinct script for Fidesz's policy objectives *sensu largo*.

Utility sector

Since Fidesz came into power, one of the major objectives of their policy has been to reduce energy prices. Over the years, the government has introduced a series of

[3] Such comparison of the current Hungarian nationalisation with the communist welfare state nostalgia has been widely analysed by (Mihályi 2014, Voszka 2017). For other sectors, the tobacco reform in Hungary (Laki 2015).

price cuts, which effectively diminished gas and electricity bills by almost 20 per cent. The reduction was achieved by diminishing the legally-achievable profit margin for gas suppliers from 10.05 per cent to 2.28 per cent (Isaacs and Molnar 2017). As a consequence, in early 2019 Fidesz made Hungary one of the cheapest energy price markets in the whole EU (Economist Intelligence Unit 2019). This is particularly important, as Hungary's energy consumption relies 1/3 on natural gas. The country is, however, in scarce possession of that resource[4] and, with little import alternatives, it meets such a demand thanks to a gas deal with the Russian Federation — slowly seeking alternatives from the Black Sea basin. The government is attempting to diversify the supply with its Romanian counterparts, which is set to take effect in May 2020. This has not been well received by Moscow, and these tensions are yet to crystallise (Daily News 2018).

The reliance on the Russian supply naturally has geopolitical ramifications, visible especially when Orban manoeuvres on the international level. Despite that, there is not yet realistically feasible infrastructure to allow such a diversification in the foreseeable future (BBJ 2017). PM Orban tries to prove to the electorate that he has a strong hand and is not entirely reliant on the Russian supply. The tripod negotiations to diversify the gas supply prove that Orban is seeking to be a dominant actor in the new delivery channel, as judged by some experts: "Hungary is keen to become a sort of energy distribution hub when it comes to Black Sea gas. Orban hopes this will allow him to expand his regional influence even if it has nothing to do with exporting his political ideology to other countries in South-Eastern Europe" (Kretko 2018).

The country is highly resource dependent. 80 per cent of its total gas imports come from Russia — imports that satisfy 75 per cent of the total gas demand. A significant degree of this resource is consumed directly by households. This foreign energy dependence makes the government's policy, which has nurtured the public hopes for energy independence, seem surprising (Isaacs and Molnar 2017). Nonetheless, Fidesz militantly opposed the surge in energy prices which followed economic deterioration in 2009, prioritising household pricing above the economic rationale of the market. That is equally in strong contrast to the EU's pro-competition energy legislation, the Energy Charter Treaty (ECT).

Price reductions have been accompanied by another critical reform that Fidesz has introduced. That is, increasing state control over the utility sector. Suppliers unwilling to bear profit cuts, or who are in a precarious financial condition were invited by the government to sell their shares at a downgraded price (Magyar 2016).

[4] The national natural gas production accounts merely for 15% of the total gas consumption (Economist Intelligence Unit 2019, 5).

This re-nationalisation of the gas supply follows the narrative of *taking back control* of the government in major spheres of public activity. In practice, it entailed monopolising the ownership over the energy wholesale and storage facilities. In 2013, the government purchased the Hungarian Power Holding Company (MVM) and indirectly, through the Hungarian Development Bank (MFB), the gas storage company MOL. In essence, the formerly private network for gas storage and wholesale instantly became a fully publicly owned entity.

The transfer of ownership was a necessary step for the government to be able to steer utility prices. The purchase of MOL from Russian company, Surgutneftegas, gave the government the upper hand in setting gas fees, as the company owns and manages the only transmitter of natural gas — the Natural Gas Transmission Closed Company (FGSZ Ltd.). Similarly, the government purchased gas storage units from British company E.ON, issuing privileged licensing to MVM in maintaining the HAG pipeline, and heavily subsidising the MVM's construction of the southern gas interconnector. In 2013, it acquired the FOGAZ gas supplier from German company RWE (Napi 2013). The price tag on that transaction reached 41 billion forints (~€122 million), and gave the government full control over the capital's gas network.

These changes have the following two ramifications on the end-user. Price cuts introduced by Fidesz operate in the realm of essentially public subsidies, as the deals signed with Gazprom are on a fixed-price basis binding the country at least until 2021, with the recent political promise of extension when the current deal expires (Economist Intelligence Unit 2019, 5). Moreover, after taking over the key energy distributors and storage, the management of energy supply has become a publicly-run domain. The overall expectation is that the public budget is incurring a constant net loss, paying more for the gas that it delivers than for what it buys. It has been the most recent development that Hungarians negotiated a secure re-export option of the unused fuel that may allow a partial recovery of the loss (Intelli News 2018). The following section seeks to illustrate this argument further.

Public subsidy impact: a known unknown?

Public subsidies[5] are a widely implemented policy across all countries and sectors. These policies are generally understood as "a financial contribution by a government, or agent of a government, that confers a benefit on its recipients" (Kojima and Koplow 2015). The initial concern is that they may essentially *directly or indirectly transfer liabilities, forgo government revenue, provide goods or services be-*

[5] An excellent review of energy subsidies, their impact and proposed reform is done by (Morgan 2007)

low market value, or offer direct income or price support for a preferred technology and, or a company (Beaton, et al. 2013). In order to assess the magnitude of the introduced subsidies, typically we use the price-gap approach aiming to estimate how the domestic price of energy compares to same units abroad[6].

Equally frequent, especially in times of economic downturn, is for a government to radically change its energy legislation under the auspices of energy provision as a *public good* — that is of a service necessarily and universally accessible to the population. In particular circumstances, governments may decide to *take majority stakes in previously private companies, regulate privately owned companies (fixing service price), subsidising prices, introducing trade restrictions* (Mares 2010). That reasoning has also been used by Fidesz. Yet, given the attitude towards change in other sectors such as banking, pensions, the judiciary and media, it has been judged as a complementary piece of the government's populist policy puzzle.

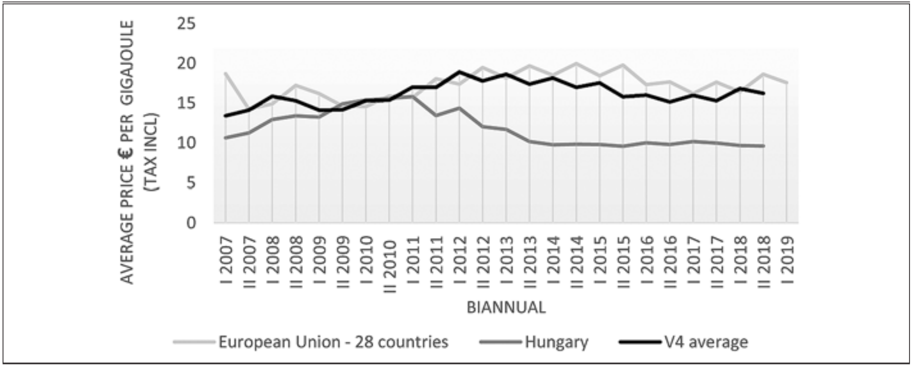
To present how drastic the implemented price cuts have been, the table below gives ratios of the EU average natural gas price compared to the Hungarian price per gigajoule (GJ). In the years 2009—2010, the mark-up was essentially equal, with a 1:1 ratio, whereas towards the end of 2019 the staggering drop of the price of gas reached a price ratio of 1:2 that indicates Hungarian gas is two times cheaper than the EU average per GJ. That means, in the first half of 2014 and 2015, the Hungarian government has effectively managed to provide a 50 per cent cut for Hungarians compared to the EU average market price.

Table 1 — Per annum price gap in natural gas household prices per GJ in Hungary — calculated from (Eurostat, 2019)

1/2 Years	Ratio: EU average gas price / HU price	Hungarian price as EU percentage	Hungarian price as V4
I 2007	1.34	75%	79%
II 2007	1.32	76%	80%
I 2008	1.33	75%	82%
II 2008	1.21	83%	87%
I 2009	1.10	91%	94%
II 2009	0.98	102%	105%
I 2010	1.03	97%	101%
II 2010	1.01	99%	102%
I 2011	1.14	88%	93%
II 2011	1.29	77%	79%
I 2012	1.36	74%	76%
II 2012	1.51	66%	68%

6 A full recap of the four typically used ways to assess subsidies refer to (Sovacool 2017, 132)

I 2013	1.69	59%	63%
II 2013	1.82	55%	58%
I 2014	2.05	49%	54%
II 2014	1.88	53%	58%
I 2015	2.02	49%	56%
II 2015	1.81	55%	61%
I 2016	1.77	57%	62%
II 2016	1.66	60%	65%
I 2017	1.74	58%	63%
II 2017	1.65	61%	65%
I 2018	1.93	52%	57%
II 2018	1.83	55%	59%



To cross-check the data, the Hungarian average price per GJ is also compared to the V4 average. Noticeably, Hungarian gas is the cheapest in the region, despite the immense dependence on imported fuel and a lack of internally produced alternatives. As previously mentioned, the major shift in prices started in the first and second halves of 2011, with a drastic 30 per cent drop from the initial 1:1 ratio in average prices compared to a year before. Therefore, to conclude, on average since Fidesz has been in power, the prices of a GJ of natural gas in Hungary has been 40 per cent lower than the EU average every consecutive year.

The first implication for such a drastic reduction in price is an increase of gas consumption. According to (Economist Intelligence Unit 2019) estimations, the total consumption of natural gas will steadily increase to 43 GWh from the current 40,000 GWh. That accounts for 45 per cent of the total generation capacity. Aside from the increase in consumption, subsidies in general erode the need for innovation, increasing efficiency or encouraging reasonable consumption (such as heating premises with windows closed).

Politically, the government has all the rationale to reinstate the feeling of social safety, particularly by reducing the 'energy poverty' of the population. There are three long-term consequences to consider here. First, an irresponsible increase in energy consumption may lead to shortages that historically end in rationing programmes.[7] Secondly, price cuts infrequently benefit energy companies, equipment suppliers and the wealthier strata of society. The poorest, especially in rural areas, despite the price cuts, may still not be either able to afford the energy and burn whatever there is left for heating, or they'll have a relatively meagre consumption to pay for connection to the grid. The energy subsidies benefit the biggest consumers, which are usually the wealthiest individuals or corporate actors (United Nations Environment Programme Division of Technology 2008). Hence, the mere justification that energy subsidies are meant to uplift the most unfortunate remains unfounded in the literature.

Thirdly, once subsidies are enacted it is tremendously difficult to phase them out. In a certain way, subsidies become a self-replicating policy, as they require immense political capital to attempt their reversal. Some would refer to this phenomenon as the subsidy trap — once subsidising starts, safeguarding these policies becomes a raison d'être of a policymaker and the support of its benefactors is conditional upon it (Koplow and Dernbach 2001). A set of other economic hurdles seams onwards from a prolonged reliance on subsidies. These may include maintaining a production that is otherwise uneconomic, deterring efforts to innovate in networks as there is little need to make it more efficient, over-reliance on the subsidiesof the energy source against other less profitable sources and, lastly, the already-mentioned overconsumption that contributes to the environmental burden.

Banking sector

In the aftermath of the 2008 financial crisis, certain general vulnerabilities in the Hungarian banking sector became apparent. Firstly, there was households' overreliance on foreign-currency loans — predominantly Swiss Francs — which back in the day seemed an affordable credit opportunity to become a homeowner. Contrary to some other cases, Hungary has not experienced a parallel real-estate bubble, rather there was a higher degree of perceived risk concerning the domestic currency that made foreign-currency loans yet more attractive[8]. By the end of 2009, 60 per cent of household loans were held in foreign currencies. That is a substantial figure, given that the total household debt accounted for 40 per cent of the country's GDP. That became a major problem when the national currency plunged, and repayment of foreign-currency loans became tragically difficult. Given that at that time

[7] As natural gas shortages in the US (Tomain and Cudahy, 2011)

[8] For more (Barrell, et al. 2009)

2/3 of the banking sector were essentially foreign banks, the political capital for scapegoating growingly crystallised.

By the end of 2011, the government essentially banned foreign-currency mortgage lending, a move radical enough to shake investors' trust regarding foreign banks' prospects in the country. The undertaken policy vis-à-vis foreign banks has drastically reduced creditors' rights and weakened banks' solvency, however, it arguably helped borrowers, to some degree, to repay their foreign-currency loans. In parallel, the government nationalised pension funds, a move that critically reduced the potential for Hungarian financial markets to mature towards a healthier degree of competition

The condition of financial markets improved to a major degree by the end of 2016. Banks increased their capital adequacy ratio to a healthy 20 per cent, whereas the loans-to-deposit ratio reduced from above 150 per cent, back in 2009, to 100 per cent at the end of 2015. However, it still remains difficult to argue that the sector has managed to offset the drastic losses incurred between 2010—2014. Current structural vulnerabilities include a significant number of badly performing loans (NPLs), as well as the overwhelmingly public ownership of major banks that hinders competition, consequently reducing economic growth in the long term (OECD 2019).

Currently, the Hungarian banking sector is considered as relatively stable. In total it consists of 2,235 branches[9] and employs around 40,000 people — that is 0.89 per cent of the total labour force (Hungarian Banking Association 2019). There are 60 financial services providers overall, with 26 commercial banks. Among those, foreign presence has diminished overtime, especially after the imposed tax levy from 2011.[10] Nowadays, the sector has 9 foreign branches, and the total sector's asset value accounts for 93.6 per cent of the country's GDP. As for 2018, 49.9 per cent of the banking shareholdings were in domestic hands, with 2/3 of those in the public sector (around 36 per cent). The sector struggles with diminishing returns, particularly due to a slow rate of generating asset impairments.

Bank ownership: A tied network

Along with macroeconomic shifts, the government has made major stakeholder changes — that is, the nationalisation of major banks. Some of the reshuffling already happened during the first Fidesz government back in 2001. However, due to their election defeat in 2002, the hastily-attempted intervention has been disrupted.

[9] For more information please see the appendix table 3 listing banks operating in Hungary

[10] Government introduced the highest tax levy on banks 0.6% on total assets, reduced to 0.21% in 2017 (EY 2015)

Fast forward to 2014,[11] PM Orban is back in power with a flagship promise to increase state-owned shares in the lending sector, especially by converting foreign currency credits to Hungarian forints. The government also committed to post-recession public bailouts and, later, re-privatisation or an assignment of Fidesz proxies as decisive board members. That strongly deformed the competitiveness of financial services. A list of four names quickly appears if one tries to track down these developments: Sándor Csányi, Sándor Demján Zoltán Spéder and István Töröcskei — referred to by some as *Fidesz's adopted family*.[12] These individuals have gained an incredible market position established by their banking holdings linked to Fidesz. The foreign banking groups currently present are Erste Group Bank AG, Raiffeisen Bank International AG, KBC Group NV, UniCredit SpA and Intesa Sanpaolo SpA. That is a strong change from the 2/3 majority of foreign banks back in 2010.

Table 2 — Financial services providers: Key CEOs (Várhegyi 2017)

Person	Bank	Comment
Sándor Csányi,	OTP Bank Group	Total assets 18 971 033million HUF (OTP Bank 2019)
Zoltán Spéder	FHB Bank group — (Takarek Mortgage Bank Co. Plc OTP Bank Nyrt)	Total assets 610,577 million HUF
István Töröcskei	Széchenyi Bank	Bailed out by the government in 2013, late 2014 after the fall-out between Fidesz and Töröcskei bank left without public assistance went bankrupt

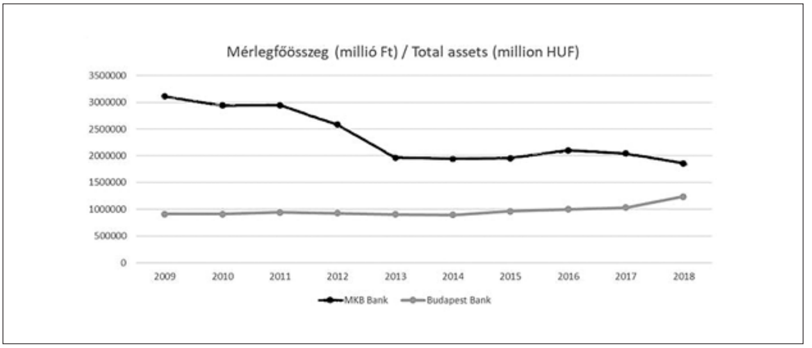
The close clique of individuals in charge of major banks is just one side of the story. The second critical development is that, since 2010, these banks have effectively downgraded their total assets (Graph 1) — initially in response to the financial crisis. The particularity of Hungarian banking was how the banking sector was rapidly nationalised late after the financial crisis. The enacted tax levy and devaluation of foreign-held loans have targeted foreign banks, enough to make them consider selling off shares. The government was the primary buyer and, by early 2013, the sector's major bank became principally public[13].

The commercial MKB bank, which, back in 2009, was the second largest private bank, has been hit significantly by the 2010 special tax on foreign-currency

[11] That is their second consecutive term. Fidesz has not lost parliamentary elections in any cycle since 2010.

[12] (Várhegyi 2017, 297)

[13] See the appendix, table on bank actors



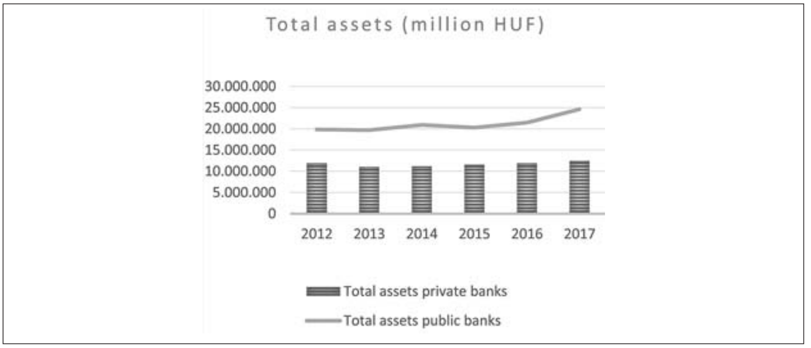
Graph 1

loan providers. The bank incurred major capital losses in the years 2010-2013. By the end of 2014, the Hungarian state nationalised MKB, buying it for €55 million. Given that in 2010 the bank's net annual income was €394m,[14] such a transaction seems financially symbolic. In the meantime, the Hungarian-owned banks had already increased their market share, taking advantage of the government's hostility towards foreign-owned financial providers. The overall burden of the new tax policy has been estimated to be HUF 370 billion on the entire foreign-held financial sector.

This exemplified tendency is correct for all other foreign branches. Graph 2 shows the total assets of public- against foreign-owned banks. Since 2012, publicly-owned banks have remained a principle market player with an increasing total assets trend from 2015, while the foreign branches rather guard their existing market. That is furthermore supported by other studies, which exemplify the government's policy to maintain a 50 per cent public stake in the banking sector (Djankov 2015, Válasz 2014).

In the long term, such a curb on competition in financial services has a gloomy outlook for end users. This oligopolistic nature of the sector is quite frequent around the globe. The anticipated threats that a low degree of market competition may cause, especially in retail banking, are primarily connected to the *too big to fail dilemma.* Banking, contrary to other sectors, has certain particularities whereby a lack of regulation and low degree of competition is categorically more critical than in traditional business operations. That is due to network externalities, financial intermediation (for instance, insurance banking), information asymmetry, switching banking costs — requiring a stable degree of regulation that ensures stability. Com-

[14] Before the flat tax reform that caused major capital losses at the MKB's end, ref: https://www.mkb.hu/sw/static/file/item_3377.pdf



Graph 2 — Graph Hungarian private and public banks: total assets data compiled from the CITATION Hel20 \l 1045 (Helgi Library 2020)

petition helps the market to be a healthier provider of services, ensures efficient use of resources and provides a better-quality service to the final consumer. It stimulates innovation, provides customers with alternatives and, hence, ameliorates resource allocation. Banking, amid the regulatory requirements, has a similar market characteristic — oligopoly hinders the end-user.

The Hungarian specificity of banking interventionism, argued by experts in the field (Voszka, Nationalisation in Hungary in the Post-Crisis Years: A Specific Twist on a European Trend? 2018), is that nationalisation didn't come as a post-crisis bailout as evidenced in the West, nor was it not welcomed by the public. The historical role of the state — that the public associates with a strong public sector presence in the core spheres of market activity — became apparent when Fidesz reaped the fruits of its populist rhetoric. The policy towards banks, equally, had one major message — centralised decision-making within the reach of political elites has, as in the energy sector, become the desired status. This plan had staggering popularity, as it served strongly with the liberal idea of multi-national competition (Voszka, Nationalisation in Hungary in the Post-Crisis Years: A Specific Twist on a European Trend? 2018, Isaacs and Molnar 2017). The electorate welcomed the policy as a way to retain its own say against the pressures of globalisation, seen to be hedged by the state.

Conclusion

The overall promise of Fidesz was a broadly-defined vision of regaining national control of crucial market segments, such as utilities or banking. The policy has effectively nationalised these entities, yet at a trade-off of spreading cronyism by handing management positions to Fidesz sympathizers (Magyar 2016). There are visible similarities in how the government dealt with the nationalisation of the banking and energy sectors. Firstly, both these domains had struggled to gain ground post-2008. Banks needed capital flows, while energy suppliers drastically increased end-user prices to keep their margins. The government, in both these sectors, implemented policies that significantly reduced the rentability of privately-owned businesses. Once the long-term business prospects had been infeasible, the government bought a deciding number of shares both amongst energy as well as banking actors. Secondly, it is crucial to underline that the government has sought public support for both of those policy changes (Voszka 2018). The dominant political narrative was to depart from the liberal policy-making implemented by the post-communist elites. Moreover, the Prime Minister frequently rejected the EU's pro-individualism commitment so characteristic to Western democracies, calling for an instant necessity to centralise power in hands of a *democratically elected government* (Gulyas 2012). The presence of the public sector in banking and energy then greatly increased. The government's commitment to have a final say in the provision of services is evident. The banking sector has merely 13 per cent of total bank assets in the country, with a continuous transfer of assets to the public sector (Djankov 2015), while the energy market is essentially public[15]. Therefore, it seems evident that the government's policy was to reshape the state of capitalism in the country towards state-run centralisation standing strongly against multinational entities. That is, unless these companies operate in the manufacturing sector which has been untouched by such tectonic policy shifts.

It is still too early to judge the economic consequences of such a magnitude of public interventionism in the market. For the energy and banking sectors, the policy remains vigilant to private players. The drastic drop of competition, in the long term, brings few benefits to customers. The general anticipation is that, in an oligopoly, customers will bear higher costs of service and a downgraded quality of service, as there is little alternative for them to turn to. In banking, an inability to have an affordable service additionally limits small entrepreneurial investments that typically enrich non-urban areas. For the energy sector, the price cut of gas, as this paper has highlighted, does not assist the poorest who may not be able to connect to the network and will continue to use other fossil fuels for heating (coal or wood, which prices are not considered by the government). Such market barriers essentially discourage a flow of foreign foreign investment, innovation and deepens the structural dependence of the country on the existing system that for now is tied to gas coming from Russia.

This paper has briefly reviewed Fidesz;s policies in the energy and banking sectors since 2010. It has also provided a commentary on the potential outcomes for the end user. As mentioned, the politics behind state interventionism in the

[15] For more on how these entities had been acquired (Isaacs and Molnar 2017)

country seemingly follows the populist narrative of the governing party. However, the long-term economic rationale of such a centralisation of market power may have detrimental effects for the competitiveness of the country, essentially reducing its potential for economic growth.

Appendix

Table 3 — List of Hungarian based banks sort by number of branches[16]

No.	Bank	Founded	Headquarters	Total assets As of 2016 ($ bn)[17]	# of branches As of 2016[18]	Type	Origin
1	OTP Bank	1949	Budapest	44.66	388[19]	Public	HU
2	K&H Bank	1986	Budapest	11.31	207	Foreign	GER
3	Erste Bank	1998	Budapest	256	129[20]	Foreign	AU
4	Budapest Bank	1986	Budapest	3.95	94	Public	HU
5	CIB Bank	1979	Budapest	6.43	95	Foreign	IT
6	MKB Bank	1950	Budapest	8.30	81	Public	HU
7	Raiffeisen Bank	1986	Budapest	7.88	68	Foreign	AU
8	UniCredit Bank	1990	Budapest	10.81	55	Foreign	IT
9	FHB Bank	1997	Budapest	2.34	51	Public	HU
10	Pannon Takarék Bank	2011	Komárom	2.24	45	Public	HU
11	Sberbank	1993	Budapest	1.16	30	Foreign	RU
12	Duna Takarék	1960	Győr	2.19	27	Public	HU
13	Polgári Bank	1972	Polgár	1.21	22	Public	HU
14	Kinizsi Bank	2007 (1958)	Veszprém	1.04	16	Public	HU
15	Mohácsi Takarék Bank	1958	Mohács	1.24	15	Public	HU
16	MagNet Bank	1995	Budapest	0.08	14	Public	HU

[16] Own compilation, sources: (MKB 2020, OTP Bank 2019, K&H Bank 2019, Erste Bank 2017, Budapest Bank 2019, CIB Bank 2019, Raiffeisen Bank Zrt 2019, UniCredit 2019, FHB Mortgage Bank 2019)

[17] Some figures were estimated from HUF to dollars on an exchange rate as for 5 February, 11:07 GMT

[18] Number of branches take from: (CFI 2020)

[19] As a OTP group operating in Bulgaria, Croatia, Romania, Serbia, Slovakia, Ukraine, Russia and Montenegro bank has 1307 branches (Banks Daily 2017)

[20] As a Erste Bank Gorup ltd. Which operates in Austria, Czech Republic, Slovakia, Romania, Croatia and Serbia it has 2,648 branches (CFI 2020).

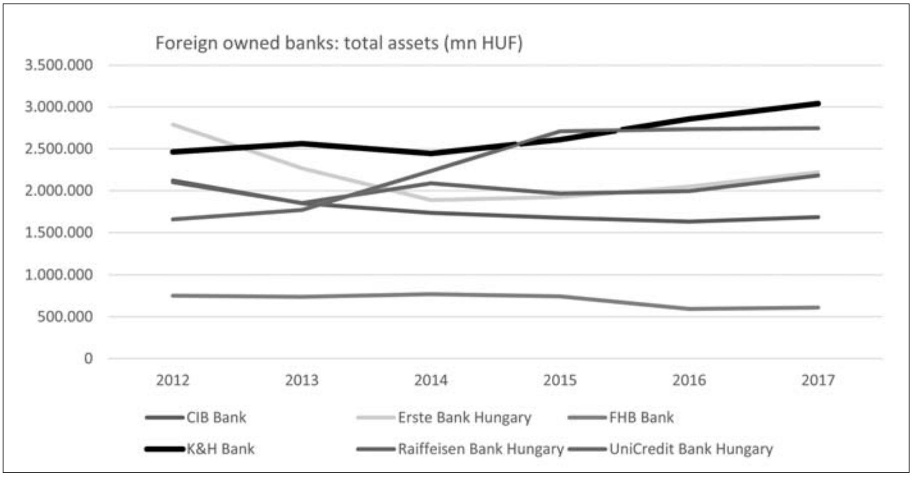
17	Sopron Bank	1995	Sopron	0.209	13	Foreign	AU
18	Citibank	1985	Budapest	1.9	10	Foreign	US
19	Oberbank	2007	Budapest	0.215	8	Foreign	AU
20	AXA Bank	1998	Budapest	0.012	7	Foreign	GER
21	Banif Plus Bank	2010 (1998)	Budapest	0.036	6	Foreign	PT
22	Gránit Bank	2010 (1985)	Budapest	1.03	2	Public	HU
23	BNP Paribas	1991	Budapest	0.04	1	Foreign	FR
24	Cetelem Bank	1996	Budapest	0.35	1	Foreign	FR
25	Cofidis	2005	Budapest	0.214	1	Foreign	FR
26	Eximbank	1994	Budapest	3.07	1	Public	HU
27	ING Bank	2008 (1991)	Budapest	1.56	1	Foreign	NL
28	Merkantil Bank	1988	Budapest	1. 20	1	Public	HU
29	NHB Bank	1990	Budapest	0.193	1	Public	HU
30	Porsche Bank	1994	Budapest	0.174	1	Foreign	GER

Table 4 — List of Hungarian based energy companies sort by number of employees[21]

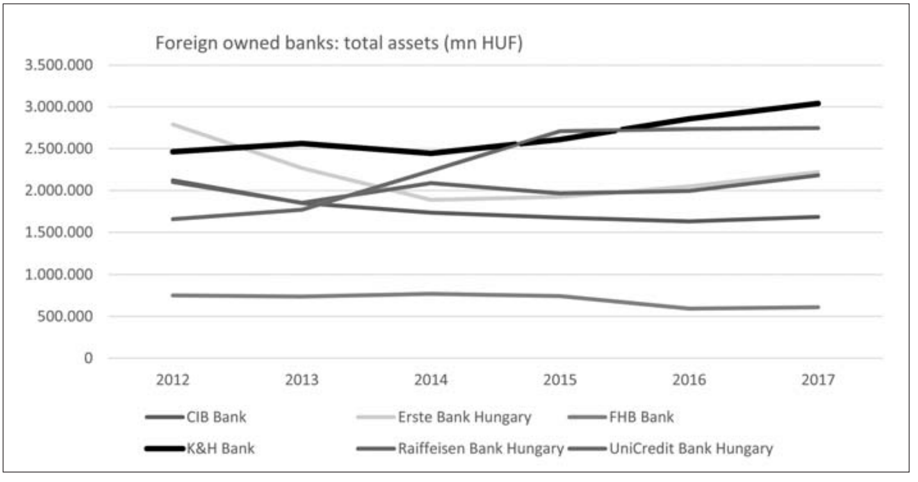
Sector	Company	Founded	Headquarters	CEO	Principal ownership %	Company's Size (No. Employees)
Oil And Natural Gas Retail	MOL	1957	Budapest	Zsolt Hernádi	100 Public	26000
Electricity	MVM Group	1948	Budapest	Peter Csiba	100 Public	7859
Natural Gas Distributor	Emfesz[22]	2003	Budapest	István Góczi	100 Foreign	4000
Natural Gas Distributor	Panrusgáz	1994	Budapest	Alexey Zaytsev	100 Foreign	270

[21] Own compilation, sources: (Wagstyl 2009, MOL Group 2019, Panrusgas Gas Trading Plc 2019, MVM Group 2019)

[22] The ownership of the company is currently disputed between RosGas and Group DF (both foreign entities), more information (Bryant 2011).



Graph 3 — Foreign owned banks: total assets 2012—2017 based on (Helgi Library 2020)



Graph 4 — National banks; total assets 2012—2017 based on (Helgi Library 2020)

References

Banks Daily. 2017. *OTP Bank*. Accessed January 20, 2020. https://banksdaily.com/info/otp bank.

Barrell, R., E. Davis, T. Fic, D. Holland, S. Kirby, and I. Liadze. 2009. "Optimal regulation of bank capital and liquidity: how to calibrate new international standards." *FSA Occasional Paper* 38: 1-56.

BBJ. 2017. "Szijjártó: Hungary must buy gas from Russia." *Budapest Business Journal*, 6 Ocotber.

Beaton, Christopher, Ivetta Gerasimchuk, Tara Laan, Kerryn Lang, Damon Vis-Dunbar, and Peter Wooders. 2013. *A guidebook to fossil-fuel subsidy reform for policy-makers in Southeast Asia.*

Manitoba: Global Subsidies Initiatives and the International Institute foe Sustainable Development.

Bryant, Chris. 2011. *Financial Times.* Accessed February 2, 2020. https://www.ft.com/content/99796846-4986-11e0-b051-00144feab49a.

Budapest Bank. 2001. *A brief overview of the Budapest Bank.* Budapest: BBB.

—. 2019. *Budapest Banking Group.* Accessed January 20, 2020. https://www.budapestbank.hu/info/budapestbank/csoport.php.

CFI. 2020. *Top Banks in Hungary.* Accessed January 20, 2020. https://corporatefinanceinstitute.com/resources/careers/companies/top-banks-in-hungary/.

CIB Bank. 2019. *https://net.cib.hu/cib_csoport/cib_bank/index.* Accessed February 2, 2020. https://net.cib.hu/cib_csoport/isp/tortenet/index.

Daily News. 2018. "Hungary, Romania agree on gas supplies." *Daily News Hungary*, 6 February.

Djankov, S. 2015. "Hungary Under Orbán: Can Central Planning Review its Economy?" *Peterson Institute for International Economics Policy Brief* 15 (11): 1-8.

Economist Intelligence Unit. 2019. *Hungary Energy Sector.* London: EIU.

Erste Bank. 2017. *Erste Bank Annual Financial Report.* Budapest: Erste Bank.

Eurostat. 2019. "Gas prices for household consumers — bi-annual data (from 2007 onwards)." 10 October. Accessed Novvember 7, 2019. https://appsso.eurostat.ec.europa.eu/nui/setupDownloads.do.

EY. 2015. *Hungarian Government announces significant bank tax rate reductions for 2016 and 2017.* Accessed February 4, 2020. https://www.ey.com/gl/en/services/tax/international-tax/alert-hungarian-government-announces-significant-bank-tax-rate-reductions-for-2016-and-2017.

FHB Mortgage Bank. 2019. *About us.* Accessed February 2, 2020. https://en.takarek.hu/fhb-bank/About-us.

Gulyas, V. 2012. "Hungary Must Walk Own Way, Premier Says." *The Wall Street Journal*, 1 June.

Helgi Library. 2020. *Companies reports.* Accessed January 20, 2020. https://www.helgilibrary.com/companies/indicator/otp-bank-hungary/total-assets/.

Hopkins, Valerie, and Michael Peel. 2020. "Hungary tests EU diplomatic unity with go-it-alone foreign policy." *Financial Times*, 8 January.

Hungarian Banking Association. 2019. *Hungary's banking sector: Facts & Figures.* Budapest: Hungarian Banking Association.

Hungarian Central Statistical Office. 2016. *Tables (STADAT) — Time series of annual data — Housing and public utilities.* Budapest: Hungarian Central Statistical Office.

Intelli News. 2018. "Hungary reaches deal with Gazprom on 2019 gas deliveries." *bne IntelliNews*, 28 May.

Isaacs, Rico, and Adam Molnar. 2017. "Island in the neoliberal stream: energy security and soft re-nationalisation in Hungary." *Journal of Contemporary European Studies* 25 (1): 107-126.

K&H Bank. 2019. *Annual, half-yearly and quarterly reports.* Accessed January 20, 2020. https://www.kh.hu/csoport.

Kojima, Masami, and Doug Koplow. 2015. *fossil fuel subsidies: approaches and valuation.* Washington D.C.: World Bank Group Policy Research Working Paper.

Koplow, Doug, and John Dernbach. 2001. "Federal Fossil Fuel Subsidies and Greenhouse Gas Emissions: A case study of Increasing Transparency for Fiscal Policy." *Annu: Rev. Energy Environ.* 26: 361-89.

Kretko, Peter. 2018. *Romania and Hungary clash over Black Sea gas distribution* (18 July).

Laki, Mihaly. 2015. “Restructuring and Re-regulation of the Hungarian Tobacco Market.” *Corvinus Journal of Sociology and Social Policy* 6 (2): 39-71.

Magyar, Bálint. 2016. *Post-Communist Mafia State*. Bálint Magyar. Budapest: Central European University Press.

Mares, D. 2010. *Resource Nationalism and Energy Security in Latin America: Implications for Global Oil.* Houston, Texas: Rice University’s Baker Institute for Public Policy.

Martin, Jozsef. 2017. “Continuity or Disruption? Changing elites and the emergence of cronyism after the great recession: the case of Hungary.” *Corvinus Journal of Sociology and Social Policy* 8 (3): 255-281.

Mihályi, P. 2014. *Re-nationalization in post-communist Hungary, 2010—2013 in The Privatization Barometer.* Milan: Fondazione Eni Enrico Mattei.

MKB. 2020. *MKB Bank.* Accessed Novermber 20, 2019. https://www.mkb.hu/elemzesek/negyedeves-elemzesek.

MOL Group. 2019. *MOL Group.* Accessed February 2, 2020. https://molgroup.info/en.

Morgan, Trevor. 2007. *Energy Subsidies: Their Magnitude, How They Affect Energy Investment and Greenhouse Gas Emissions, and Prospects for Reform.* Geneva: UNFCCC Secretariat Financial and Technical Support Programme.

MVM Group. 2019. *MVM Hungarian Electricity Private Limited Company and the MVM Group.* Accessed February 2, 2020. http://mvm.hu/mvm-group/?lang=en.

Napi. 2013. “The purchase price of tens of billions is raised by the owner of MVM from a state capital increase.” *Napi*, 17 December.

OTP Bank. 2019. *Ownership structure.* Accessed January 20, 2020. https://www.otpbank.hu/portal/en/IR/Shares/OwnershipStructure.

OTP Bank. 2019. “Financial highlights.” December. Accessed January 30, 2020. https://www.otpbank.hu/portal/en/IR/Reports/FinancialHighlights.

Panrusgas Gas Trading Plc. 2019. *Panrusgas Gas Trading Plc.* Accessed February 2, 2020. http://www.panrusgaz.hu/en/ceginf.htm.

Raiffeisen Bank Zrt. 2019. *Raiffeisen Bank Zrt.* Accessed February 02, 2020. https://www.raiffeisen.hu/raiffeisen-csoport/raiffeisen-bank-zrt.

Sovacool, Benjamin K. 2017. “Reviewing, Reforming, and Rethinking Global Energy Subsidies: Towards a Political Economy Research Agenda.” *Ecological Economics* 135: 150-163.

UniCredit. 2019. *Pénzügyi információk.* Accessed February 02, 2020. https://www.unicreditbank.hu/hu/rolunk/hasznos_informaciok/penzugyi_informaciok.html.

Válasz, Heti. 2014. “Hungary Seeks To Restore Domestic Ownership Of Major Enterprises.” *XpatLoop*, 22 December.

Várhegyi, Éva. 2017. “The Banks of the Mafia State.” In *Twenty-Five Sides of a Post-Communist Mafia State*, edited by Bálint Magyar and Júlia Vásárhelyi, 295-309. Budapest: Central European University Press.

Voszka, Éva. 2018. “Nationalisation in Hungary in the Post-Crisis Years: A Specific Twist on a European Trend?” *Journal of Europe-Asia Studies* 70 (8): 1281-1302.

Voszka, Éva. 2017. “Nationalization or Privatization? The Fragmentation of the Mainstream.” *Annals of Public and Cooperative Economics* 88 (1): 91-120.

Wagstyl, Stefan. 2009. “Gas billionaire claims fraud over lost unit.” *Financial Times*, 9 May.