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Independent Auditors' Report

To the shareholder of Magyar Export-Import Bank Zrt.

Opinion

We have audited the individual financial statements of Magyar Export-Import Bank Zrt. ("the Bank"), which comprise the individual statements of financial position as at 31 December 2022, 31 December 2021 and 31 December 2020, the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, 31 December 2021 and 31 December 2020, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), that are relevant to our audit of the individual financial statements and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recoverability of loans and advances to banks and insurance companies, loans and advances to other customers (net carrying amount: HUF 1,195,483 million and HUF 446,979 million, accumulated impairment loss: HUF 4,369 million and HUF 59,510 million)

Refer to Note (3.7); (6); (7); (15) and (30) to the individual financial statements

The key audit matter	*How the matter was addressed in our audit*
Impairment loss represent Bank's best estimate of the expected credit losses ("ECLs") within loans and advances to banks and insurance companies and to other customers at amortized cost at the reporting date. We focused on this area as the measurement of impairment loss requires the Bank to make complex and subjective judgements over the amounts of any such impairment. Impairment on individually assessed loans are based on the Bank's judgment in estimating the present value of expected future cash flows and the probability of the estimated outcomes, which are inherently uncertain. The present value of expected future cash flows is affected by, amongst others, the estimate of the expected proceeds from the sale of the related collateral and estimated period for collateral disposal. Collective impairment is determined by the Bank by a rating-based approach at customer level, which considers historical experience and identification of exposures with a significant increase in credit risk ("SICR"). Based on the assigned rating, estimates of the probability of default and the potential loss given default are the significant elements to determine the collective loss allowance. The Bank uses complex models to estimate probability of default and loss given default and the development of multiple scenarios used in the estimate as well as assumptions, methods and selection of data require from the Bank significant degree of judgment.	Our audit procedures included amongst others the following procedures: • We updated our understanding of and evaluated the Bank's process for estimating ECL, and assessed the design and implementation of related controls, in particular the controls associated with the completeness, appropriateness and accuracy of the estimation of ECL. In particular, we evaluated the appropriateness of the model governance procedures applied by the Bank. • With the assistance of our own IT specialists we evaluated the general IT controls and application level IT controls over the ECL calculation. • We assessed whether the relevant standards' definitions of SICR and default, and loan staging criteria, were appropriately and consistently applied • We performed a specific loan assessment for a sample of individually significant customer loans by reference to the underlying loan documentation, which among others included the correspondence with the borrower, the loss allowance estimates prepared by the Bank's credit risk officers, the available financial information, latest independent appraisals made on the collaterals, related internal committee minutes, and consideration of the resolution period estimated for the credit impaired loans. We assessed collateral values with reference to valuations performed by approved appraisers engaged by the Bank, furthermore we involved our own property valuation specialists. In addition, we examined past due information and industry benchmarks.

The ECL estimate incorporates forward-looking information through various forecasted macroeconomic variables and their estimated impact on the economy and ultimately on the ECL estimate. The determination of macroeconomic variables and the weighting of macroeconomic scenarios contain a high degree of estimation uncertainty given the current volatile macroeconomic environment. There is a risk that ECL estimate applied does not properly incorporate the unprecedented changes in the economic environment. The Bank has to deal with the challenges of ECL models that were not designed for economic shocks. When underlying assumptions or data used to estimate ECLs do not reflect current circumstances, events or conditions of the entity management overlays may be necessary. Detailed disclosures are required to be presented in the notes to the individual financial statements related to the changes of credit risk and the related responses of the Bank. The evaluation of the relevance and appropriateness of these disclosures is a complex exercise and it is challenging from audit point of view. Due to the significance of loans and advances to banks and insurance companies and to other customers as well as the significant degree of complexity and judgment required from the Bank in determining expected credit losses this matter required our increased attention in the audit and therefore has been considered as a key audit matter.	• With the assistance of our own financial risk management specialists, we evaluated the impairment models and the underlying estimation parameters, including the management overlays, and recalculated the expected credit losses for the loans assessed collectively for impairment. • We assessed the completeness, accuracy and relevance of data used for estimates relating to valuation of loans to customers. • We evaluated whether the macroeconomic forecasts, used as the input data in the ECL models, are within the range of general market benchmark and the forecast published by the National Bank of Hungary. • We evaluated the completeness, accuracy and adequacy of disclosures related to impairment of loans.

Valuation of Investments measured at fair value through profit or loss and Investments accounted for using the equity method (2022: HUF 34,367 million and HUF 88,973 million, 2021: HUF 39,578 million and HUF 69,856 million)

Refer to Note (3.17); (9); (10); (33.2) and (34) to the notes to the individual financial statements

The key audit matter	*How the matter was addressed in our audit*
Investments measured at fair value through profit or loss and Investments accounted for using the equity method comprise investments in venture capital and private equity funds. The investments in venture capital and private equity funds *measured at fair value through profit or loss* are measured by the Bank by reference to the net asset value of the funds determined by the fund managers on a fair value basis. These venture capital and private equity funds made individually significant investments, which underlying investments are mostly in the early investment phases, and furthermore operate in industries significantly affected by the changing macroeconomic environment. Therefore, the determination of fair value of the underlying investments involves significant estimation uncertainties and judgement relating to the expected future cash flows generated by the underlying investee. In case of investments in venture capital and private equity funds *accounted for using the equity method* the determination whether the fund meets the definition of an investment entity might have a significant effect on the recognized amount of the investment. This is because the Bank is required to apply the equity method based on the fund's financial statements in which the underlying investments in subsidiaries are either measured at fair value (when the fund is an investment entity) or are consolidated (when the fund is not an investment entity). The determination of whether a fund meets the definition of an investment entity requires the Bank to apply significant judgement in analyzing the characteristics of the fund and the relationship between the Bank and the fund. Due to the significance of Investments measured at fair value through profit or loss and Investments accounted for using the equity method as well as the estimation uncertainties	Our audit procedures included amongst others the following procedures: • We obtained an understanding of the Bank's policies for and processes of investing into venture capital and private equity funds. • We obtained an understanding of the Bank's processes for and the controls implemented over the measurement of investments. • We assessed the appropriateness of the Bank's conclusion on whether the funds meet the definition of an investment entity. • We assessed the design and implementation of the controls applied by the Bank in the process of regular reconciliations of net asset values between the fund manager and the Bank and assessed the Bank's process to monitor the reports prepared by the fund managers supporting the net asset value of the funds and the fair value of the underlying investments. • We assessed whether the net asset values of venture capital and private equity funds reported by the fund managers provide appropriate basis for valuation purposes in accordance with relevant standards. For the equity accounted investments in funds that are not investment entities we tested whether the equity method was applied based on the consolidated financial statements of the funds prepared in accordance with the standards and the Bank's accounting policies. • We examined the mathematical accuracy of calculations related to the valuation of investments as of the reporting date. • We assessed the relevance and completeness of the disclosures made by the Bank relating to the significant estimation uncertainties and

and judgments described above we considered this area to be a key audit matter.	significant applied judgements associated with the investments in funds.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 12 April 2023

KPMG Hungária Kft.

Zsuzsanna Nagy
Partner

Hungarian Export-Import Bank Private Limited Company

Individual financial statements

based on IFRS standards adopted by the EU

31 December 2022

Contents

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of financial position
31 December 2022
(All amounts in HUF million, unless otherwise indicated)

	Note	31.12.2022	31.12.2021	31.12.2020
Cash and cash equivalents	4	186 306	1 543	2 529
Goverment securities at amortised cost	5	113 056	102 976	105 261
Loans and advances to credit institutions and insurance companies	6	1 195 483	983 793	762 366
Loans and advances to other customers	7	446 979	407 265	323 538
Derivative transactions – Held for trading, measured at fair value through profit or loss	8	9 746	26	-
Investments measured at fair value through profit or loss	9	34 367	39 578	28 198
Investments accounted for using the equity method	10	88 973	69 856	61 121
Intangible assets	11	2 251	2 292	2 165
Property, plant and equipment	12	1 727	2 048	2 394
Actual income tax receivables	13	-	436	649
Other tax receivables	13	442	557	673
Deferred tax receivables	13	2 502	1 985	374
Other assets	14	9 619	5 589	4 067
Total assets		**2 091 451**	**1 617 944**	**1 293 335**
Liabilities to credit institutions and insurance companies	16	1 171 812	944 974	850 323
Liabilities to other customers	17	2 514	1 009	3 675
Derivative transactions – Held for trading, measured at fair value through profit or loss	8	-	4 304	1 545
Derivatives held for hedging purposes	8	32 180	19 029	-
Securities issued	18	519 453	383 788	201 400
Provisions	15	1 507	144	243
Tax liabilities	13	710	187	105
Deferred tax liabilities	13	-	200	84
Other liabilities	19	8 063	8 737	8 794
Total liabilities		**1 736 239**	**1 362 372**	**1 066 169**
Subscribed capital	20	310 000	253 230	213 230
Retained earnings	20	48 849	4 920	3 595
Other reserves	20	(3 637)	(2 578)	10 341
Total equity		**355 212**	**255 572**	**227 166**
Total equity and liabilities		**2 091 451**	**1 617 944**	**1 293 335**

12 April 2023
Authorised for issue by

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Officer

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of Comprehensive Income
31 December 2022
(All amounts in HUF million, unless otherwise indicated)

	Note	2022	2021	2020
Interest income recognised using the effective interest method	22	89 454	31 660	26 677
Other interest income	22	2 888	2 015	481
Interest expense	22	(43 825)	(15 188)	(12 698)
Net interest income/expense		**48 517**	**18 487**	**14 460**
Fee and commission income	23	907	747	260
Fee and commission expense	23	(290)	(239)	(179)
Net income from fees and commissions		**617**	**508**	**81**
Gains (losses) on derecognition of financial assets measured at amortised cost	24	-	666	(50)
Gains (losses) on modifications in financial assets	33	(36)	(26)	(891)
Impairment (losses) or reversal of impairment on financial assets	15	(28 560)	(8 945)	(7 090)
Impairment (losses) or reversal of impairment on non-financial assets	15	(5)	5	2
Gains or losses from trading and investment activities	25	4 248	2 001	(2 147)
Other operating income	26	-	375	1 165
Other operating expenses	26	(8 740)	(3 722)	(4 138)
Personnel-type expenditures	26	(4 787)	(4 348)	(4 086)
Depreciation	26	(984)	(1 009)	(1 051)
Share of profit/(loss) of investments accounted for using the equity method	10	(7 029)	(1 616)	(6 465)
Profit (loss) before tax		**3 241**	**2 376**	**(10 210)**
Income taxes	13	(991)	(904)	(104)
Profit (loss) for the year		**2 250**	**1 472**	**(10 314)**
Other comprehensive income (loss) to be reclassified to profit or loss		**(2 610)**	**(13 066)**	**168**
Currency translation difference on foreign currency-based equity accounted investees	10	1 307	100	168
Unrealised gains/losses on cash flow hedges	8	(12 142)	(17 165)	-
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges		11 197	4 970	
Reclassification to profit or loss cost of heding amortisation	8	(3 359)	(2 273)	-
Related deferred tax		387	1 302	-
Other comprehensive income (loss) for the period		**(2 610)**	**(13 066)**	**168**
Total comprehensive income (loss) for the period		**(360)**	**(11 594)**	**(10 146)**

12 April 2023
Authorised for issue by

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Officer

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of changes in equity
31 December 2022
(All amounts in HUF million, unless otherwise indicated)

	Subscribed capital	Capital reserve	Retained earnings	General reserve	Cost of hedging reserves	Hedging reserves	Foreign currency translation reserves	Total
Balance as at 31 December 2021	**253 230**	**400**	**4 920**	**9 920**	**(13 166)**	**-**	**268**	**255 572**
Comprehensive income for the year								
Profit for the year	-	-	2 250	-	-	-	-	**2 250**
Other comprehensive income								
Currency translation difference on foreign currency-based joint ventures	-	-	-	-	-	-	1 307	**1 307**
Unrealised gains (losses) on cash flow hedges	-	-	-	-	(945)	(11 197)	-	**(12 142)**
Reclassification to profit or loss of unrealised gains (losses) on cash flow hedges	-	-	-	-	-	11 197	-	**11 197**
Reclassification to profit or loss cost of heding amortisation	-	-	-	-	(3 359)	-	-	**(3 359)**
Related deferred tax	-	-	-	-	387	-	-	**387**
Total comprehensive income for the year	*-*	*-*	*2 250*	*-*	*(3 917)*	*-*	*1 307*	*(360)*
Other transactions recognised directly in equity								
Subscribed capital increase	100 000	-	-	-	-	-	-	**100 000**
Subscribed capital decrease	(43 230)	-	43 230	-	-	-	-	-
Reclassification from general reserve to retained earnings	-	-	(1 551)	1 551	-	-	-	-
Total other transactions	*56 770*	*-*	*41 679*	*1 551*	*-*	*-*	*-*	*100 000*
Balance as at 31 December 2022	**310 000**	**400**	**48 849**	**11 471**	**(17 083)**	**-**	**1 575**	**355 212**

12 April 2023
Authorised for issue by:

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Offier

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of changes in equity
31 December 2021
(All amounts in HUF million, unless otherwise indicated)

	Subscribed capital	Capital reserve	Retained earnings	General reserve	Cost of hedging reserves	Hedging reserves	Foreign currency translation reserves	Total
Balance as at 31 December 2020	**213 230**	**400**	**3 595**	**9 773**	**-**	**-**	**168**	**227 166**
Comprehensive income for the year								
Profit for the year	-	-	1 472	-	-	-	-	**1 472**
Other comprehensive income								
Currency translation difference on foreign currency-based joint ventures	-	-	-	-	-	-	100	**100**
Unrealised gains/losses on cash flow hedges	-	-	-	-	(12 195)	(4 970)	-	**(17 165)**
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges	-	-	-	-	-	4 970	-	**4 970**
Reclassification to profit or loss cost of heding amortisation	-	-	-	-	(2 273)	-	-	**(2 273)**
Related deferred tax	-	-	-	-	1 302	-	-	**1 302**
Total comprehensive income for the year	-	-	*1 472*	-	*(13 166)*	-	*100*	***(11 594)***
Other transactions recognised directly in equity								
Subscribed capital increase	40 000	-	-	-	-	-	-	**40 000**
Subscribed capital decrease	-	-	-	-	-	-	-	-
Reclassification from general reserve to retained earnings	-	-	(147)	147	-	-	-	-
Total other transactions	***40 000***	-	***(147)***	***147***	-	-	-	***40 000***
Balance as at 31 December 2021	**253 230**	**400**	**4 920**	**9 920**	**(13 166)**	**-**	**268**	**255 572**

Authorised for issue by:

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Officer

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of changes in equity
31 December 2020
(All amounts in HUF million, unless otherwise indicated)

	Subscribed capital	Capital reserve	Retained earnings	General reserve	Cost of hedging reserves	Hedging reserves	Foreign currency translation reserves	Total
Balance as at 1 January 2020	**158 930**	**400**	**3 595**	**20 087**	-	-	-	**183 012**
Comprehensive income for the year								
Profit for the year	-	-	(10 314)	-	-	-	-	**(10 314)**
Other comprehensive income								
Exchange differences arising on the translation of foreign currency transactions	-	-	-	-	-	-	168	**168**
Related deferred tax	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	***(10 314)***	-	-	-	***168***	***(10 146)***
Other transactions recognised directly in equity								
Subscribed capital increase	54 300	-	-	-	-	-	-	**54 300**
Subscribed capital decrease	-	-	-	-	-	-	-	-
Reclassification from general reserve to retained earnings	-	-	10 314	(10 314)	-	-	-	-
Total other transactions	***54 300***	-	***10 314***	***(10 314)***	-	-	-	***54 300***
Balance as at 31 December 2020	**213 230**	**400**	**3 595**	**9 773**	-	-	**168**	**227 166**

Authorised for issue by:

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Officer

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of cash flows
31 December 2022
(All amounts in HUF million, unless otherwise indicated)

Description	Note	31.12.2022	31.12.2021	31.12.2020
Profit (loss) for the year		2 250	1 472	(10 314)
Depreciation	26	984	1 009	1 051
Impairment losses on assets	15	32 284	5 645	8 505
(Profit)/loss from revaluation to fair value		(14 433)	(1 813)	16 225
Share of the profit (loss) of investments accounted for using the equity method	10	5 723	1 516	6 298
Reclassification to profit (loss) of unrealised gains/losses on cash flow hedges	8	11 198	4 970	-
Foreign exchange loss (gain) on non-operating cash flows	18	1 306	362	6 027
Changes in other assets not involving cash flow (IFRS 16)	12	(103)	38	188
Net interest income	22	(48 517)	(18 487)	(14 460)
Income tax expense	13	991	904	104
Net change in loans and advances to credit institutions and insurance companies (excluding impairment)		(214 310)	(222 296)	(236 061)
Net change in loans and advances to other customers (excluding impairment)		(71 473)	(86 965)	(79 719)
Net change in other assets		(3 956)	(1 430)	(913)
Net change in liabilities from credit institutions and insurance companies, except change of long term subordinated loans that can be considered		221 103	93 267	276 808
Net change in liabilities to other customers		1 489	(2 665)	(2 974)
Net change in other liabilities and provisions		1 717	380	(496)
Interest received		92 981	31 620	23 999
Interest paid		(27 038)	(13 963)	(13 746)
Income taxes paid		(867)	(884)	(797)
Net cash flow used by operating activities		**(8 670)**	**(207 320)**	**(20 275)**
INVESTMENT ACTIVITIES				
Acquisition of government bonds	5	(8 623)	(17 466)	(62 148)
Disposal/maturity of government bonds	5	-	20 257	-
Acquisition of investments accounted for using the equity method	10	(34 450)	(11 651)	(7 021)
Investment capital reduction / yield payment accounted for using the equity method	10	9 610	1 400	600
Investment acquisition measured at fair value through profit or loss	9	(10 931)	(11 226)	(3 602)
Shareholdings capital reduction / yield payment measured at fair value through profit or loss	9	14 201	4 460	717
Acquisition of intangible and tangible assets	11,12	(529)	(694)	(856)
Net cash flows used by investing activities		**(30 722)**	**(14 920)**	**(72 310)**
FINANCING ACTIVITIES:				
Cash inflow from capital increase	20	100 000	40 000	54 300
Lease payments	12	(516)	(475)	(374)
Cash inflow from bond issuance	18	319 570	256 852	138 431
Repayment of bonds issued	18	(194 939)	(75 146)	(160 860)
Net cash flow from financial activities		**224 115**	**221 231**	**31 497**
Net increase (decrease) in cash and cash equivalents		**184 723**	**(1 009)**	**(61 088)**

Net foreign exchange difference		40	23	33
Cash and cash equivalents at the beginning of the year	4	1 543	2 529	63 584
Cash and cash equivalents at the end of the year	4	**186 306**	**1 543**	**2 529**

12 April 2023

Authorised for issue by

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Officer

NOTE 1 GENERAL INFORMATION

Hungarian Export-Import Bank Private Limited Company ("Eximbank", "the Bank") was established on 26 May 1994 as one of the legal successors upon the dissolution of the Export Guarantee Corporation. The scope of Eximbank's activities and the specific provisions applicable to it are laid down in Act XLII of 1994, in force in Hungary (hereinafter: "Exim Act").

Eximbank's primary business goal is to promote Hungarian exports by granting loans and guarantees.

The Bank is a private limited company with its registered office in Hungary. The Bank's registered office: Nagymező u. 46-48., 1065 Budapest, Hungary.

The Minister for Economic Development exercises shareholder rights on behalf of the Hungarian State.

Eximbank is a specialised credit institution, wholly owned by the Hungarian State.

Under the Exim Act, Eximbank's mission is to finance the export of Hungarian goods and services and to finance investments in Hungary and investments related to Hungarian exports, thereby financing Hungarian enterprises, mainly small and medium-sized enterprises but also large corporations, in order to maximise export opportunities, contributing to the preservation and creation of jobs in Hungary and promoting the development of the national economy by improving the competitiveness of Hungarian exports in foreign markets.

In accordance with Eximbank's mission, it provides financing, guarantee and capital investment services to its customers and financial institution partners in order to fulfil its export-promotion duties. Within its scope of duties, it provides loans at favourable interest rates to export buyers in relation to sales of Hungarian exporters abroad, subject to OECD rules. The state's export credit agency functions are shared between Eximbank and Magyar Exporthitel Biztosító Zrt. (Hungarian Export Credit Insurance Ltd., "MEHIB."). While Eximbank is engaged in the provision of export and export-related financing – directly through lending or indirectly through venture capital and/or private equity funds – and offers export guarantees, MEHIB provides export credit insurance to exporters or their banks, including Eximbank's borrowers as well.

- Eximbank website:https://exim.hu

NOTE 2 PRINCIPLES OF COMPILATION

2.1 IFRS compliance

These individual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the EU.
IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body, as adopted by the EU.

As of 31 December 2018, the Bank prepared individual financial statements in accordance with IFRSs as adopted by the EU for its bonds listed on a foreign stock exchange. Starting from 2019, the Bank prepares statutory separate financial statements in accordance with IFRSs as adopted by the EU, since the law requires the preparation of this type of financial statements starting from 2019. In 2019, the Bank no longer prepared individual financial statements because they were not required to be prepared by law and they were not required to prepare because of the bonds issued on the London stock exchange either. The Bank is required to prepare individual financial statements in accordance with IFRSs as adopted by the EU for the years 2020, 2021, 2022 due to the planned issue of bonds on the London stock exchange since they have to be included in the prospectus on the bond issue. The Bank prepares these individual financial statements as if it had never ceased to prepare individual financial statements in accordance with IFRSs as adopted by the EU.
There were no material adjustments to the Bank's individual financial statements for the years ending 31 December 2022, 2021 and 2020 resulting from application of the accounting policies in these individual financial statements as compared to the accounting policies that would be have been applicable for the preparation of the Bank's individual financial statements for the year ended 31 December 2019. The Bank accounts for its investments in associates and joint ventures applying the same method in both the separate and the individual financial statements, consequently there are no material differences between the Bank's separate and the individual financial statements prepared in accordance with IFRS as adopted by the EU.

2.2 Valuation principles

The individual financial statements have been prepared on a historical cost basis except for the following:

- Derivative financial instruments are measured at fair value,
- Non-derivative financial instruments measured at fair value through profit or loss are measured at fair value,
- Investments in equity instruments of entities over which the Bank has joint control or significant influence are measured using the equity method.

The preparation of financial statements requires the management to make certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions must be reviewed on an ongoing basis. Revisions to accounting estimates are to be recognised in the period in which the estimate is revised and, if necessary, in any future periods affected by the revision.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are presented in Note 33.

The effects of what is referred to as the agricultural moratorium introduced to mitigate drought risk in 2022 are presented in Note 33.4 Calculation of gain/loss on modification.

2.3 Functional and presentation currency

The items in the individual financial statements are measured in Hungarian forint (functional currency), being the currency of the primary economic environment. Except as otherwise indicated, in the individual financial statements all financial information is presented in Hungarian forint (presentation currency), rounded to the nearest million (HUF million, or HUF billion in the case of billions).

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are the set of principles, conventions, rules and practices applied by the Bank in the preparation and presentation of its financial statements. The accounting policies set out below have been applied consistently to all periods presented in the individual financial statements.

The Bank presents its statements of financial position in the order of liquidity. A statement of assets and liabilities recovered or settled within twelve months following the date of presentation of the financial statements and during a period longer than the twelve months is included in Note 27.

3.1 Financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, under the contract the Bank becomes a subject of the contractual provisions of the instrument.

The Bank initially recognises its financial instruments on the settlement date, except for derivative financial instruments, which are recognised on the trade date.

Financial instruments at fair value through profit or loss are initially recognised at their fair values. On initial recognition, the Bank measures other financial assets and financial liabilities at fair value adjusted for directly related transaction costs. The fair value of a financial instrument at initial recognition is usually the transaction price.

On initial recognition, financial assets are classified into one of the following measurement categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income (FVOCI)
- financial assets measured at fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets all of the following criteria and is not designated as measured at fair value through profit or loss:

- the asset is held in a business model whose objective is to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A financial asset is measured at fair value through other comprehensive income if it meets all of the following criteria and is not designated as measured at fair value through profit or loss:

- the asset is held in a business model whose objective is both to collect contractual cash flows and to sell financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

The following table shows the result of the SPPI test:

Financial asset type	**Result of SPPI test**
Loans eligible for interest equalisation	SPPI-type cash-flow characteristics
NHP loans	SPPI-type cash-flow characteristics
Aid credits	SPPI-type cash-flow characteristics
Loans to employees	SPPI-type cash-flow characteristics
Other (market rate) loans	SPPI-type cash-flow characteristics
Government bonds	SPPI-type cash-flow characteristics

In the course of the analysis it was established that Eximbank has contractual rights to collect the unpaid amounts of the outstanding principal and its interests. There are no restrictions on contractual cash flows that are incompatible with the SPPI criteria. The cash flow, or a part of it, is not linked to the performance of the debtor or of any other related factor. Payments are not deferred regardless of interest accrual. There is no pre-defined condition in the contract that allows the non-repayment of any amount.

Overall, the financial assets managed by the Bank are designed to manage the Bank's liquidity so that the Bank can meet the required liquidity ratios. Past experience shows that these assets typically are not resold, with the primary objective of each purchase being to collect interest and principal over the term. The Exim Act expressly prohibits security transactions for trading purposes.
The Business department of the Bank deals with lending and guarantees. The purpose of lending is in all cases to collect the interest and principal during the term. The Bank will not originate any transactions where the original intention is to transfer the asset to another party at a later date, nor has it any previous experience of selling. If a receivable becomes irrecoverable, a dedicated department of the Bank will take over and collect the outstanding debt; only in exceptional cases may the receivable be sold.

The assessment of the performance of the employees and their compensation are not linked to the return on securities (either to the fair value of the securities or to the contractual cash flows collected).

Upon the initial recognition of an investment in an equity instrument not held for trading, the Bank may irrevocably elect to recognise changes in fair value in other comprehensive income. There is an option to make this election per instrument.

All other financial assets and financial liabilities are measured at fair value through profit or loss.

At initial recognition, the Bank classifies financial liabilities into the following measurement categories:

- financial liabilities measured at amortised cost
- financial liabilities measured at fair value through profit or loss (FVTPL).

At initial recognition, the Bank also recognises financial guarantee contracts and loan commitments (credit lines) below the market interest rate at fair value, with respect to the settlement date.

Derivatives are measured at fair value in the statement of financial position.

In cases when there is a reporting date between the date of the transaction and the settlement date, the Bank recognises the fair value difference between the transaction and reporting date in the case of financial instruments measured at fair value under Other assets or Other liabilities.

The Bank derecognises a financial asset when

- the contractual rights to the cash flows from the financial asset expire, or

- the Bank transfers the contractual rights to receive the cash flows of the financial asset, or the Bank retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to transfer the cash flows to one or more recipients in an arrangement that meets certain conditions, in a transaction in which
    - the Bank transfers substantially all risks and rewards from the ownership of the asset, or
    - the Bank does not transfer or retain substantially all the risks and rewards of ownership, and the Bank does not retain control of the financial asset.

Modification of contractual terms of financial assets and liabilities

In the case of modification of the contractual terms of financial assets or liabilities, the Bank assesses whether the modification is significant. If the modification is significant, the financial asset or liability is derecognised.

In the case of a substantial modification resulting in the derecognition of a financial asset or liability, the financial asset or liability ceases to exist, and a new financial asset or liability is recognised at fair value. Any difference between the derecognised carrying amount of the original financial asset or liability and the new financial asset or liability, recognised at fair value, is recognised in profit or loss. Eligible transaction costs related to the new financial asset increase the fair value of that financial asset. Income from fees related to modifications are presented as gain or loss on derecognition, except for fees that adjust the fair value of the new financial asset and fees that compensate transaction costs, which are taken into account at the initial recognition of the new financial asset.
If the modification is not deemed significant, the Bank recalculates the gross carrying amount of the financial asset or the amortised cost of the financial liability with the net present value of the modified future contractual cash flows discounted by the original effective interest rate (or, for financial assets purchased or originated with impaired credit quality, the effective interest rate adjusted for credit risk) and recognises the resulting gain or loss in profit or loss. In the case of instruments with variable interest rate, the original effective interest rate used to calculate the gain or loss is adjusted to reflect current market conditions prevailing at the date of the modification.
The costs or fees incurred, after accounting for the above difference, adjust the carrying amount of the financial asset or liability – gross value in the case of a financial asset – and are amortised over the remaining life of the instrument by recalculating the effective interest rate.

In order to determine whether a contract modification is significant, the Bank performs
- a quantitative, and
- a qualitative test.

A contract modification is substantial if it can be regarded as significant according to either of the above tests.

A contract modification is considered to be significant on the basis of the quantitative test, if the present value of the contractual cash flows to be modified, discounted at the original effective interest rate, differs by at least 10% at the date of the modification compared to the gross carrying amount before the modification.

If, in the event of financial difficulty of the debtor, the Bank plans to modify the financial instrument in such a way that it would result in a remission of cash flows, it first considers whether a part of the instrument should be written off before the modification. This has an impact on the quantitative test, as it may result in the conditions for derecognition not being met.

A contract modification is considered to be significant on the basis of the qualitative test if the Bank concludes that the risks of the modified financial asset or liability are substantially different from those of the original financial asset or liability.

In particular, a contract modification is considered significant in the following cases:
- change in currency
- fundamental change in the nature (type) of the asset or liability
- change if interest rate from fixed to variable (or from variable to fixed) the change results in the modified cash flows not meeting the SPPI test

The Bank derecognises a financial liability (or a part of it) in the financial statements when it is extinguished – i.e. when the obligation set out in the contract is discharged or cancelled or it expires.

Financial assets and financial liabilities recognised in the statement of financial position are offset and the net amount is shown when the Bank has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Pursuant to the provisions of Govt. Decree 292/2022 (VIII.8.) in respect of the agricultural moratorium and to those of Govt. Decree 216/2022. (VI.17.) in relation to the general moratorium, the Bank carried out a calculation of the change in the cash flows for the transactions concerned and, based on these, did not identify any cases where derecognition was necessary, either on the basis of qualitative or quantitative factors. Accordingly, for these transactions, the gross carrying amount is recalculated at the original effective interest rate, taking into account future cash flows. The difference between the amortised cost before and after the adjustment is recognised by the Bank in profit or loss.

3.2 Financial instruments measured at fair value (derivatives)

The Bank measures its derivative financial assets and liabilities at fair value through profit or loss.

For economic hedging purposes, the Bank may enter into contracts for derivative financial instruments (swaps, CCIRS), and in doing so it may, of business reasons, choose to apply hedge accounting under IFRS 9. All derivative financial instruments are carried at fair value, and all gains and losses realised on these instruments are recognised under "Gains and losses from trading and investment activities" in the profit and loss account. The details regarding hedge accounting can be found in Note 8.

3.3 Investments measured t fair value, and investments accounted for using the equity method

A part of the Bank's capital investments consists of investments in investment funds, which are designed to generate yields and also to leverage banking relationships. The majority of capital investments is in the form of interest in investment funds.
Investments in equity instruments of associates and joint ventures where the Bank has joint control or a significant influence are accounted for using the equity method (see Note 3.17).
Since these investments do not meet the criteria of the SPPI (see Note 3.1), all other investments are measured at fair value through profit or loss.

Dividend income (except where the dividend is clearly intended to recover the cost of an investment) at the date of approval and other gains/losses on investment fund shares are recorded under "Gains or losses from trading and investment activities" at the time of the decision.

3.4 Financial instruments measured at amortised cost

Interest income on financial assets measured at amortised cost is calculated using the effective interest method.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but – with the exception of financial assets purchased or originated with impaired credit quality – does not take into account expected credit losses (ECL). For financial assets purchased or originated with impaired credit quality, the effective interest rate adjusted for credit risk is calculated using estimated future cash flows that include expected credit losses.
The calculation includes all amounts paid or received that are an integral part of the effective interest rate, including transaction costs, fees, premiums and discounts. Transaction costs include additional costs that are directly attributable to the acquisition or issue of a financial asset or liability.

After initial recognition financial liabilities are measured at amortised cost, except for derivative financial liabilities.

3.4.1 Cash and cash equivalents

Cash and cash equivalents include banknotes and coins, balances held with central banks and highly liquid financial assets with a maturity of less than three months, which are subject to insignificant risk of changes in their fair value, and are held by the Bank in order to settle short-term commitments. After initial recognition the Bank measures these instruments at amortised cost in the statement of financial position.

3.4.2 Government securities measured at amortised cost

The Bank measures debt securities that meet the SPPI criteria and are held in order to collect principal and interest cash flows at amortised cost in the statement of financial position, following initial recognition.

3.4.3 Receivables from credit institutions and insurance companies and Receivables from other customers

The Bank measures loans to banks, insurance companies and other customers, which meet the SPPI criteria and are granted in order to collect principal and interest cash flows, at amortised cost in the statement of financial position, following initial recognition.

3.4.4 Liabilities to credit institutions and insurance companies, and Liabilities to other customers

Loans and deposits from banks and insurance companies, receivables from other customers and debt securities issued are carried after the initial recognition at amortised cost.

3.5 Financial guarantees and loan commitments (credit lines)

A financial guarantee is a contract that requires the Bank to make specified payments to reimburse the holder for losses it incurs because a specified debtor has failed to make payment when due in accordance with the terms of the debt instrument.
A loan commitment is a firm commitment to provide a loan on pre-determined terms.

In the normal course of business, the Bank issues financial guarantees, which consist of letters of credit and loan guarantees. Financial guarantees and commitments to provide loans at market interest rates are measured at fair value on initial recognition and are presented in the statement of financial position under "Other liabilities". The fair value of financial guarantees is the fee for the guarantee received. In the subsequent valuation, the Bank as the issuer of the guarantee will value it at the higher of:

(i) the amount of the loss allowance determined in accordance with IFRS 9, or

(ii) the amount initially recognised less the amount of deferred income recognised in accordance with the principles of IFRS 15.

The premium received is recognised on a straight-line basis over the life of the guarantee in the profit and loss account under "Fee and commission income".
The provision for losses on financial guarantees and loan commitments is presented in the statement of financial position under "Provisions" while in the statement of comprehensive income it is recognised under in "Impairment losses on financial instruments and (creation)/reversal of provisions".

3.6 Determination of fair values

Several provisions of the Bank's accounting policies and their annexes require the determination of fair value for financial assets and liabilities. Fair values are determined for measurement and/or disclosure purposes based on the following methods.

Fair value is the price that would be received for selling an asset or transferring a liability in an arm's length transaction between market participants at the measurement date under current conditions in the primary market for the asset or liability or, in the absence of such, in the most favourable market. The fair value of a liability reflects the Bank's non-performance risk.

All financial instruments are recognised initially at fair value. In the normal course of business, the cost of a financial instrument at initial recognition is the transaction price (that is, the fair value of the consideration given or received). In case the initial fair value differs from the transaction price, the Bank recognises the initial (first-day) fair value difference between the fair value and the transaction price as follows. If the fair value measurement is supported by a price quoted in an active market for the same asset or liability or is based on a measurement method using only observable market prices, the Bank recognises the difference in profit or loss. Otherwise the Bank adjusts the carrying amount of the financial instrument to defer the recognition of the difference and recognises it in profit or loss to the extent that it arises from changes in the factors that market participants consider in pricing the instrument.

The fair value of financial instruments quoted in active markets is measured at the (unadjusted) prices quoted in active markets, on the basis of bid prices for assets and ask prices for liabilities (level 1).
If no directly or indirectly observable prices quoted in an active market are available, fair value is determined using valuation techniques that use inputs other than observable market prices. These include the use of quoted prices of similar instruments in active markets, quoted prices of identical or similar instruments in markets that are not active, or the use of other valuation techniques in which all significant inputs are observable directly or indirectly from market data. (Level 2).
In all other cases, financial instruments are measured using valuation techniques that use unobservable inputs, and these have a significant effect on the valuation of the instrument (level 3). This includes valuations based on quoted prices for similar instruments that require significant unobservable adjustments or assumptions in order to reflect differences between the instruments. See Note 34 for further details of fair value determination.

3.7 Impairment on financial assets

The Bank recognises a loss allowance for expected credit losses on the following financial instruments:

- financial instruments classified as debt instruments;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments (credit lines).

Investments in equity instruments measured at fair value through profit or loss or other comprehensive income are not impaired in accordance with IFRS 9.

The Bank measures the loss allowance at an amount equal to the expected credit loss over the lifetime of the loan, except for the following, for which measurement is at the amount of the 12-month expected credit loss:

- debt securities that, as determined by the Bank, have a low credit risk at the reporting date;
- other financial instruments (except for lease receivables), for which credit risk has not increased significantly since initial recognition.

In the case of lease receivables, loss allowance is always measured at an amount equal to the expected credit loss over the lifetime of the lease.

The 12-month expected credit loss is the portion of the credit loss expected over the lifetime of the instrument that embodies the expected credit loss that may be incurred during the 12 months after the reporting date as a result of a default event concerning the financial instrument.

The lifetime expected credit loss is the expected credit loss arising from all possible events of default during the expected life of the financial instrument.

The expected credit loss is the probability-weighted average of credit losses.

At each valuation date, the Bank classifies the financial instruments into Stages, and determines the expected credit loss to calculate loss allowance, as described above. In accordance with the above, financial instruments are classified into three categories:

- Stage 1 classification is applied to financial instruments at initial recognition, except for POCI (purchased or originated credit impaired) receivables. Financial instruments remain in Stage 1 until a significant increase in credit risk compared to initial recognition occurs. This Stage also includes financial instruments that the Bank considers to be low credit risk at the reporting date. For Stage 1 instruments, the Bank calculates a 12-month expected loss using lifetime PD (probability of default) models and LGD (loss given default) values, elaborated by segment; in the case of off-balance sheet items, it uses CCFs (credit conversion factors), reflecting the probability of inclusion in the balance sheet.

- Stage 2 classification is applied to financial instruments where a significant increase of credit risk can be observed since initial recognition, however, the criteria for non-performing (default)/credit impaired exposure are not met. Lifetime expected losses are calculated for instruments included in Stage 2 using future exposures derived from contractual cash flows, the corresponding lifetime PD models, LGDs, as well as CCFs for off-balance sheet exposures.

- Stage 3 classification is applied to default / credit impaired financial instruments. The Bank uses the NPL (non-performing loan) definition of the MNB (National Bank of Hungary), and also applies the concept of "default" in accordance with Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) with the same content. The Bank evaluates all Stage 3 financial instruments individually, using probability-weighted cash flow scenarios discounted by the effective interest rate.

The Bank applies different credit risk models and parameters for each portfolio segment. The evaluation of Stage 1 and Stage 2 financial instruments are underpinned by PD models and LGD parameters developed for the following portfolio segments:

- Corporate;
- Sovereign/sub-sovereign;
- Domestic financial institutions;
- Foreign financial institutions.

The Bank has developed its lifetime expected probability of default (lifetime PD) models by analysing and forecasting historical empirical default rate timelines from external sources, as a function of time from initial recognition (vintage approach), using default rates published by Standard&Poor's and Weibull curves. All lifetime PD curves of all segments, developed along international ratings, have been mapped to the Bank's internal 7-grade rating classes. In 2022, the Bank switched from the previously used marginal PDs to the use of conditional PDs. The impact of the change in methodology did not have a material impact on the size of the expected loss on financial instruments.

The Bank performs PD correction on the corporate lifetime PD model by applying the forward-looking ARMAX (auto regressive moving average eXogeneous, autoregressive moving average with external explanatory variables) macroeconomic model in accordance with MNB regulations. The model design represents an ARMA (1,1) model incorporating external explanatory variables. The autoregressive term (AR) expresses the own previous value of the time series, whereas moving average (MA) stands for the estimation error measured in the previous period. The source of historical actual data series of explanatory variables was the database of Central Statistical Office (KSH). To make default rate forecast, the Bank used the most up-to-data available macroeconomic forecasts disclosed in the MNB Inflation Report. The R-squared ratio showing model fit was 67.8%. All parameters and the whole model were significant. The stationerity of model variables met all statistical application assumptions. This modeling methodology was not changed since the transformation to IFRS, however, within the framework of the comprehensive model review in 2022, the earlier applied unemployment rate and inflation rate were replaced by the investment volume index and the unemployment rate, due to the availability of longer data series and for economic and statistical reasons.

The Bank applied the same ARMAX modelling methodology between 2020 and 2021. The model design in those years incorporated inflation rate and unemployment rate beyond the AR and MA terms. The parameters of the model variables were regularly reestimated in line with the availability of newer empirical default rates and macroeconomic data, and forecasts were continuously upgraded using the macroeconomic forecasts published in regular MNB Inflation Reports, but the range of variables did not change.

When estimating corporate PDs in a forward-looking manner, the Bank uses the macroeconomic forecasts published in the MNB Inflation Report and the corporate default rate time series published in the MNB Stability Report. The Bank constructed the macro model used for the PD adjustment by taking into account the autoregressive term expressing the previous value of the time series, the moving average expressing the model's prior-period error, the six-quarter lag of the investment rate in the MNB Inflation Report and the one- and two-quarter forward-looking values of the change in the unemployment rate in the MNB Inflation Report. In view of the fact that IFRS 9 requires the Bank to take into account its expectations of the macroeconomic environment in an unbiased manner in the expected loss calculation, and given that the relationship between macroeconomic indicators and the development of expected loss is not linear in practice (a certain amount of macroeconomic shock may have a larger impact on loss than an equal positive shock), the Bank has based its unbiased estimate used as a basis for forward-looking expectations on a probability-weighted average of three scenarios. The weights of the scenarios have been developed by the Bank in accordance with the MNB's Executive Circular on the use of macroeconomic information and factors indicating a significant increase in credit risk for the purposes of IFRS 9. The baseline scenario was included in the estimate with a weight of 70%, the optimistic scenario 20%, and the pessimistic scenario 10%.

The Bank carried out a full-scale macro model review in Q3 2022, incorporating into it the most recently available macroeconomic data and default rates. In Q4 2022, updated with the most recent macroeconomic forecasts, the Bank projected the corporate default rate for two years using the macro model, with a quarterly frequency. For the eight-quarter forecast, the Bank used the facts and forecasts set out in the MNB Inflation Report. Since the corporate default rate data series is two quarters behind the reporting date, the Bank also used the latest financial report issued by the European Central Bank to interpolate the interim period.

Investment volume index is defined by KSH as the annual index of gross accumulation of fixed assets. With regard to the investment volume index, using the values published in the annex to the latest MNB IFRS 9 Executive Circular, the Bank assumed that, starting from the latest facts and applying linear interpolation, it would deteriorate to -1.50% in the baseline scenario and to -12.81% in the pessimistic scenario, while in the optimistic scenario it would improve to 8.54%.

Unemployment rate is defined by KSH as the ratio of unemployed people to the economically active population as at a given date. With regard to the unemployment rate, the Bank assumed, using the values published in the annex to the latest MNB IFRS 9 Executive Circular, that based on the latest facts and applying linear interpolation, it would reach 3.41% in the baseline scenario and 5.00% in the pessimistic scenario, while in the optimistic scenario it would improve to 1.90%.

In the corporate segment, the Bank uses LGD modelled on internal data using the collection LGD methodology in a vintage approach to determine expected loss. In the sovereign/sub-sovereign segment the Bank applies a benchmark LGD backed by an external study, whereas in the case of financial institutions, the Bank applies LGDs implied from CDS spreads, derived from external sources.

Given that the very low number of items in historical data does not allow for CCF modelling on internal data, the Bank applies CCFs in line with the supervisory parameters published in the CRR.

In 2022, the Bank continuously applied management overlay impairment, which is a lump sum expected loss determined by the Bank on the basis of risk factors that are not or are not fully covered by the risk models it uses, making the impact of these risks not adequately quantifiable by running the models on a bottom-up basis.The Bank applies a top-down model with a management overlay adjustment differentiated by sector groups to determine the expected loss for the corporate segment. The Bank considers the level of risk of the corporate portfolio involved in the management overlay adjustment to be significant.

The in-depth disclosure of formulae used to determine expected losses can be found in Note 30.

For all instruments, the Bank considers the following indicators to be significant increase in credit risk and accordingly classifies the transactions concerned as Stage 2:

- 30+ days past due, unless the delay is proven to be due to a technical error.
- A significant deterioration of the rating compared to the initial rating class. On its 7-point customer rating scale, the Bank considers a deterioration of 2 categories for rating categories 1 to 3 and 1 category for rating categories 4, 5 and 6 to be significant. Based on the option provided for in Section 5.5.10 of IFRS 9, the Bank makes use of the low credit risk rating option in the investment-grade sovereign and financial institution segment, according to which a deterioration from initial category 1 to category 3 does not entail a Stage 2 reclassification.
- Loans placed in performing, restructured status, including restructured status due to a moratorium period of more than 9 months.
- Transactions of a customer subject to winding up.

The domestic direct corporate exposures that fell under Moratorium 4 as provided for by the law were classified by the Bank into Stage 3 in accordance with the requirements contained in the MNB IFRS 9 Executive Circular. Moratorium 4 ended on 31 December 2022.

The Bank applies low credit risk (LCR) limits for exposures with a BBB- or better investment grade rating for the sovereign and banking segments, but does not use LCR limits for corporate exposures. At the same time, the Bank sets stricter criteria for significant credit risk increase in certain lower-rated categories. Accordingly, in its internal rating system the Bank considers even a downgrade of 1 grade regarding transactions of customers with an initial rating of 4 or lower to be a significant increase in credit risk.

In addition, the Bank also uses the following EWIs (Early Warning Indicators) for domestic direct corporate exposures to determine significant credit risk increase:

- Based on a Central Credit Information System (KHR) query, the following may be determined in the case of loans at other credit providers:
  - taking out a new loan, if the new commitment threatens the operation of the company,
  - taking out a new loan, if it jeopardises the repayment of the loan(s) provided by the Bank, i.e. the debt service of the existing loan,
  - default status of an existing loan (date, amount, whether it is settled or not),
  - debt service details of an existing loan.
- Changes that have occurred in the debtor's data, especially for changes where the customer is required to notify and hand over related documents:
  - there is a new owner (inspection and knowledge of the new owner is expected; in the case of an unfavourable change, the transaction must be classified as Stage 2),
  - change of registered office (the check must cover whether the change is of a technical nature. If it indicates transfer and/or expected liquidation, the transaction must be classified as Stage 2),
  - change of company registration number (the check must cover whether the change is of a technical nature. If it indicates transfer and/or expected liquidation, the transaction must be classified as Stage 2),
  - change of tax number (the check must also cover whether the change is of a technical nature. If it indicates transfer and/or expected liquidation, the transaction must be classified as Stage 2).
- Unfavourable decline of account turnover and/or customer base negatively affecting debt service. If significant, the transaction must be classified as Stage 2.
- A change in the company's main scope of activity and the cash flow resulting from this are not sufficient to service the debt.
- A significant decline in the debtor company's equity. Reclassification to Stage 2 should be considered if the equity decreases by at least 25%, or the capital adequacy (equity/total assets) decreases by at least 10% compared to the data in the audited annual report at the end of the previous year.
- A significant change, i.e. decline in the number of the debtor company's employees. It is necessary to check what is causing this process. If a transfer to another company is indicated, the transaction must be classified as Stage 2.
- Enforcement is initiated against the company (e.g. National Tax and Customs Administration (NAV) or independent court bailiff). The transaction must be classified as Stage 2 if the enforcement is classed as significant.
  The enforcement is significant if
  - enforcement has been initiated more than 3 times in the last 12 months or
  - in the last 12 months, an enforcement was in process that had not been settled within 30 days

  (That is, if at the time of the investigation there is an unsettled enforcement in process that was launched within the last 30 days, this does not yet mean an enforcement of significant scale.)
- In the case of a non-real estate financing project loan, the project is not or is not fully realised and/or cannot generate the debt servicing requirement.
- Non-payment of insurance premium (30+ days past due or contract becomes inactive).

- A negative change in coverage level, which refers to a significant, unfavourable change in the economic entity's solvency (significant depreciation in the value of productive assets) or in its willingness to pay (withdrawal of coverage) A reduction of at least 15 percentage points in the coverage ratio compared to the last decision is classed as significant.
- A breach of contractual commitments and covenants, as a result of which the profitability of the given transaction may be in jeopardy.
- Deterioration of data provision discipline – a delay in customer, transaction and collateral-related data provision by the customer. In the case of regular delays, the transaction must be classified as Stage 2.
- A change in legislation that negatively affects the business of the customer, which threatens the financial stability of the customer.
- Significant negative information affecting the customer, the group of connected customers, its partners or industry.
- A significant adverse change in the sectoral outlook that threatens the financial stability of the customer.
- A negative change in the majority of financial indicators calculated during regular rating. The indicators to be examined are set out in detail in the Bank's Monitoring regulations.

In addition, the Bank also uses the following EWIs for real estate project loans to determine significant increase in credit risk:

- LTV rises above 1 (except: construction phase).
- The DSCR or projected debt service coverage ratio (PDSCR) calculated on the basis of the periodic (annual) generated and non-cumulative cash flow falls below 1.05.
- The construction phase is delayed by more than 1 year compared to the original plans.
- There is a modification in the terms of the project financing transaction (either through modification of the original contract or refinancing), which results in an overall increase in risk for the Bank in the assessment of the transaction.
- The original budget of the project set in the loan agreement increases to a level that cannot be matched by the rate of increase in market value, and the cost increase is accompanied by an increase in the project's/debtor's financing needs, and the risk parameters of the increased loan (including LTV, DSCR, interest coverage, balloon/bullet rate, full repayment period) indicate an increased level of risk compared to the original approval.

A reclassification from Stage 2 to Stage 1 may be made if none of the criteria for a significant increase in credit risk can be observed at the assessment date. See Note 30 for the quantitative disclosure of Stage 2 items and impairment that have the characteristics of significant increase in credit risk.

Pursuant to Article 178 of the CRR, the provisions of MNB Decree 39/2016 and the MNB Recommendation 9/2022, transactions are considered non-performing (default) or of impaired creditworthiness, and are classified in Stage 3, where:

- The duration of the delay shall be a continuous delay of at least 90 consecutive days, if the delayed portion is significant. This condition cannot be disregarded even on the basis of an expert assessment. The Bank has set the materiality threshold at EUR 500.
- Based on an assessment of the debtor's financial situation, it can be assumed that without recourse to the collateral, the debtor will not be able to repay the full amount of its obligations (regardless of whether the claim is past due).
  Unlikeliness-to-pay factors:

  - there are well-founded concerns regarding the debtor's ability to generate stable and satisfactory cash flows in the future,
  - in the case of working capital loans, it is unable to pay the interest from its EBITDA,
  - in the case of investment loans, the customer is unable to pay even the annual principal and interest repayments from its EBITDA less the amount of the estimated tax,
  - the debtor no longer has regular sources of income to meet its repayments,
  - the debtor's overall leverage has increased significantly, or there are reasonable grounds to believe that such a change in leverage will occur,
  - the debtor has breached its contractual obligations,
  - fraud committed in connection with the contract,
  - the Bank has drawn on any of the collateral, including exercising a guarantee,
  - in the case of exposures to a private individual: the non-performance of a company 100% owned by a single individual, where that individual has given a personal guarantee to the Bank in respect of all the obligations of the company,
  - a crisis affecting the sector in which the debtor operates, combined with a weak position on the part of the debtor in that sector,
  - the disappearance of an active market for a financial instrument due to the financial difficulties of the customer,
  - the Bank has information that a third party – especially another institution – has initiated the liquidation of the debtor or a similar measure (e.g. enforcement, compulsory strike-off, order for the criminal attachment of the debtor's assets).
- Exposures for which an individual loss allowance has been recognised, excluding the loss allowance recognised collectively for transactions classified as Stage 1 and Stage 2 under IFRS 9.
- All exposures against a customer, if an individual loss allowance has been recognised for any of the customer's transactions, excluding the loss allowance recognised collectively for transactions classified as Stage 1 and Stage 2 under IFRS 9.
- The Bank has initiated a liquidation or distraint procedure to collect the customer's debt.
- The customer has initiated a liquidation or bankruptcy proceedings against itself in order to avoid or postpone the discharge of its obligations to the Bank.
- The customer has initiated a reorganisation procedure.
- The bank guarantee issued by the Bank has been drawn down or is expected to be drawn down.
- An off-balance sheet liability that is likely to be drawn on, and whose drawing or other use will result in an exposure that is at risk of not being fully recovered without the enforcement of collateral.
- The loan contract has been terminated.
- Deals that have gone under Workout handling or become subject to legal proceedings (liquidation, bankruptcy, distraint initiated by the Bank).
- Restructuring that results in a significant reduction of financial liabilities for the customer.

Before 1 January 2021, the applied default definition was the following.

- At least 90 days of delinquency on the classification date, on condition that the delinquent amount is significant.
- Based on an assessment of the debtor's financial situation, it can be assumed that without recourse to the collateral, the debtor will not be able to repay the full amount of its obligations (regardless of whether the claim is past due).
  Unlikeliness-to-pay factors:
  - in the case of working capital loans, it is unable to pay the interest from its EBITDA,
  - in the case of investment loans, the customer is unable to pay even the annual principal and interest repayments from its EBITDA less the amount of the estimated tax,

- Exposures for which an individual loss allowance has been recognised, excluding the loss allowance recognised collectively for transactions classified as Stage 1 and Stage 2 under IFRS 9.
- All exposures against a customer, if an individual loss allowance has been recognised for any of the customer's transactions, excluding the loss allowance recognised collectively for transactions classified as Stage 1 and Stage 2 under IFRS 9.
- The Bank has initiated a liquidation or distraint procedure to collect the customer's debt.
- The customer has initiated a liquidation or bankruptcy proceedings against itself in order to avoid or postpone the discharge of its obligations to the Bank.
- The bank guarantee issued by the Bank has been drawn down or is expected to be drawn down.
- An off-balance sheet liability that is likely to be drawn on, and whose drawing or other use will result in an exposure that is at risk of not being fully recovered without the enforcement of collateral.
- The loan contract has been terminated.
- Deals that have gone under Workout handling or become subject to legal proceedings (liquidation, bankruptcy, distraint initiated by the Bank).
- Restructuring that results in a significant reduction of financial liabilities for the customer.

The Bank does not examine the significant increase in credit risk in the case of POCI receivables. In each case, POCI receivables are classified in Stage 3 and assessed individually.

The accounting policy for financial guarantees and loan commitments is set out in Chapter 3.5 and the policy (formulae) for the calculation of loss allowance is set out in Note 30.

Reversal of loss allowance

If the loss allowance is reversed in the next period, it is recognised through profit or loss.

Write-off of loans and advances

Uncollectible receivables are written off against the related loss allowance if the reasons for assigning them to uncollectible status as specified in the Workout policy apply, or if there is no reasonable expectation of recovery. The Bank recognises any subsequent recoveries of receivables previously classified as uncollectible in profit or loss. The Bank may also write off part of the receivable if the full recovery cannot be reasonably expected, but the Bank still intends to fully recover the partially written-off receivables. Partial or full write-off of the receivables is possible at least three years after the occurrence of the default event, if an individual assessment shows that any repayment of the debt from future cashflows of the debtor is unlikely, and if an appropriate asset-distribution pan is available from the liquidator.

Restructured loans

The Bank first attempts to restructure loans in cooperation with the debtors, rather than taking legal action to recover the debt. This may include extending the term, changing the payment schedule or revising the terms of the loan. In the event of restructuring, the Bank examines whether the contract amendment is significant in accordance with Note 3.1 and, as a result, shall determine a restructured rating of "performing" or "non-performing" and shall apply the 10% rule to determine the derecognition criterion. Following a restructuring, the Bank determines the impairment using the original EIR as it was the case before the terms were modified, regardless of the fact that the loan is no longer past due. Management monitors the fulfilment of the conditions of restructured loans on an ongoing basis to ensure that the required criteria are met, that future payments are made and that the criteria for derecognition are fulfilled. The Bank classifies non-performing restructured loans in all cases into Stage 3, and calculates the impairment by discounting the cash flows by the original EIR.

In the case of domestic direct corporate exposures subject to a statutory moratorium on payments for more than 9 months, a forced restructuring is not considered by the Bank as a factor indicating the occurrence of a non-performance (default) event if the reduction in financial liability exceeds the 1% threshold solely because of the use of the moratorium, provided that, based on the set of criteria detailed above, there are no circumstances that would in themselves result in a non-performing (default) exposure classification.

3.8 General reserve

The provisions of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Credit Institutions Act") require the Bank to establish a general reserve of 10% of its profit after tax for the year to cover future losses. Based on the decision of the management and the approval of the Owner, the Bank transfers the after-tax profit for the given period (after the establishment of the mandatory 10% reserve) from retained earnings to the general reserve. As this decision relating to the given financial year is made by the Owner in the following financial year, the after-tax profit for that period is reallocated in the year of the decision.

Based on the owner's decision, the Bank places 100% of its annual after-tax profit in retained earnings, after which the amount placed in retained earnings is placed in the general reserve. In the case of a loss, based on the Owner's decision the amount of the accumulated general reserve will be used.

3.9 Foreign currency translation

The Bank's primary (functional) currency is the Hungarian forint. Revenues and expenses arising in foreign currency are translated into the functional currency at the exchange rates valid on the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are revalued at rates quoted by the National Bank of Hungary ("MNB") at the reporting date, with resulting revaluation differences being recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined. Non-monetary items denominated in foreign currency that are measured at historical cost are retranslated to the functional currency at the exchange rate valid on the date of the transaction. Foreign exchange differences arising upon revaluation are recognised in profit or loss under "Gains or losses from trading and investment activities".

In the case of investments in foreign currency accounted for using the equity method, the exchange rate difference between the functional currency of the foreign holding and the presentation currency of the Bank is recognised by the Bank in other comprehensive income.

3.10 Intangible and tangible assets

Intangible assets, property, as well as plant and equipment are measured at cost less accumulated depreciation and accumulated impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of property, plant and equipment, the cost of maintenance and repair is recognised in profit or loss. Major refurbishments of property, plant and equipment and the cost of replacing a part of an asset are recognised in the carrying amount of the item concerned when it is probable that future economic benefits associated with the asset will be received by the Bank and such can be measured reliably. The value of the replaced components is derecognised.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, using the following rates, which may vary based on specific information

Renovation carried out on a leased property	based on the duration of the lease
Softwares	3 years
Furniture, fixtures and office equipment	3-7 years

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Intangible assets, property, plant and equipment are subject to an impairment review if an event or change occurs that indicates that the carrying amount is above the recoverable amount of the asset.

The gain or loss on the derecognition of intangible assets, property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the assets and is recognised in profit or loss under "Other operating expenses" or "Other operating income".

3.11 Leases

The lessee recognises a right to use the asset concerning the related asset and a lease liability for the obligations related to the lease. The provisions relating to lessors remain similar to the previous standard – for example, lessors continue to distinguish between operating and finance leases.

The Bank monitors all its lease contracts in which it is a lessee on an ongoing basis and identifies those that contain a lease transaction under IFRS 16. In this regard, it recognises a right-of-use asset and a lease liability in respect of the leasing transactions. The initial recognition of the right-of-use asset is at cost while lease liabilities which were classified as operating leases according to IAS 17 are recognised at the present value of the outstanding lease payments. Items taken into consideration when calculating the cost of an asset:

- the initial value of the liability
- use premiums paid at the start of the term (or before)
- any initial direct costs incurred by the Bank
- lease incentives received as cost decreasing elements
- estimated costs for dismantling, removing and restoring the asset

The initial value of the lease liability is the present value of the unpaid lease fees at the start of the lease term. For discounting purposes, the Bank uses an implicit interest rate at the time of the first application, with this discount the present value of the lease payments and the unguaranteed residual value being equal to the sum of the fair value of the leased asset and the lessor's initial direct costs.
The Bank primarily classifies operating leases of office space under IFRS 16.

The Bank applies the following practical expedients:
– It applies a single discount rate to a portfolio of leases with similar characteristics.

The Bank applies practical expedients for leases with a short term (less than 12 months) and for leases with a low asset value (less than HUF 1 million) – for these constructions the Bank does not recognise any lease liabilities or related right-of-use assets. These types of lease payments are recognised as costs using the straight-line method during the term of the lease agreement.

3.12 Income taxes

Income tax includes both actual and deferred taxes. Income taxes are recognised in the profit and loss account, except to the extent that they relate to items recognised directly in equity or in other comprehensive income, in which case they are recognised in equity or in other comprehensive income. Actual income taxes include corporate income tax, local business tax and innovation contribution.

The actual tax is the tax payable or recoverable on taxable profits for the financial year, plus an adjustment for the relevant tax payable or recoverable carried forward from previous years. . If the amount of the minimum tax is higher than the income tax calculated on the basis of the tax base of the year, the difference is recognised by the Bank as other operating expense. The amount of the actual tax payable or receivable is the best estimate of the amount of tax payable or receivable, reflecting the uncertainty associated with income taxes. The amount of the actual tax is determined using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences are not recognised in the initial recognition of such assets or liabilities as do not affect either accounting or pre-tax profit and that are not a business combination.

A deferred tax asset is recognised for unrecognised deferred tax bases, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be offset. Tax receivables are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised tax receivables are reviewed at each reporting date and are recognised to the extent that it is probable that future taxable profits will be available against which they can be offset.
The amount of deferred tax reflects the tax consequences of the expected manner of recovery or settlement of the carrying amount of assets and liabilities at the reporting date. The amount of deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date, reflecting any uncertainty relating to income taxes.

3.13 Interest income and expense

Interest income and expense on financial instruments are recognised in profit or loss under "Interest income" and "Interest expense" using the effective interest method (see Note 3.4). Interest income is classified as "Interest income recognised using the effective interest method" and "Other interest income" and is recognised in profit or loss. "Interest income recognised using the effective interest method" includes interest on financial assets measured at amortised cost, while "Other interest income" includes the interest income from interest rate swaps. "Interest expense" includes interest on financial liabilities measured at amortised cost, leasing liabilities, as well as interest expense of interest rate swaps. The effective interest method is used to calculate the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the life of a financial instrument to one of the following:

- the gross carrying amount of the financial asset (if not credit impaired), or
- the amortised cost of the financial asset (if credit impaired), or
- the amortised cost of the financial liability.

The amortised cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the amount at maturity calculated using the effective interest method and, for financial assets, adjusted for any expected loss allowances. The gross carrying amount of a financial asset is the amortised cost of the financial asset before any adjustment for expected loss allowances.

When calculating the effective interest rate for financial assets other than purchased or originated credit-impaired financial assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The effective interest rate used to calculate interest income or interest expense is applied to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortised cost of the financial liability. The effective interest rate is revised as a result of the periodic reestimation of the cash flows of variable interest rate instruments to reflect changes in market interest rates.

In the case of purchased or originated credit-impaired (POCI) financial assets, when calculating interest income, the Bank applies the effective interest rate adjusted to the credit risk to the amortised cost of the financial assets, from the initial recognition of the asset until its disposal.

For financial assets that are not purchased or originated credit-impaired (POCI) but have become credit-impaired subsequently (Stage 3), when calculating interest income, the Bank applies the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

In accordance with the rules and conditions of Government Decree 85/1998 (V.6.) on the interest equalisation system and of Government Decree 232/2003 (XII.16.) on tied-aid credits the Bank receives interest compensation from the Hungarian State for special financing facilities. Under the Bank's interest equalisation programme, the amount of interest compensation provided by the Hungarian State is determined by the difference between the interest rate paid by the borrower and the sum of Eximbank's funding costs, operating expenses and the applicable risk premium, in accordance with the provisions of the agreement concluded with the Ministry of Finance.
Eximbank submits its claim for interest equalisation to the Hungarian State within 15 days of the end of the quarter. The quarterly payment is made to Eximbank by the 20th day following the end of the quarter.

Interest equalisation and interest subsidies are intended to provide stability and sustainability to Eximbank, thereby contributing to risk management. The level of interest equalisation and subsidy provided by the Hungarian State is determined in such a way that Eximbank's profit reaches a level close to the market rate, with the State compensating the Bank for the difference between the level of interest rates provided at a rate lower than the market rate and the actual market rate. Through this mechanism, Eximbank serves as an instrument of economic policy of the Hungarian State rather than as a traditional profit-oriented bank.

Eximbank also receives interest rate subsidies for aid credits (Eximbank plays the role of lender in tied-aid agreements) in agreements between the Hungarian government and countries eligible for tied-aid credits, which differ from the above interest equalisation system in that Eximbank's operating costs and risk premiums are not compensated by the Hungarian State. The tied-aid credit facilities are in all cases covered by MEHIB insurance, the premiums for which are passed on to the borrower and waived in the form of a donation element, with the Hungarian State reimbursing this to the Bank.

Interest compensation and interest subsidies received from the Hungarian State are not considered government support by the Bank, as they constitute a form of government support to the debtor.

The interest compensation and interest subsidies received from the Hungarian State are considered to be an integral part of the Bank's loans, so these cash flows are also taken into account in the calculation of the effective interest rate.

All other loans provided by Eximbank (i.e. loans that are not covered by the interest equalisation and interest subsidy programmes) are variable-rate and are priced taking into account the LIBOR / EURIBOR / ("BUBOR") reference rates and Eximbank's cost of funds.

3.14 Fee and commission income and expense

The Bank earns fees and commissions income from a diverse range of services it provides to its customers and also pays fees and commissions related to these services.
Fee and commission income and expense that are integral to the effective interest on a financial asset or financial liability are included in the effective interest rate.
If a loan commitment is not expected to be drawn down, the related loan commitment fee is recognised on a pro rata temporis basis over the commitment period.
Other fee and commission income is recognised when the related services are performed.
Other fee and commission expenses typically relate to transaction and service fees that become expenses when the services are received by the Bank.

For more detailed information see Note 23.

3.15 Provisions and contingent liabilities (IAS 37)

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, also takes into account the risk characteristics specific to the liability.

Contingent liabilities are not recognised in the financial statements. Contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote.

Provision for possible losses is recognised only if at the reporting date the Bank considers that it is more likely than not that an obligation exists. The Bank's management determines the adequacy of provisioning based on a review of individual cases, experience with recent loss events, economic conditions, transaction risk characteristics, and other pertinent factors.

Special taxes payable by the Bank which cannot be considered as income taxes are recognised when the condition for the payment of the tax is met. This includes the special tax imposed on financial institutions ("bank tax") under Act LIX of 2006, calculated on the basis of the balance sheet total of the second tax year preceding the tax year concerned, and "extra-profit tax" under Govt. Decree 197/2022 (VI.4), calculated on the basis of the net sales revenue of the tax year preceding the tax year concerned, as per Act C of 1990. The Bank recognises the obligation to pay the bank tax on the first day of the financial year in which it becomes due.

3.16 Segments

Based on the management's assessment of the organisational, management and internal reporting structure of the Bank, the management identified only one operating segment. As a result the Bank does not disclose operating segments in the financial statements. The Bank discloses its assets, liabilities and revenues broken down by geographical region (see Note 31).

3.17 Investments in subsidiaries, associates and joint ventures

Subsidiaries are entities controlled by the Bank. An entity is controlled by the Bank if the Bank is subject to, or has rights to, variable yields from its participation in the entity and is able to influence those yields through its power over the entity.

An associate is an entity over which the Bank has significant influence, but not control or joint control, over the financial and operating policies of the entity.

A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights over the net assets of the arrangement, rather than rights over its assets and obligations concerning its liabilities.

The Bank's investments in its subsidiaries, associates and joint ventures is accounted for using the equity method.
Under the equity method, an investment in a subsidiary, associate or joint venture (the investee) is initially recognised by the Bank at cost, which includes transaction costs. The carrying amount of the investment is adjusted after initial recognition to reflect changes in the net asset value of the investee since the acquisition date.

The statement of comprehensive income reflects the share of the investee's profit or loss that is due to the Bank based on its share in the investee. Any change in other comprehensive income of those investees is presented as part of the Bank's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the investee, the Bank recognises its share of the change in its own statement of changes in equity if necessary. Unrealised gains and losses resulting from transactions between the Bank and the investee are eliminated to the extent of the interest in the investee; however, unrealised losses are eliminated only to the extent that there is no evidence of impairment.

The Bank recognises its share of the after-tax profit or loss of the investee – a joint venture or associate – in the statement of comprehensive income as follows: It presents it in the "Share of profit/(loss) of investments accounted for using the equity method" and "Exchange differences arising on the translation of foreign currency transactions" lines.

The financial statements of the investee used for the application of the equity method are prepared for the same reporting period as the Bank's financial statements, and are in line with the Bank's accounting policy.

Following the application of the equity method, the Bank determines whether it is necessary to recognise impairment on its investment in the investee. The Bank assesses at each reporting date whether there is objective evidence that an investment in an investee is impaired. The Bank calculates the amount of impairment as the difference between the recoverable value and the carrying amount of the investment in the investee. The impairment or reversal thereof is then recognised by the Bank as "Impairment or reversal of impairment on non-financial assets" in the statement of comprehensive income.

For investments accounted for under the equity method, the determination of whether a venture capital or private equity fund that has subsidiaries meets the definition of an investment entity can have a significant effect on the carrying amount of the investment.

IFRS 10 defines the concept of an investment entity and requires parent companies that are classed as an investment entity to measure their subsidiaries at fair value through profit or loss in accordance with IFRS 9. Whether the definition of an investment entity applies must be considered in respect of every fund.

An investment entity is an entity that:

a) collects funds from one or more investors for the purpose of providing investment management services to such investor(s);
b) agrees, vis-a-vis the investor(s), that its business objective in investing the funds shall solely be to obtain a return from capital appreciation, investment income or both; and
c) measures and analyses the performance of substantially all of its investments at fair value.

In practice, based on the above, the following characteristics of investment entities should be considered:

a) whether they have more than one investment,
b) whether they have more than one investor,
c) whether their investors are not related parties of the entity, and
d) whether their ownership interests are in equity instruments or similar interests.

The Bank applies the equity method to the financial statements of funds in which the underlying investments in subsidiaries are measured by the fund at fair value (if the fund is an investment entity) or are consolidated (if the fund is not an investment entity).

3.18 Hedge accounting

The Bank may, for business reasons, choose to apply hedge accounting. The hedge accounting requirements of IFRS 9 are applied to all micro-hedging relationships.

If a hedge relationship exists between a hedging instrument and a hedged item, the Bank accounts for these items in accordance with hedge accounting rules. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged item.

The hedged item may be a recognised asset or liability, an unrecognised firm commitment, a forecast transaction or a net investment in a foreign operation. A hedged item may be:

a) a single item; or
b) a group of items (if the conditions in the following paragraph are met)
c) a component of a single item or group of items.

For hedge accounting purposes, only assets, liabilities, firm commitments or highly probable forecast transactions with a party external to the Bank can be designated as hedged items.

The Bank may designate and account for a hedge relationship under the hedge accounting requirements of IFRS 9 if the following conditions (hedge designation criteria) are met:

a) the hedge relationship contains only eligible hedging and hedged items
b) at the inception of the hedging relationship, the Bank formally documents the relationship (i.e. identifies the hedged item, the hedging instrument, the hedged risk and how it will assess whether the effectiveness requirements are met) and the hedging strategy underlying the hedge.
c) all of the following 3 requirements (effectiveness requirements) are met:

   i. there is an economic relationship between the hedged item and the hedging instrument
   ii. the credit risk does not dominate changes in the value of the hedged item and/or the hedging instrument
   iii. the hedge ratio is the ratio of the volume of items actually hedged to the volume of items actually used as hedging instruments.

Cash flow hedge relationships

If the Bank designates a derivative as a hedging instrument in a cash flow hedge relationship, the effective portion of the change in fair value will be recognised in a separate component of equity, in Hedging reserves, through other comprehensive income. The cumulative effective change in fair value of the hedging instrument from the inception of the hedge relationship is limited to the cumulative change in fair value of the hedged item from the inception of the hedge relationship. The Bank recognises the ineffective portion of the change in fair value of the hedging instrument immediately in profit or loss.

The Bank recognises fair-value changes accumulated in the Hedge reserve as a reclassification adjustment in profit or loss in the period in which the hedged item also affects profit or loss. Recognition as reclassification adjustment means that the Bank states an opposite change in other comprehensive income instead of recognising it in profit or loss.

The Bank designates only the spot element of its hedging derivatives as hedging instruments. Changes in the fair value of all other elements (foreign currency basis spread and forward components – the latter representing interest rate swaps for CCIRS designated as hedging instruments) other than the spot element are recognised as hedging costs, in the Hedge reserve component of equity.

The Bank presents in the Hedge cost reserve the changes in the fair value of costs being outside the scope of the hedge relations but that are accounted for as hedging costs. The costs - outside the scope of the hedge relations but representing a hedging cost – arising at the beginning of the hedging period, becomes amortized from the Hedge reserve in linear proportions during the period of the hedge, as reclassification.

If the hedge relationship no longer meets the criteria for hedge designation, or the hedge instrument is sold or terminated by the Bank, or expires, the application of hedge accounting must be discontinued prospectively.

The Bank recognises in profit or loss (as a reclassification adjustment) the amounts accumulated in the Hedge reserve for terminated cash flow hedge relationships during the period in which the cash flows of the hedged item affect profit or loss. If the occurrence of the hedged cash flows is no longer probable, the Bank immediately reclassifies the amounts accumulated in Hedging reserves to profit or loss (as a reclassification adjustment).

At first the Bank applied the hedge accounting method in 2021.

3.19 Changes in accounting policies

There was no change in accounting policy in 2022.

3.20 New IFRS standards, amendments and new interpretations effective from 1 January 2022 onward

3.20.1 New and revised standards and interpretations issued by the IASB and adopted by the EU but not yet effective

At the date of approval of these financial statements, there are no new or revised standards or new interpretations issued by the IASB and adopted by the EU that are expected to have a material impact on the Bank's financial statements in the period of initial application:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8), effective for annual reporting periods beginning on or after 1 January 2023, earlier application permitted;
- Initial Adoption of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17), effective for annual reporting periods beginning on or after 1 January 2023, earlier adoption permitted.

The Bank will apply these standards and amendments from their effective date.

3.20.2 Standards, interpretations and revisions issued by the IASB but not yet adopted by the EU

The following new and amended standards and interpretations have not yet been adopted by the EU at the date these financial statements were authorised for disclosure. The Bank does not expect these standards and interpretations to have a material impact on the Bank's individual financial statements:

- Classification of Current and Non-current Liabilities (Amendment to IAS 1, effective for annual reporting periods beginning on or after 1 January 2024, earlier application permitted).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – effective for annual reporting periods beginning on or after 1 January 2024, earlier application permitted.

(All amounts in HUF million, unless otherwise indicated)

NOTE 4 CASH AND CASH EQUIVALENTS

	31.12.2022	31.12.2021	31.12.2020
Deposit and settlement accounts with the National Bank of Hungary	35 668	1 152	1 492
Interbank placements in HUF	149 575	-	-
Nostro accounts in HUF	3	4	6
Nostro accounts in foreign currency	1 121	378	1 032
Petty cash in foreign currency	2	2	2
Other	1	9	1
Impairment	(64)	(2)	(4)
Total	**186 306**	**1 543**	**2 529**

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the amount of compulsory reserves maintained by the Bank and included in the balance above amounted to HUF 35 668 million as at 31 December 2022, and HUF 1 152 million as at 31 December 2021, and HUF 1 492 million as at 31 December 2020 (reserve requirement: the maintenance of an average balance corresponding to the reserve requirement on a settlement account with the central bank over a reserve period of 1 month). Eximbank's reserve-requirement funds and the reserve ratio also increased, which increased the required balance of the account kept at the MNB. Eximbank partially pre-financed the expected financing requirement resulting from lending activity and maturing liabilities, which temporarily increased interbank placements as well.

NOTE 5 GOVERNMENT SECURITIES AT AMORTISED COST

The Bank includes Hungarian government bonds on its balance sheet at amortised cost. The balance sheet values of Hungarian government bonds as at 31 December 2022, 31 December 2021 and 31 December 2020 are detailed in the following table:

	31.12.2022	31.12.2021	31.12.2020
Gross value of government bonds	113 214	103 070	105 354
Expected loss	(158)	(94)	(93)
Total	**113 056**	**102 976**	**105 261**

The breakdown of Hungarian government bonds by maturity as at 31 December 2022, 31 December 2021 and 31 December 2020 are detailed in the table below:

(All amounts in HUF million, unless otherwise indicated)

	31.12.2022	31.12.2021	31.12.2020
3 months to 1 year	24 128	-	20 200
1 to 5 years	89 086	82 590	70 335
Over 5 years	-	20 480	14 819
Összesen	**113 214**	**103 070**	**105 354**

During 2022, the Bank purchased HUF 10 000 million worth of government securities at acquisition cost of HUF 8 623 million (during 2021, the Bank purchased HUF 17 744 million, at acquisition cost of HUF 17 465 million and during 2020, the Bank purchased HUF 62 577 million, at acquisiton cost of HUF 62 148 million).

NOTE 6 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND INSURANCE COMPANIES

	31.12.2022	31.12.2021	31.12.2020
Short-term (up to 1 year)			
– in foreign currency	143 248	173 052	172 220
– in HUF	118 440	110 569	53 628
Sub-total	**261 688**	**283 621**	**225 848**
Long-term (over 1 year)			
– in foreign currency	538 556	370 687	300 790
– in HUF	399 608	330 897	236 678
Sub-total	**938 164**	**701 584**	**537 468**
Total	**1 199 852**	**985 205**	**763 316**
Less: accumulated impairment (see Note 15)	(4 369)	(1 412)	(950)
Total	**1 195 483**	**983 793**	**762 366**

As at 31 December 2022, 96.28% of loans and advances to credit institutions and insurance companies qualified for interest compensation from the Hungarian State (as at 31 December 2021: 97.96% as at 31 December 2020: 99.8%). For a detailed description of the interest rate equalisation programme, see Note 3.13.

The table below shows the value of loans and advances to credit institutions and insurance companies by contractual maturity (i.e. a transaction is only included in a particular range based on the maturity date under the contract) as at 31 December 2022, 31 December 2021 and 31 December 2020.

(All amounts in HUF million, unless otherwise indicated)

	31.12.2022	31.12.2021	31.12.2020
	Gross value	Gross value	Gross value
Foreign currency			
Up to 1 month	13 123	21 197	2 435
1 to 3 months	11 593	3 376	2 281
3 months to 1 year	118 531	48 943	66 468
1 to 5 years	374 183	346 721	302 164
Over 5 years	164 374	123 501	99 662
Sub-total	**681 804**	**543 738**	**473 010**
HUF			
Up to 1 month	6 685	211	1 682
1 to 3 months	2 592	1 613	1 217
3 months to 1 year	109 163	34 422	17 944
1 to 5 years	247 677	267 584	133 483
Over 5 years	151 931	137 637	135 980
Sub-total	**518 048**	**441 467**	**290 306**
Total	**1 199 852**	**985 205**	**763 316**

95.02% of loans and advances to other credit institutions and insurance companies were refinancing loans (as at 31 December 2021: 95.83%, as at 31 December 2020: 98.7%). 99.98% of refinanced loans is eligible for interest compensation. For details about the interest equalisation programme, please refer to Note 3.13.

With the signing of the mortgage agreement between Eximbank and the MNB on 30 April 2020, a mortgage of first rank was established in favour of the MNB on all claims of Eximbank on entities classified as large corporations under the central bank's business conditions and on debtors under refinancing loan agreements for sub-lending purposes that meet the criteria of the central bank's business conditions, provided that they are not subject to the legislation specified in Section 39 of the Act on the National Bank of Hungary, are headquartered in Hungary, and meet the criteria for large corporate claims as defined in the mortgage agreement and the central bank's business conditions, and for which the underlying loan agreement is submitted by Eximbank to the MNB through the data reporting method specified in the mortgage agreement and the central bank's business conditions, thereby pledging the loan agreement to the MNB, as defined in the mortgage agreement.

The carrying amount of the transactions covered by the contract is HUF 111 632 million in 2022 (HUF 155 086 million in 2021 and HUF 103 255 million in 2020).

(All amounts in HUF million, unless otherwise indicated)

NOTE 7 LOANS AND ADVANCES TO OTHER CUSTOMERS

	31.12.2022	31.12.2021	31.12.2020
Short-term (up to 1 year)			
– in foreign currency	29 148	52 231	57 261
– in HUF	28 341	18 881	18 732
Sub-total	**57 489**	**71 112**	**75 993**
Long-term (over 1 year)			
– in foreign currency	416 361	335 907	244 033
– in HUF	32 639	30 495	28 568
Sub-total	**449 000**	**366 402**	**272 601**
Total	**506 489**	**437 514**	**348 594**
Less: accumulated impairment (see Note 15)	(59 510)	(30 249)	(25 056)
Total	**446 979**	**407 265**	**323 538**

At 31 December 2022, 66.28% of receivables from other customers were subject to interest compensation from the Hungarian State (31 December 2021: 70% 31 December 2020: 68%; see Note 3.13 for a description of the interest equalisation programme) and 20.25% of the receivables were aid credits (31 December 2021: 19%, 31 December 2020: 19%).
The table below shows the gross value of loans and advances to other customers by contractual maturity, also taking into account the payment moratorium (i.e. a transaction is only included in a particular range based on the maturity date under the contract) as at 31 December 2022, 31 December 2021 and 31 December 2020.

	31.12.2022	31.12.2021	31.12.2020
	Gross value	Gross value	Gross value
Foreign currency			
Up to 1 month	22 255	7 932	12 382
1 to 3 months	443	651	2 663
3 months to 1 year	6 449	20 834	23 266
1 to 5 years	9 589	20 296	24 752
Over 5 years	406 773	338 424	238 231
Sub-total	**445 509**	**388 137**	**301 294**

(All amounts in HUF million, unless otherwise indicated)

HUF			
Up to 1 month	27 262	11 595	8 118
1 to 3 months	-	4	504
3 months to 1 year	1 079	241	1 778
1 to 5 years	21 995	24 345	23 028
Over 5 years	10 644	13 192	13 872
Sub-total	**60 980**	**49 377**	**47 300**
Total	**506 489**	**437 514**	**348 594**

NOTE 8 DERIVATIVES

Eximbank enters into cross-currency interest rate swap (CCIRS) transactions intended to mitigate foreign exchange risks, but does not enter the market for speculative purposes.

The balances of financial assets and liabilities resulting from derivative transactions as at 31 December 2022, 31 December 2021 and 31 December 2020 are presented in the table below:

	31.12.2022		31.12.2021		31.12.2020	
	Asset	Liability	Asset	Liability	Asset	Liability
Foreign exchange swaps, for hedging purposes, but not included in hedge accounting	9 746	-	26	4 304	-	1 245
Cross-currency interest rate swaps for trading purposes	-	-	-	-	-	300
Cross-currency interest rate swaps for hedging purposes	-	32 180	-	19 029	-	-
Total	**9 746**	**32 180**	**26**	**23 333**	**-**	**1 545**

The gain on fair value measurement of financial instruments not held for hedging purposes amounted to HUF 395 million at 31 December 2022, a HUF 3 348 million increase compared to the HUF 2 953 million loss as at 31 December 2021, which was recognised under "Gains (losses) from trading and investment activities" and "Derivatives – Held for trading, measured at fair value through profit or loss". The loss on fair value measurement of financial instruments not held for hedging purposes amounted to HUF 2 953 million at 31 December 2021, a HUF 3 994 million decrease compared to the HUF 1 041 million gain as at 31 December 2020, which was recognised under "Gains (losses) from trading and investment activities" and "Derivatives – Held for trading, measured at fair value through profit or loss"

The details of FX swaps of CF without discounting by maturity as at 31 December 2022 are presented in the following table:

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable in foreign currency	Foreign currency	Payable amount in HUF million*
Up to 1 month	36 612 961 000	HUF	36 613	90 000 000	EUR	36 023
Up to 1 month	11 831 531 000	HUF	11 832	31 300 000	USD	11 759
3 to 12 months	137 418 940 000	HUF	137 419	297 000 000	EUR	118 874
Total			**185 864**			**166 656**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2022

The details of FX swaps by maturity as at 31 December 2021 are presented in the following table:

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable in foreign currency	Foreign currency	Payable amount in HUF million*
Up to 1 month	6 535 200 000	HUF	6 535	20 000 000	USD	6 514
Up to 1 month	5 500 000	EUR	2 030	6 218 025	USD	2 025
Up to 1 month	4 000 000	EUR	1 476	1 475 640 000	HUF	1 476
3 to 12 months	84 191 471 120	HUF	84 191	233 200 000	EUR	86 051
Total			**94 232**			**96 066**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2021

The details of FX swaps by maturity as at 31 December 2020 are presented in the following table:

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable in foreign currency	Foreign currency	Payable amount in HUF million*
Up to 1 month	1 621 785 000	HUF	1 622	5 500 000	USD	1 635
Up to 1 month	54 595 767 800	HUF	54 596	152 000 000	EUR	55 500
3 to 12 months	23 639 900 000	HUF	23 640	65 000 000	EUR	23 733
Total			**79 858**			**80 868**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2020.

8.a. Cash flow hedges

Derivatives held for hedging purposes are derivative instruments that have been included by the Bank in hedge accounting and that have, accordingly, been designated as hedge transactions. The accounting method for these derivatives is detailed in the paragraph on hedge accounting in the accounting policy, as well as below.

Micro cash flow hedge relationships

The items relating to the balance sheet value of Derivatives held for hedging purposes and to the recognition of the hedge relationship are presented in the table below.

31 December 2022 *(data in HUF million)*

	Carrying amount (Derivatives held for hedging purposes)		Change in fair value for the current year	Other comprehensive income		Change in fair value used in the calculation of hedge ineffectiveness loss)	The reporting year Ineffective portion, which is recognised in the profit and loss account, under Trading profit or loss	Reclassified to profit and loss account (Gains or losses from trading and investment activities)	
	Asset	Liability		Changes in the Cost of hedging reserves	Changes of Hedging reserves – containing the effective portion of the changes in the CCIRS fair value			Profit-type amortisation of hedging costs	Foreign currency revaluation loss
Cross-currency interest rate swap (CCIRS) transactions	-	**32 180**	**(13 155)**	**(4 304)**	**(11 197)**	(12 210)	(1 013)	3 359	(11 197)
of which: clean fair value		32 662							
of which: accrued interest		(482)							

31 December 2021 *(data in HUF million)*

	Carrying amount (Derivatives held for hedging purposes)		Change in fair value for the current year	Other comprehensive income		Change in fair value used in the calculation of hedge ineffectiveness loss)	The reporting year Ineffective portion, which is recognised in the profit and loss account, under Trading profit or loss	Reclassified to profit and loss account (Gains or losses from trading and investment activities)	
	Asset	Liability		Changes in the Cost of hedging reserves	Changes of Hedging reserves – containing the effective portion of the changes in the CCIRS fair value			Profit-type amortisation of hedging costs	Foreign currency revaluation loss
Cross-currency interest rate swap (CCIRS) transactions	-	**19 029**	**(19 507)**	**(14 468)**	**(4 970)**	(7 312)	(2 342)	2 273	(4 970)
of which: clean fair value		19 507							
of which: accrued interest		(478)							

31. december 2022. *(data in HUF million)*	**Line item in the statement of financial position in which the hedged item is included**	**Change in value used for calculating hedge ineffectiveness**	**Cash Flow hedge reserve**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied**
Hedged item	Loans and advances to other customers	11 197	-	-

31. december 2021. *(data in HUF million)*	**Line item in the statement of financial position in which the hedged item is included**	**Change in value used for calculating hedge ineffectiveness**	**Cash Flow hedge reserve**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied**
Hedged item	Loans and advances to other customers	4 970	-	-

The Bank has reclassified some of the effective amounts recognised in other comprehensive income into the profit and loss account in the reporting period, to the extent that the hedged cash flows affected profit or loss. No hedge relationship was terminated during the reporting and 2021 period. The principal amounts of the CCIRS transactions are not amortised (there is only one principal swap on the forward leg of the transactions, at maturity) and interest is recognised annually.
The Bank estimates the net (without-interest) fair value of CCIRS transactions at HUF 32 662 million. Compared to 31.12.2021, of the HUF 13 155 million change in fair value, the effective part of the hedging relationship, in the amount of HUF 12 142 million, was accounted for in Other comprehensive income (the "*Unrealised gains/losses on cash flow hedges*" balance sheet line). The amount of the ineffective part was a HUF 1 013 million loss as at 31 December 2022, which the Bank accounted for on the "*Gains or losses from trading and investment activities*" line of the profit and loss account. Applying the concept of cost of hedging under IFRS 9, the Bank recognised a gain of HUF 3 359 million from the amortisation of the forward component of a hedging instrument in the profit and loss account under "*Gains or losses from trading and investment activities*", and in Other comprehensive income under "*Unrealised gains/losses on cash flow hedges*". The amount recognised in Other comprehensive income is thus HUF 15 501 million, consisting of the amount attributable to the effective portion and the amortisation of the cost of hedging.

HUF 19 507 million at 31 December 2021 change in clean fair value (i.e. fair value without the interest component) of the CCIRS transactions, the Bank recognised the effective portion of the hedge relationship under Other comprehensive income ("*Unrealised gains/losses on cash flow hedges*" balance sheet line), in the amount of HUF 17 165 million. The ineffective portion was HUF 2 342 million at 31 December 2021, which the Bank recognised in the profit and loss account under "*Gains or losses from trading and investment activities*". Applying the concept of cost of hedging under IFRS 9, the Bank recognised a gain of HUF 2 273 million from the amortisation of the forward component of a hedging instrument in the profit and loss account under "*Gains or losses from trading and investment activities*", and in Other comprehensive income under "*Unrealised gains/losses on cash flow hedges*". The amount recognised in Other comprehensive income is thus HUF 19 438 million, consisting of the amount attributable to the effective portion and the amortisation of the cost of hedging.

Hedging strategy behind cash-flow hedging relationships

The Bank has raised funds to finance fixed-rate loans denominated in euro synthetically through EUR-HUF CCIRS transactions and by issuing HUF-denominated bonds. The loans disbursed give rise to a foreign exchange risk, which is managed through CCIRS transactions.

The volatility of the cash flows from the principal receivable of hedged loans, expressed in HUF, due to the variability of the EUR-HUF spot exchange rate, is offset by the same volatility of the cash flows of the EUR leg of the CCIRS transactions, given that the hedged cash flows of the loans and the EUR cash flows of the CCIRS transactions are in opposite directions, and the amounts of the hedged risk portion of the loans and the principal amounts of the EUR leg of the CCIRS transactions are equal.

The Bank has decided to apply the hedge accounting rules under IFRS 9 to the accounting settlements of these economic relationships, in which the Bank has designated cash flow hedge relationships that reflect the Bank's risk management objectives.

Items designated as hedged items

For hedge accounting purposes, the Bank has designated as a hedged item a specified portion of the cash flows expected to arise from a designated group of euro-denominated loan receivables due from customers. The hedged volume is the amount of principal repayments equal to the principal amount of the EUR leg of the CCIRS transactions designated as hedging instruments, which are due at the earliest after the maturity of the CCIRS ("bottom layer approach"). The groups of hedged items are presented in the table below:

Hedging relationship	Commencement of hedging relationship	Maturity of hedging relationship	Amount of principal repayments of hedged EUR loans (EUR million)
Hedging relationship 1	17.02.2021	27.10.2027	70.0
Hedging relationship 2	22.02.2021	26.11.2025	56.6
Hedging relationship 3	26.02.2021	27.10.2027	231.7
Total:			**358.3**

The Bank measures loan receivables at amortised cost and recognises the foreign exchange revaluation difference on these financial assets classified as monetary items in the profit and loss account.

Only the principal repayments of the loan transactions are designated by the Bank as hedged items, not the interest cash flows (i.e. the spot element is hedged, not the forward element). However, the Bank exercises the option under IFRS 9 to account for the forward element of the hedging relationship as a cost of hedging, and therefore the resulting effects are recognised under 'Other comprehensive income' and recycled through the profit and loss account over the life of the hedge from the inception of the hedging relationship.

Hedge ineffectiveness may be caused by prepayments and final payments on designated loans, which can be avoided by including in the hedging relationship the very likely capital cash flows of loans in the financing plan for the following years. Hedge ineffectiveness may also arise if the expected credit loss on loans included in the hedged item group increases, while on the other hand the Bank has only included loans classified in the performing (stage 1 and stage 2) categories in the hedged item group, when designating hedging relationships.

Transactions designated as hedging instruments

The Bank has designated as hedging instruments all its CCIRS transactions, so it pays a fixed EUR interest rate and receives a fixed HUF interest rate on the principal amount determined and actually exchanged at the inception of the transaction (at the inception of the transaction, the Bank receives the EUR principal and pays the HUF principal). At the end of the term of the transaction, the parties return the principal amounts exchanged at the inception of the transaction (i.e. at the end of the term, the Bank receives the HUF principal and pays the EUR principal). The Bank settles the exchange of fixed interests annually, on a gross basis (EUR and HUF interest separately).

The Bank has designated the change in the spot exchange rate as the hedged risk in the hedging relationships. The Bank excludes from the hedging relationship the forward elements (interest rate swaps) and foreign currency basis spread elements of hedging instruments (CCIRS transactions), and only the part of the hedging instruments without these elements, i.e. the spot elements are designated as hedging instruments.

Changes in the fair value of the forward element and the foreign currency basis spread are accounted for by the Bank as hedging costs, and changes in their fair value are recognised in other comprehensive income and accumulated in a separate component of equity. The Bank amortises the forward and foreign currency basis spread elements, quantified at the beginning of hedge accounting, from the inception of the hedge relationship over the term of the hedge from other comprehensive income to the profit and loss account, as the hedged risk affects the entire term (time-period related hedged items), and is not related to a cash flow element.

In calculating the foreign currency basis spread, the Bank subtracts the fair values of CCIRS transactions, which include the foreign currency basis spread and are calculated using the same yield curves.

The Bank applies the cash flow hedge accounting to reclassify amounts from fair value revaluation differences accumulated in other comprehensive income to the profit and loss account during periods when the expected future hedged cash flows (principal repayments) affect profit or loss as a result of the hedged risk, i.e. in periods when hedged foreign currency loan receivables cause a foreign currency revaluation to the MNB exchange rate).

Assessment of hedging efficiency

On the designation date and on each closing date, the Bank assesses the expected effectiveness of the hedging relationship prospectively (in a forward-looking manner) using quantitative and qualitative methods. In making this assessment, the Bank examines the impact of changes in credit risk on the hedging relationship.

The Bank measures hedge effectiveness by applying hypothetical swaps under IFRS 9, where it compares the changes in fair value of the hypothetical swap and the actual CCIRS transactions. At each measurement date, the Bank calculates the cumulative amount of the changes in fair value below from the inception of the hedging relationship, and adjusts the Hedge reserve for the lower of the two (in absolute value) against Other comprehensive income, thus accounting for the effective portion of the change in fair value of the hedging instrument. The remainder of the ineffective portion of the change in the fair value of the hedging instrument is recognised by the Bank in the profit and loss account:

a) The change in fair value of the hypothetical swap less the amount of the initial cost of hedging already amortised, or
b) The change in the net fair value (without accrued interest) of the actual CCIRS transactions. (Accrued interest is recognised in the profit and loss account on an ongoing basis, in the same way as the amortisation of the cost of hedging.)

Due dates for cash flows of hedging instruments

The table below shows the principal and interest due dates of fixed-interest CCIRS transactions designated as hedging instruments, in both currencies, at the exchange rate on the reporting date, in non-discounted (nominal) amounts.

31 December 2022 *(data in HUF million)*

Non-discounted cash flow	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Micro cash flow hedging instruments							
CCIRS transactions							
Due date for EUR principal value	-	-	(22 645)	-	(120 772)	-	**(143 417)**
Due date for HUF principal value	-	-	20 300	-	106 950	-	**127 250**
Due date for net interest	2 895	2 895	2 895	2 488	2 488	-	**16 420**
Average fixed interest rate (EUR)	(0.22%)	(0.22%)	(0.22%)	(0.21%)	(0.21%)	-	**(0.22%)**
Average fixed interest rate (HUF)	2.02%	2.02%	2.02%	2.09%	2.09%	-	**2.05%**
Average exchange rate of principal swap (HUF/EUR)					358.8		**355.2**

31 December 2021 *(data in HUF million)*

Non-discounted cash flow	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Micro cash flow hedging instruments							
CCIRS transactions							
Due date for EUR principal value	-	-	-	-	(20 877)	(111 343)	**(132 220)**
Due date for HUF principal value	-	-	-	-	20 300	106 950	**127 250**
Due date for net interest	2 870	2 870	2 870	2 870	2 469	2 469	**16 420**
Average fixed interest rate (EUR)	(0.22%)	(0.22%)	(0.22%)	(0.22%)	(0.21%)	(0.21%)	**(0.22%)**
Average fixed interest rate (HUF)	2.02%	2.02%	2.02%	2.02%	2.09%	2.09%	**2.05%**
Average exchange rate of principal swap (HUF/EUR)					358.8	354.5	**355.2**

31 December 2022 *(data in HUF million)*
The table below shows the undiscounted (nominal) amounts of the cash flows of CCIRS transactions designated as hedging instruments, expressed in original currency and in HUF.

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable in foreign currency	Foreign currency	Payable amount in HUF million*
Within 5 years	127 250 000 000	HUF	127 250	358 318 896	EUR	143 417
Total			**127 250**			**143 417**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2022.

31 December 2021 *(data in HUF million)*
The table below shows the undiscounted (nominal) amounts of the cash flows of CCIRS transactions designated as hedging instruments, expressed in original currency and in HUF.

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable in foreign currency	Foreign currency	Payable amount in HUF million*
Within 5 years	20 300 000 000	HUF	20 300	56 577 480	EUR	20 877
Over 5 years	106 950 000 000	HUF	106 950	301 741 416	EUR	111 343
Total			**127 250**			**132 220**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2021.

Effect of hedge accounting on equity

The table below shows the change in equity as a result of the change in the net fair value (excluding interest) of cash flow hedges, taking into account the effect of income taxes. The start date of the cash flow hedge transactions was in 2021.

31 December 2022 *(data in HUF million)*

	Other comprehensive income	Profit/loss for the year
Opening balance on 1 January 2022	-	
Cash flow hedge reserve opening value:	-	-
The effective portion of the change in fair value and the cost of hedging:	**(15 501)**	**3 359**
Of which: Cost of hedging reserves	*(945)*	-
Of which: amortisation of the cost of hedging in the reporting period:	*(3 359)*	*3 359*
Of which: Hedging reserves	*(11 197)*	
The ineffective portion of the change in fair value:	-	**(1 013)**
Losses reclassified to the profit and loss account:	**11 198**	**(11 198)**
Of which: foreign currency revaluation loss:	*11 198*	*(11 198)*
Closing balance at 31 December 2022, before tax:	**(4 303)**	**(8 852)**
Tax effect of all the above:	387	797
Closing balance at 31 December 2022, after tax:	**(3 916)**	

31 December 2021 *(data in HUF million)*

	Other comprehensive income	Profit/loss for the year
Opening balance on 1 January 2021	-	
Cash flow hedge reserve opening value:	-	-
The effective portion of the change in fair value and the cost of hedging:	**(19 438)**	**2 273**
Of which: Cost of hedging reserves	*(12 195)*	-
Of which: amortisation of the cost of hedging in the reporting period:	*(2 273)*	*2 273*
Of which: Hedging reserves	*(4 970)*	
The ineffective portion of the change in fair value:	-	**(2 342)**
Losses reclassified to the profit and loss account:	**4 970**	**(4 970)**
Of which: foreign currency revaluation loss:	*4 970*	*(4 970)*
Closing balance at 31 December 2021, before tax:	**(14 468)**	**(5 039)**
Tax effect of all the above:	1 302	454
Closing balance at 31 December 2021, after tax:	**(13 166)**	

(All amounts in HUF million, unless otherwise indicated)

NOTE 9 INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of capital funds and participations are provided as at 31 December 2022, 31 December 2021 and 31 December 2020.

	Bank ownership rate (%)	Nominal value	Cost	Fair value difference	Carrying amount
Garantiqa	0.12%	12	12	0	12
Total		**12**	**12**	**0**	**12**

The carrying amount of the shares in Garantiqa remained unchanged compared to the comparative periods.

Shares denominated in foreign currencies are detailed in the tables below.

The percentage of the Bank's ownership in the fund:

Name of fund	Share %		
	31.12.2022	31.12.2021	31.12.2020
China CEE Fund - USD	6.90	7.05	7.00
China CEE Fund II - USD	8.75	8.75	8.75
China CEE Management S.Á.R.L. - EUR	10.00	10.00	10.00
East West - EUR	25.24	25.28	25.23
Hungarian - Kazakh Cooperation Fund - USD	49.58	49.57	49.57
IFC FIG Fund - USD	11.42	10.74	8.64
SINO-CEE Fund - EUR	2.39	2.42	2.26
Three Seas Fund - EUR	2.20	2.22	-

Cost of individual shareholdings:

Name of fund	Cost					
	31.12.2022		31.12.2021		31.12.2020	
	Foreign currency	HUF million	Foreign currency	HUF million	Foreign currency	HUF million
China CEE Fund - USD	0.10	0.00	16,986,405	4,820	25,126,344	6,921
China CEE Fund II - USD	37,121,821	12,530	22,998,362	6,741	19,928,071	5,764
China CEE Management S.Á.R.L. - EUR	1,250	0	1,250	0	1,250	0
East West - EUR	2,537,380	978	1,101,522	378	1,363,000	452
Hungarian - Kazakh Cooperation Fund - USD	12,995,234	3,561	12,584,056	3,418	12,350,610	3,347
IFC FIG Fund - USD	21,323,950	6,787	17,357,966	5,301	4,904,071	1,481
SINO-CEE Fund - EUR	16,511,506	5,560	17,137,695	5,720	13,018,650	4,274
Three Seas Fund - EUR	10,941,077	4,088	7,325,371	2,628		
		33,505		**29,006**		**22,239**

In the case of the China CEE Fund, the fund paid back the entire previously paid capital to its investors during 2022 (and a yield on top), and therefore the cost of the capital fund is recorded at USD 0,1.

Difference between the fair value and the carrying amount of the various shareholdings:

Name of fund	Fair value difference			Carrying amount		
	31.12.2022 HUF million	**31.12.2021** HUF million	**31.12.2020** HUF million	**31.12.2022** HUF million	**31.12.2021** HUF million	**31.12.2020** HUF million
China CEE Fund - USD	988	8 895	5 575	988	13 715	12 496
China CEE Fund II - USD	(950)	(195)	(783)	11 580	6 546	4 981
China CEE Management S.Á.R.L. - EUR	-	-	-	0	0	0
East West - EUR	190	180	(94)	1 168	558	358
Hungarian - Kazakh Cooperation Fund - USD	(2 180)	(2 038)	(1 389)	1 381	1 380	1 958
IFC FIG Fund - USD	4 944	3 302	3 648	11 731	8 603	5 129
SINO-CEE Fund - EUR	(2 561)	454	(1 010)	2 999	6 174	3 264
Three Seas Fund - EUR	420	(38)		4 508	2 590	
	850	**10 560**	**5 947**	**34 355**	**39 566**	**28 186**

The amount of HUF 34 367 million in the Statemet of Financial Position under Investments measured at fair value through profit or loss is the sum of the total carrying amount of the individual shareholdings and the carrying amount of Garantiqa.

The HUF 1 942 million loss included in the statement of comprehensive income under Gains or losses from trading and investment activities for the reporting year occurred as a result of the change in fair value for the year (HUF -9 711 million) and the yield from the China CEE Fund investment (HUF 7 769 million) for the year, which the Bank presents in detail in the table of movements under Note 34.
The previous year's gain of HUF 4 614 million and the loss of 972 million in 2020 in the statement of comprehensive income were solely the results of the change in fair value.

(All amounts in HUF million, unless otherwise indicated)

China CEE Management S.á.r.l., China-CEE Fund I and China-CEE Fund II:

China-CEE Management S.á.r.l. ("the Fund Manager") was established in November 2013 with a share capital of EUR 12 500 by CEEF Holdings Limited and Eximbank Zrt. The Fund Manager is based in Luxembourg and is active in the provision of advisory, fund management, accounting and company administration services to China-CEE Fund I and China-CEE Fund II.

China-CEE Fund I was established in November 2013 as a limited partnership under the laws of Luxemburg. The fund is a closed-end specialised investment fund managed by the Fund Manager. The fund's final maturity is set at 30 November 2023. The main objective of the fund is to invest the assets available to it in a risk-diversified manner in private equity instruments primarily, in accordance with the intentions of the fund's investors, in Central and Eastern European countries and to achieve returns on these investments in excess of the capital appreciation and yields available in the public capital markets over the long term.

According to the fund's private placement memorandum and the related subscription agreement signed by Eximbank, Eximbank committed to subscribe for up to USD 30 million of the fund's capital. The fund paid back the entire previously paid capital to the investors during 2022 (with an additional return).

Eximbank does not have a significant influence over the activities of the fund as it has no voting right in the body that makes investment decisions. Fund agreements only allow Eximbank, through its representation in the fund's advisory body, to vote on investment proposals submitted by the fund manager if those investments are to be made in sectors not listed in the fund documentation, or are in excess of certain investments limits, furthermore, vote on the extension of the fund's investment period or term.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
USD	-	30 000 000	16 986 405	13 013 595	25 126 344	4 873 656

The subscription agreement for the China-CEE Fund II was signed by Eximbank in November 2017, under which Eximbank committed to underwrite up to USD 70 million. This fund was established in February 2018 as a limited partnership under the laws of Luxembourg. The fund is a closed-end specialised investment fund managed by the Fund Manager. This fund aims to continue the well-established investment programme started by China-CEE Fund I. The fund's final maturity is set at 31 March 2027.

Eximbank does not have a significant influence over the activities of the fund as it has no voting right in the body that makes investment decisions. Fund agreements only allow Eximbank, through its representation in the fund's advisory body, to vote on investment proposals submitted by the fund manager if those investments are to be made in sectors not listed in the fund documentation, or are in excess of certain investments limits, furthermore, vote on the extension of the fund's investment period or term.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
USD	37 121 821	32 878 179	22 998 362	47 001 638	19 928 071	50 071 929

East West VC Fund EuVECA: East West VC Fund EuVECA is a venture capital fund established under EU regulations by Hungarian, Portuguese and other international institutional and private investors, and is registered with the Portuguese Capital Markets Authority. Originally, the fund's total size was EUR 20 million, with Eximbank committing to contribute up to EUR 4.5 million. Due to a non-performing investor, on 16 October 2020 the registered capital of the fund decreased to EUR 17.83 million; after an exit in 3 instalments (summer 2021, spring 2022 and autumn 2022) the registered capital of the fund decreased to EUR 12 795 520, though this did not affect the face value of the issued participation units. The amount of Eximbank's liability has not changed, but the repaid capital component has reduced the total Eximbank exposure and therefore the latter is recorded at EUR 2 537 380 as at the end of 2022. The fund is managed by Alpac Capital Sociedade de Capital de Risco, S.A., registered in Portugal (with offices in Lisbon and Budapest) and primarily aims to invest in early-stage technology companies in Hungary, Portugal and neighbouring countries. Eximbank does not have a significant influence over the activities of the fund as it does not participate in the financial and operating policy decisions of the fund, and the investment decisions are made by the fund manager. The contracts only allow Eximbank to appoint one member to the fund's 6-member investment committee. The role of the Investment Committee is to formulate non-binding recommendations to the fund manager about investment and exit opportunities.

(All amounts in HUF million, unless otherwise indicated)

At the end of December 2022, Eximbank held participation units in a EUR 2 192 000 (HUF 877 million) nominal value in the fund, with additional participation units in a EUR 1 616 000 (HUF 647 million) nominal value in the fund being under settlement, given that the fund generates new participation units after the drawdowns, usually in a quarterly aggregate. Based on its payments, Eximbank is entitled to participation units in a combined value of EUR 3 808 000, which are linked to total drawdowns of EUR 2.54 million. The remaining amount of EUR 692 000 (HUF 277 million) was shown in Eximbank's books as contingent liability as at 31 December 2022.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	2 537 380	692 000	1 101 522	2 308 000	1 363 000	3 137 000

Kazakhstan Hungarian Investment Private Equity Fund C.V./Kazakhstan "Silk Road" Agriculture Growth Fund (Kazakhstan Hungarian Fund): In December 2015, Eximbank and JSC "National Management Holding KazAgro" established a limited partnership under the laws of the Netherlands. Each of the two founders has committed to subscribe for up to USD 20 million of capital each, and the Fund Manager has committed to subscribe for 1% of the fund's total investor commitment. The primary objective of the fund is to invest in Kazakhstan, in the country's agriculture and food industry (including production, processing, warehousing and logistics), with a particular focus on products with significant market growth potential such as meat, dairy products, cereals, oilseeds, vegetables, fruits and fish. Fund management responsibilities are fulfilled by CCL Agro Limited.

Eximbank does not have a significant influence over the activities of the fund as it does not participate in the financial and operating policy decisions of the fund, and it also has no right of representation in the body that makes investment decisions. The contracts only allow Eximbank, through its representation in the fund's advisory bodies, to determine whether the beneficial owners of an investment proposed by the fund manager are eligible counterparties, furthermore vote on the extension of the fund's investment period or term.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	12 995 234	7 004 766	12 584 056	7 415 944	12 350 610	7 649 390

(All amounts in HUF million, unless otherwise indicated)

IFC FIG Fund: The fund was set up by IFC Asset Management Company, a division of International Finance Corporation ("IFC") responsible for fund management, with investors committing a total of USD 505 million. The fund is seeking to make equity investments in financial institutions operating in IFC member countries, emerging markets. In March 2015 Eximbank joined the fund as an investor with a commitment of USD 50 million.

Eximbank does not have a significant influence over the activities of the fund as it has no voting right in the body that makes investment decisions. Fund agreements only allow Eximbank, through its representation in the fund's advisory body, to vote on investment proposals submitted by the fund manager if those investments are to be made in sectors not listed in the fund documentation or are in excess of certain investments limits, conflicts of interest with respect to the fund manager or the fund's investors, or, vote on the extension of the fund's investment period or term.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
USD	21 323 950	28 676 050	17 357 966	32 642 034	4 904 071	45 095 929

SINO CEE Fund: SINO CEE Fund was established in November 2016 as a limited partnership under the laws of Luxemburg. The fund's investment objective is to make primarily equity, equity-related and mezzanine investments, directly or indirectly, in private or public companies in Central and Eastern Europe, in particular in companies in the infrastructure, manufacturing and mass consumption industries that are capable of geographic expansion into Europe and other countries of the world. Fund management responsibilities are fulfilled by SINO CEE Fund GP Limited. Eximbank joined the fund in November 2018 with a commitment of EUR 50 million.

Eximbank does not have a significant influence over the activities of the fund as it has no voting right in the body that makes investment decisions. Fund agreements only allow Eximbank, through its representation in the fund's advisory body, to vote on investment proposals submitted by the fund manager if those investments are to be made in sectors not listed in the fund documentation or are in excess of certain investments limits, conflicts of interest with respect to the fund manager or the fund's investors, or, vote on the extension of the fund's investment period or term.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	16 511 506	33 488 494	17 137 695	32 862 305	13 018 650	36 981 350

Three Seas Initiative Investment Fund: The Three Seas Initiative Investment Fund was established under Luxembourg law in May 2019. The Three Seas Initiative (3SI) is a joint initiative of the 12 countries of the European Union lying between the Adriatic, Baltic and Black Seas, and aims to strengthen economic ties, implement cross-border projects and develop infrastructure.
To achieve these aims, the member states decided to set up a joint capital fund, the Three Seas Initiative Investment Fund.
The fund intends to invest in the transportation, energy and digital technology sectors, with Fuchs Assets Management acting as fund manager. Eximbank joined the fund in December 2020 with a commitment of EUR 20 million (see Note 20),

Eximbank does not have a significant influence over the activities of the fund as it has no voting right in the body that makes investment decisions. Fund agreements only allow Eximbank, through its representation in the fund's management board and advisory body, to vote on investment proposals submitted by the fund manager if those investments are to be made in sectors not listed in the fund documentation or are in excess of certain investments limits, conflicts of interest with respect to the fund manager or the fund's investors, or vote on the extension of the fund's investment period or term.

(All amounts in HUF million, unless otherwise indicated)

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	10 941 077	9 058 923	7 325 371	12 674 629	-	20 000 000

COMMITMENTS TO CAPITAL FUNDS:

When Eximbank signed the subscription agreements of the abovementioned equity funds, it made an irrevocable commitment to make the funds available up to the respective limits. In the event that Eximbank fails to settle its commitment to a fund, in whole or in part, after having been requested to do so by the fund manager, it may lose its investor rights (including its representation in certain corporate bodies), and the entire balance of the participation units registered under its name in the capital account of the fund may be distributed to the other investors, with Eximbank's name being automatically removed from the register of shareholders, after which Eximbank may not claim any further right, entitlement or interest in the fund.

Under the foundation documents (private placement memorandum, partnership agreement, subscription agreement), the fund manager may only require investors to pay amounts already approved by the fund's investment committee and to pay any fees (e.g. management, audit, portfolio management, etc. fees) and other expenses that have been legitimately incurred. In Eximbank's experience, in most cases the funds draw down less than the amount committed. In view of the fact that, by their nature, neither investments nor costs can be precisely determined at the time of commitment, Eximbank does not consider capital commitments to be unconditional commitments, but rather as contracts to be performed in the future (as neither party has yet performed) and consequently does not recognise them as financial liabilities, but as contingent liabilities – until the conditions for the commitment to be drawn down are met (see Note 20). In the event of a conflict of interest, Eximbank may refuse to pay the amount drawn.

The net asset value of the capital funds in proportion to Eximbank's financial participation decreased by 13.2%, from HUF 39.6 billion at the end of 2021 to HUF 34.4 billion by the end of 2022. By contrast the carrying amount of capital funds increased by 40.4%, from HUF 28.2 billion at the end of 2020 to HUF 39.6 billion by the end of 2021. This value already includes the effect of changes in exchange rates, given that Eximbank also participates in capital funds denominated in foreign currency.

NOTE 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The funds listed in this Note are funds registered in Hungary and managed by fund managers registered in Hungary. The investment ratio and decision-making participation in each capital fund is described in more detail in Section 33.2.

PortfoLion Regionális Magántőkealap

PortfoLion Regionális Magántőkealap (PortfoLion Regional Private Equity Fund, hereinafter: "PortfoLion Fund") was established in June 2012 by OTP Bank Plc. with a share capital of HUF 5 000 million. In 2013, Eximbank started negotiations with OTP Bank Plc. and PortfoLion Kockázati Tőkealap -kezelő Zrt. (PortfoLion Venture Capital Fund Management Ltd.) to join as a new investor by raising the share capital with an additional HUF 5 000 million to HUF 10 000 million.

In 2018, the Bank undertook to invest an additional HUF 750 million in the fund. In 2022, the fund paid HUF 4.52 billion in yields to investors (in two stages), through which Eximbank received back HUF 2.26 billion. In addition to the yield payment, in April 2022 the PortfoLion Fund also implemented a capital reduction, as a result of which HUF 300 million was paid back to investors, of which Eximbank received HUF 150 million. In December 2022, a decision was made on another capital reduction (HUF 9 124 million) and yield payment (HUF 6 125 million), pursuant to which the registered capital of the PortfoLion Fund decreased to HUF 251.7 million. The financial settlement of the capital reduction and yield payment took place in January 2023, during which the PortfoLion Fund repaid the Bank a total of HUF 7 203 million (HUF 4 562 million capital and HUF 2 641 million yield). The amount of the above repayment is presented by the Bank as a receivable (see note 14). The amount of the yield differs from the ownership percentage because Exim entered the fund at a later date and is therefore due a lower yield *pro rata temporis*.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
HUF million	4 688	313	4 838	313	4 408	743

The fund targets well-established, medium-sized companies that offer a promising business model, already have established product lines, portfolios of services and a wide range of customers and that aim to grow primarily by entering international markets or boosting their already existing exports.

PortfoLion Regionális Magántőkealap II

PortfoLion Regionális Magántőkealap II was established in August 2020 with an initial capital of HUF 25 050 million. 49.89-49.89% of the capital is provided by Eximbank (HUF 12 500 million) and OTP Bank (HUF 12 500 million). The fund manager of the fund is PortfoLion Kockázati Tőkealap-kezelő Zrt.

Its investments are aimed at putting businesses in the Central European region on a long-term, global growth path. Its focus is primarily on projects in the areas of digital technologies, software development, telecommunications, online services and automation, but other areas are not excluded. In line with past practice, the fund manager not only provides financial support to the companies in the portfolio, but also renders active and strong professional support for their growth.

In 2022, the minority investor increased the subscribed capital of the fund by HUF 10 million, which thus rose to HUF 25,060 million. Eximbank and OTP Bank did not participate in the capital increase.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
HUF million	6 443	6 057	2 799	9 701	1 250	11 250

To date, the fund has implemented three investments.

EXIM Exportösztönző Magántőkealap

The Bank's contribution to the share capital is nearly 100% as at 31 December 2022.
In 2016 the Bank – as Hungary's international export credit agency and development institution – established an export development fund (EXIM Exportösztönző Magántőkealap). The fund intends to provide financing to small and medium-sized enterprises operating in Hungary that have an actual or potential export capacity in products and services. The Bank made a commitment of HUF 10 000 million, and paid the whole amount in 2016.

(All amounts in HUF million, unless otherwise indicated)

In 2019, the Bank committed to invest additionally up to HUF 40 000 million in the fund, which it did by 31 December 2019.

EXIM Növekedési Magántőkealap merged with EXIM Exportösztönző Magántőkealap as of 31 October 2019, increasing the Bank's financial commitment to the fund to HUF 56 000 million. The Bank fully discharged its payment obligations to the fund during 2019 and therefore has currently no further payment obligations to the Fund.

The Bank's contribution to the share capital of EXIM Exportösztönző Magántőkealap amounts to nearly 100%, however the fund is managed by a third party fund manager, GB & Partners Kockázati Tőkealap-kezelő Zrt. Based on the decision-making structure, the Bank's role consists primarily of exercising the ownership rights of participation units and delegating one member to the Fund Manager's interim (not final) decision-making body (Investment Committee), which consists of three members (two members being nominated by the Fund Manager). The final decision is made by the fund's Board of Directors in the light of the Investment Committee's recommendation. This body makes its decisions with a simple majority, where the delegate of Eximbank does not have veto rights.

Enter Tomorrow Europe Magántőkealap
The Enter Tomorrow Europe Magántőkealap was launched in July 2018 with a capital of EUR 50 million, established by the MOL Group and Eximbank. It is a private equity fund registered in Hungary and managed by a third party, LEAD Ventures Alapkezelő Zrt., which aims to provide financing to early-stage companies operating in Europe that already have existing products, services or patented prototypes.
The Bank has committed to invest up to EUR 25 million in the fund.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	19 690 280	5 309 720	15 670 280	9 329 720	11 255 280	13 744 720

During 2022, the fund made two new investments in companies operating in the mobility and telecommunications market, and follow-on investments were also made.

Európa Agrár Magántőkealap
The fund started operations in April 2021 with a total subscribed capital of EUR 60 million. EXIM's financial commitment to the fund is EUR 42 million (70%) and a Hungarian private investor has committed a further EUR 18 million to the fund. The primary objective of the fund is to invest in companies with significant growth potential or regional strategic importance, primarily in the agricultural and food sector, which are capable of generating quantifiable added value for investors in the medium to long term, given the right strategy and financing structure, and which operate primarily in the international market, in particular in the market of Central and Eastern Europe. Fund management responsibilities are fulfilled by Hodler Alapkezelő Zrt.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	29 419 336	12 580 664	11 569 336	30 430 664	-	-

(All amounts in HUF million, unless otherwise indicated)

Herius-1 Magántőkealap

The Herius-1 Magántőkealap (Herius-1 Private Equity Fund) was launched in September 2021 with a focus on the aerospace and aeronautics industry and EUR 14 million of capital. Eximbank's share in the fund was initially 70%, with a EUR 9.8 million commitment, and 30% subscribed by Space Oddity Kft. for EUR 4.2 million. The fund is registered in Hungary and the fund manager is Herius Capital Management Zrt. The fund intends to implement space and aerospace investments, building synergies. The private investor changed to a private individual (Balázs Rábely) at the start of March 2022. On 31 March 2022, Eximbank purchased from the private investor a EUR 4.06 million participation unit with a 10% (EUR 406 000) contribution rate at the yearend-2021 net asset value (EUR 274 000). In April 2022, Eximbank carried out a capital increase of EUR 39 million in the fund. As a result of the two transactions, Eximbank's share increased to 99.74%. In the Fund's 3-member investment committee Eximbank has 1 vote, the committee makes its decisions by simple majority, and these recommendations are for the CEO as the final decision-maker, who makes his decisions on a business basis. According to the statement of the Fund Manager, the Fund complies with the terms and conditions of the Investment Entity.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
EUR	10 222 924	42 637 076	980 000	8 820 000	-	-

Up to the end of 2022, the fund had made investments in 3 companies for a total of EUR 2 208 262, which it had recorded at cost on its books as at 31 December 2022.

Innova-1 Járműipari Magántőkealap

The Innova-1 Járműipari Magántőkealap (Innova-1 Automotive Private Equity Fund) was registered in April 2022 with capital of HUF 10 billion; Eximbank's share of the fund is 100%. The fund was registered in Hungary, and the fund manager is Innova-X Ptőkealap-kezelő Zrt. The goal of the fund is to implement automotive industry investments and build synergies. Eximbank does not consider the Fund to be a subsidiary, as the yields generated by the Fund are not directly influenced by Eximbank and depend on the results of its investment activities. in the Fund's 3-member investment committee Eximbank has 1 vote, the committee makes its decisions by simple majority, and these recommendations are for the CEO as the final decision-maker, who makes his decisions on a business basis. Eximbank may amend the Fund's adopted management regulations only with the assistance of the Fund Manager, as only the Fund Manager may act on behalf of the Fund as an entity specifically authorised to do so. Due to the launch of the fund in 2022, it did not have any investments at the end of 2022, but several transactions were already under advanced preparation. Based on the statement of the Fund Manager the Fund complies with the terms and conditions of the Investment Entity.

Columbus Magántőkealap

COLUMBUS Magántőkealap (COLUMBUS Private Equity Fund), established by Eximbank Zrt. and CARION Holding, was registered by the MNB on 8 October 2019.
The fund is managed by CARION Befektetési Alapkezelő Zrt., a company registered in Hungary under Act XVI of 2014 on collective investment undertakings and their managers and holding a fund manager licence since 2015, with the fund manager being 75% owned by CARION Holding Zrt. The fund aims to promote the international market entry and expansion – with special regard to the European Union and United States – of micro, small and medium-sized enterprises from Central and Eastern Europe, in particular from Hungary.

The initial subscribed capital of the fund was HUF 10 000 million. The Bank has committed to invest up to HUF 7 000 million in the fund, while CARION Holding has committed to invest the remaining HUF 3 000 million. In June 2021, the fund manager launched a new call for subscription, which Eximbank joined. During the capital increase, a new investor, Beton-Art Kft. joined the fund. With the capital increase, Eximbank's commitment increased to HUF 17 000 million, while Beton-Art Kft., which joined the fund, committed to pay up to HUF 4.3 billion. In September 2022, the fund manager launched a new call for subscription, which Eximbank and Beton-Art Kft. joined in October 2022. With the capital increase, Eximbank's commitment increased to HUF 47 005 million, while Beton-Art Kft.'s commitment increased to HUF 17 145 million.

The amount of Eximbank's investment and commitment (the remaining out of the total commitment of the Bank) as of 31 December 2022, 2021 and 2020:

	31 December 2022		31 December 2021		31 December 2020	
Currency	**Investment**	**Commitment**	**Investment**	**Commitment**	**Investment**	**Commitment**
HUF million	24 957	22 048	7 324	9 676	3 752	3 248

Except for drawdowns, repayments, capital transfers and capital increases, there were no transactions between Eximbank and PortfoLion Regionális Magántőkealap, EXIM Exportösztönző Magántőkealap I and II, COLUMBUS Magántőkealap, Herius-1 Magántőkealap, Európa Agrár Magántőkealap, Innova-1 Járműipari Magántőkealap and the Enter Tomorrow Europe Magántőkealap.

COMMITMENTS TO CAPITAL FUNDS:

When Eximbank signed the subscription agreements of the above mentioned funds and agreed to the Management Regulations, it undertook to make payments to the extent of the financial commitment contained therein upon the legitimate request of the fund manager. If, despite a legitimate request by the Fund Managers, Eximbank fails to make a payment within the 30-day additional time limit granted by the Fund Manager, it will lose its rights related to the temporary participation unit. In this case, the Fund Managers will settle with Eximbank as the defaulting participation unit holder at the end of the term of the Capital Fund, but after the settlement the Bank may receive a maximum repayment equal to the amount of its contributions to the fund to date (depending on the fund, 50 to 100%).

Under the terms of the documents establishing the fund, the Fund Managers are entitled to draw down amounts for the investments already approved or to cover fees and expenses already incurred (e.g. audit fees, fund management fees, due diligence fees, etc.). In view of the fact that, by their nature, neither investments nor costs can be precisely determined at the time of commitment, Eximbank does not consider the financial commitments made in relation to the funds to be unconditional commitments, but rather as contracts to be performed in the future (as neither party has yet performed) and consequently does not recognise them as financial liabilities, but as contingent liabilities – until the conditions for the commitment to be drawn down are met (see Note 21).

The net asset value of the capital funds in proportion to Eximbank's financial participation increased by 27.4%, from HUF 69.9 billion at the end of 2021 to HUF 89 billion by the end of 2022. In 2021 there was also an increase by 14,3%, to HUF 69,9 billion at the end of 2021 from HUF 61,1 billion at the end of 2020 regarding the net asset value of the capital funds. This value already includes the effect of changes in exchange rates, given that Eximbank also hold stakes in capital funds denominated in foreign currency.

(All amounts in HUF million, unless otherwise indicated)

Name of fund	Share %		
	31.12.2022	31.12.2021	31.12.2020
Enter Tomorrow Europe Magántőkealap - EUR	50.00	50.00	50.00
EXIM Exportösztönző Magántőkealap - HUF	100.00	100.00	100.00
Portfolion Regionális Magántőkealap I - HUF	50.00	50.00	50.00
Portfolion Regionális Magántőkealap II - HUF	49.63	49.90	49.90
COLOMBUS - HUF	69.99	69.99	70.00
Európa Agrár Magántőkealap - EUR	70.00	70.00	
Innova-1 Magántőkealap - HUF	100.00	0.00	
Herius-1 Magántőkealap - EUR	99.74	70.00	

Name of fund	Cost			Dividend payment/Subscribed capital decrease		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Enter Tomorrow Europe Magántőkealap - EUR	7 155	5 515	3 910	-	-	-
EXIM Exportösztönző Magántőkealap - HUF	56 000	56 000	56 000	-	-	-
Portfolion Regionális Magántőkealap I - HUF	4 688	4 837	4 407	(10 861)*	(1 400)*	-
Portfolion Regionális Magántőkealap II - HUF	6 443	2 799	1 250	-	-	-
COLOMBUS - HUF	24 957	7 324	3 752	-	-	-
Európa Agrár Magántőkealap - EUR	11 266	4 151		-	-	-
Innova-1 Magántőkealap - HUF	1 000	0		-	-	-
Herius-1 Magántőkealap - EUR	3 747	344		-	-	-
	115 256	**80 970**	**69 319**	**(10 861)**	**(1 400)**	-

* In the 2022 column out of the total amount HUF 7 209 million was paid in January 2023. No physical payment, only the decision had been in 2022 regarding the capital decrease (HUF 4 568 million) and dividend payment (HUF 2 641 million). In 2021 the amount of HUF 1 400 million was shown as part of the cost however this year it is in separate table.

(All amounts in HUF million, unless otherwise indicated)

Name of fund	Equity method adjustment			Carrying amount		
	2022.12.31	2021.12.31	2020.12.31	2022.12.31	2021.12.31	2020.12.31
Enter Tomorrow Europe Magántőkealap - EUR	(1 216)	(1 353)	(383)	5 939	4 162	3 527
EXIM Exportösztönző Magántőkealap - HUF	(18 077)	(10 943)	(9 280)	37 923	45 057	46 720
Portfolion Regionális Magántőkealap I - HUF	6 244	3 209	1 502	72	6 646	5 909
Portfolion Regionális Magántőkealap II - HUF	(1 073)	(240)	(37)	5 370	2 559	1 213
COLOMBUS - HUF	(323)	(131)	-	24 634	7 193	3 752
Európa Agrár Magántőkealap - EUR	(282)	(135)	-	10 983	4 017	-
Innova-1 Magántőkealap - HUF	(146)		-	854		-
Herius-1 Magántőkealap - EUR	(564)	(122)	-	3 183	222	-
	(15 437)	**(9 715)**	**(8 198)**	**88 958****	**69 856**	**61 121**

** In addition, the Bank holds a HUF 15 million equity stake in EXIM Invest Zrt., which is likewise stated in the balance sheet line 'Investments accounted for using the equity method'.

Table of the movements of capital funds measured using the equity method

	31.12.2022	31.12.2021	31.12.2020
Opening balance	69 856	61 121	60 998
The Bank's share of the capital fund's profit/loss for the year	(7 029)	(1 616)	(6 465)
The Bank's share of the capital fund's other comprehensive income for the year	1 306	100	168
Dividend yield	(4 899)	(1 400)	
Disbursement*	33 436	9 787	5 170
Repayment	(150)		
Capital transfer	(4 562)		
Subscription**	1 000	1 864	1 250
Closing balance	**88 958**	**69 856**	**61 121**
The Bank's share of the capital fund's profit/loss for the year	***(7 029)***	***(1 616)***	***(6 465)***
- out of which transfer to OCI of exchange differences of investments in foreign operation that is an assosiate	*(1 306)*	*(100)*	*(168)*
- out of which recognised in the profit or loss	*(5 723)*	*(1 516)*	*(6 297)*

*Disbursement means that the Bank provides funds for the realisation of the investment following the subscription or makes an asset contribution to the costs specified in the management regulations on the basis of a detailed drawdown document.

**Subscription is a special disbursement drawn by the fund manager from the investor(s) in order to establish the fund. This amount is then used to make an investment, pay a fund management fee or an expense.

The loss of HUF 7 029 million for the reporting year in the statement of comprehensive income under Share of profit/(loss) of investments accounted for using the equity method is the result of the carrying amount under

the equity method compared to the previous year (HUF 19 102 million), the change in cost (HUF 34 286 million), the rise in the dividend payment and capital reduction figure (HUF 9 461) and the HUF -1 306 million reclassified to other comprehensive income due to exchange-rate translation. The previous year's loss of HUF 1 626 million in the statement of comprehensive income was the result of the change in fair value under the equity method in the previous year (HUF 8 735 million), the change in cost in the previous year (HUF 10 251 million), dividend payment (HUF 1 400 million), and the HUF 100 million reclassified to other comprehensive income due to foreign exchange translation. In 2020 the loss of HUF 6 465 million in the statement of comprehensive income was the result of the change in carrying amount (HUF 123 million), and in cost (HUF 6 420 million) under the equity method compared to 2019, and also the HUF 168 million reclassified to other comprehensive income due to foreign exchange translation.
As a result of the exit from two investments in the PortfoLion Regional Private Equity Fund, the Bank received a yield of HUF 2 258 million in 2022, which modifies the carrying amount of the investment, and in the cash flow statement it is presented on the Investment capital reduction / yield payment accounted for using the equity method line.

The financial details of investments accounted for using the equity method as at 31.12.2022 are provided in the below table:

	Enter Tomorrow*	**Exportösztönző**	**Portfolion I (Fordulat)**	**Portfolion II**	**COLOMBUS**	**Európa Agrár Magántőkealap***	**Herius-1 Magántőke alap***	**Innova- 1 Magántőkealap**
Non-current assets	11,691	29,202	-	10,184	74,200	14,853	884	-
Current assets	192	51,728	20,449	799	2,412	846	2,316	855
– of which: cash and equivalents	192	12,065	20,449	342	2,397	725	2,316	842
Short-term liabilities	5	33,688	20,299	225	61	8	8	1
Long-term liabilities	-	8,961	-	-	-	-	-	-
Revenue	-	47,138	-	-	-	-	-	-
Finance income /expence	139	2,982	10,707	(1,215)	36,209	(44)	(22)	0
Profit after tax (cont. activities)	(361)	(5,585)	6,551	(1,670)	35,674	(723)	(679)	(145)
Equity	11,878	38,281	151	10,758	76,550	15,691	3,191	854
Equity attributable to the owners	11,878	39,323	151	10,758	76,550	15,691	3,191	854
Share of the Bank	50%	100%	50%	49.9%	69.99%	70%	100%	100%
Equity method amount	**5,939**	**39,323**	**75**	**5,368**	**53,575**	**10,983**	**3,183**	**854**
Consolidation adjustment**	0	(1,400)	(4)	0	(28,941)	(0)	0	-
Carrying amount	**5,939**	**37,923**	**72**	**5,370**	**24,634**	**10,983**	**3,183**	**854**

* Enter Tomorrow Europe Magántőkealap, Európa Agrár Magántőkealap and Herius-1 Magántőkealap prepare their financial statements in EUR. The Bank made the translation to its presentation currency (HUF million) by using the FX rate as of 31.12.2022 in respect of balance sheet items (400.25 EUR/HUF) and by using the

(All amounts in HUF million, unless otherwise indicated)

average EUR rate (391.33 EUR/HUF) of 2022 for the profit and loss account. As a result of the currency translation, Enter Tomorrow Europe Private Equity Fund reported an amount of HUF -317 million in other comprehensive income as at 31.12.2022. The amount of the exchange rate effect recognised in other comprehensive income was HUF -387 million for the Exportösztönző Alap, HUF -244 million for Herius -1 Magántőkealap and HUF -358 million for Európa Agrár Magántőkealap.

** The two investors (OTP Bank Nyrt. and Eximbank Zrt.) became investors in the PortfoLion Fund at different times. OTP paid its first contribution 01.06.2012, while Eximbank paid it on 26.11.2013, which means that in addition to the ownership percentage, the date of the contributions made is also taken into account in the calculation of the yields, both in the case of settlements and in periodic reports, which results in a difference in the net asset value per investor. The Fund had a capital increase, and as a result, the investors hold partly different participation units (OTP holds type A and C, while Eximbank holds type B and C). In valuing its investments as at 31.12.2022, the Columbus Private Equity Fund took into account the valuation principles set out in the effective Management Regulations (where the fair values were determined by using the DCF method), from which the Management Regulations do not allow any deviation,, Eximbank adjusted the fair value of the investment for the purpose of preparing its own financial statements, as it considers the transactional price (historical cost) agreed on by third parties to be more in line with the real value of the investment. In the case of the EXIM Exportösztönző Magántőkealap, the value of the assets included in the fund's consolidated financial statements led the Bank to conclude that the recoverable amount of certain assets was lower than the carrying amount and therefore an adjustment was considered appropriate.

The financial details of investments accounted for using the equity method as at 31.12.2021 are provided in the below table:

	Enter Tomorrow	**Exportösztönző**	**Portfolion I (Fordulat)**	**Portfolion II**	**COLOMBUS**	**Európa Agrár Magántőkealap**	**Herius-1 Magántőkealap**
Non-current assets	6 720	19 431	14 253	5 180	15 708	5 526	169
Current assets	1 608	47 353	430	166	333	355	187
– of which: cash and equivalents	*1 608*	*9 820*	*428*	*166*	*333*	*242*	*187*
Short-term liabilities	4	16 075	1 019	218	45	143	39
Long-term liabilities	-	5 070	-	-	-	-	-
Revenue	448	21 021	9	5	(1 156)	-	-
Finance income /expence	(1 999)	484	4 737	1	-	175	-
Profit after tax (cont. activities)	(2 005)	(5 889)	3 616	406	(1 537)	(351)	(192)
Equity	8 324	45 639	13 664	5 128	15 996	5 738	317
Equity attributable to the owners	8 324	45 839	13 664	5 128	15 996	5 738	317
Share of the Bank	50%	100%	50%	49,9%	69,99%	70%	70%
Equity method amount	**4 162**	**45 839**	**6 832**	**2 559**	**11 195**	**4 016**	**222**
Consolidation adjustment	0	(782)	(186)	(0)	(4 002)	1	0
Carrying amount	**4 162**	**45 057**	**6 646**	**2 559**	**7 193**	**4 016**	**222**

(All amounts in HUF million, unless otherwise indicated)

The financial details of investments accounted for using the equity method as at 31.12.2020 are provided in the below table:

	Enter Tomorrow	Exportösztönző	Portfolion I (Fordulat)	Portfolion II	COLOMBUS
Non-current assets	6 812	15 206	11 807	-	12 263
Current assets	245	43 647	189	2 505	248
– of which: cash and equivalents	*245*	*8 042*	*187*	*2 505*	*248*
Short-term liabilities	2	7 954	7	75	83
Long-term liabilities	-	1 771	-	-	-
Revenue	-	12 739	1	-	-
Finance income /expence	(1)	478	542	-	5 541
Profit after tax (cont. activities)	(458)	(7 939)	320	(75)	5 317
Equity	7 055	49 128	11 989	2 430	12 428
Equity attributable to the owners	7 055	46 195	11 989	2 430	12 428
Share of the Bank	50%	100%	50%	49,9%	70,00%
Equity method amount	**3 527**	**46 195**	**5 995**	**1 213**	**8 700**
Consolidation adjustment	0	525	(86)	(0)	(4 948)
Carrying amount	**3 527**	**46 720**	**5 909**	**1 213**	**3 752**

EXIM Exportösztönző Magántőkealap:

The Bank applied the equity method by valuing the assets in the fund's consolidated financial statements in accordance with its own accounting policy, and concluded that the recoverable amount of certain assets was lower than the carrying amount, and therefore considered it appropriate to recognise the application of correction. The valuation of the investment subject to the adjustment, validated by independent experts, determined the value of the company at HUF 5,900 million based on the DCF method, which is HUF 1,400 million lower than the value of the company's assets. As a result, the Fund's equity per bank was reduced by HUF 1 400 million following the application correction.

PortfoLion I:

The two investors (OTP Bank Nyrt. and Eximbank Zrt.) became investors in the PortfoLion Fund at different times. OTP paid its first contribution on 1 June 2012, while Eximbank paid it on 26 November 2013, which means that in addition to the ownership percentage, the date of the contributions made is also taken into account in the calculation of the yields, both in the case of settlements and in periodic reports, which results in a difference in the net asset value per investor. The fund had a capital increase earlier, followed by a capital reduction in 2020 and in 2022, and as a result, the investors hold partly different participation units (OTP holds type A and C, while Eximbank holds type B and C). In December 2022, a decision was made on another capital reduction and yield payment, pursuant to which the registered capital of the fund decreased to HUF 251.7 million and the net asset value to HUF 150.7 million. The financial settlement of the capital reduction and yield payment took place in January 2023, during which the fund repaid the Bank a total of HUF 7 203 million (HUF 4 562 million capital and HUF 2 641 million yield). This amount is recorded as a receivable on 31.12.2022 in the Bank's books under balance sheet line 'Other assets' (Note 14).

Columbus:

In valuing its investments as at 31 December 2022, the Columbus Private Equity Fund took into account the valuation principles set out in the effective Management Regulations (where the fair value is determined by an independent expert using the DCF method), from which the Management Regulations do not allow any deviation. Given that in respect of transaction was concluded close to the reporting date and no significant economic event occurred between the date of the transaction and the balance sheet date, for the purpose of compiling its own financial statements the Bank modified the fair value of the investments, since in its judgement, the transaction price (cost) negotiated between independent parties more closely approximates the fair value of the investments. In addition, several of the investments are being implemented in the context of greenfield investments, which are still in the construction phase, and production activity is not yet being conducted; for the purpose of compiling its own financial statements, here again the Bank modified the fair value of the investments, since in its judgement, the transaction price (cost) negotiated between independent parties more closely approximates the fair value of the investments. In case of one investment income and the EBTIDA as well was lower than it was planned at the time of the initial investment, therefore the revaluation applied by the Fund Manager was estimated too optimistic by the bank, so it was corrected. Considering the positive developments of the markets concerned and assuming a slower growth of the company, the applied correction in revaluation is 733 million HUF compared to the fair value calculated by the Fund Manager,

EximInvest Zrt.:

At the end of 2022, Eximbank acquired an ownership stake as a founder in EximInvest Zrt. Nemzeti Tőkeholding Zrt. is the other owner. EximInvest Zrt's registered capital amounts to HUF 15 million. The main purpose in establishing the Company is to ensure that certain key tasks associated with the exercising of owners' rights in respect of the venture capital investments held by Eximbank are performed more efficiently. EximInvest Zrt. did not conduct any business activity in 2022.

(All amounts in HUF million, unless otherwise indicated)

NOTE 11 INTANGIBLE ASSETS

The table of movements in intangible assets as at 31 December 2022 is as follows:

	Intangible assets	Intangible assets under development	Total intangible assets
Cost			
31 December 2021	5 825	73	5 898
Additions	317	393	710
Acquisition		*393*	
Transfer to available for use	*317*		
Disposal	(280)	(317)	(597)
Derecognition	*(280)*		
Transfer to available for use	-	*(317)*	
31 December 2022	**5 862**	**149**	**6 011**
Accumulated depreciation and amortisation			
31 December 2021	3 606	-	3 606
Depreciation (Note 26)	434	-	434
Impairment (Note 15)	-	-	-
Derecognition	(280)	-	(280)
31 December 2022	**3 760**	**-**	**3 760**
Net carrying amount			
31 December 2021	**2 219**	**73**	**2 292**
31 December 2022	**2 102**	**149**	**2 251**
Intangible property rights, licence agreements	-		-
Intellectual property	2 102		2 102
Internal development	*10*		
Intangible assets under development		149	149

(All amounts in HUF million, unless otherwise indicated)

The table of movements in intangible assets as at 31 December 2021 is as follows:

	Intangible assets	Intangible assets under development	Total intangible assets
Cost			
31 December 2019	4 766	168	4 934
Additions	678	616	1 294
Acquisition		*616*	
Transfer to available for use	*678*		
Disposal	(195)	(678)	(873)
Derecognition	*(195)*		
Transfer to available for use		*(678)*	
31 December 2020	**5 249**	**106**	**5 355**
Additions	576	543	1 119
Acquisition		*543*	
Transfer to available for use	*576*		
Disposal	-	(576)	(576)
Derecognition			
Transfer to available for use		*(576)*	
31 December 2021	**5 825**	**73**	**5 898**
Accumulated depreciation and amortisation			
31 December 2019	2 938	-	2 938
Depreciation (Note 26)	447	-	447
Impairment (Note 15)	-	-	-
Derecognition	(195)	-	(195)
31 December 2020	**3 190**	**-**	**3 190**
Depreciation (Note 26)	416	-	416
Impairment (Note 15)	-	-	-
Derecognition	-	-	-
31 December 2021	**3 606**	**-**	**3 606**
Net carrying amount			
31 December 2020	**2 059**	**106**	**2 165**
Intangible property rights, licence agreements	-		-
Intellectual property	2 059		2 059
Internal development	*3*		
Intangible assets under development		106	106
31 December 2021	**2 219**	**73**	**2 292**

(All amounts in HUF million, unless otherwise indicated)

Intangible property rights, licence agreements	-		-
Intellectual property	2 219		2 219
Internal development	*5*		
Intangible assets under development		73	73

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

The table of the movements of property, plant and equipment as at 31 December 2022 is as follows:

	Investment implemented on third-party property	**Fixed assets**	**Investments**	**Right-of-use assets – Building (leasing)**	**Total fixed assets**
Cost					
31 December 2021	204	2 223	1	2 357	4 785
Additions	-	144	144	130	418
New acquisitions	-		*144*	*130*	
Transfer to available for use		*144*			
Derecognitions	-	(250)	(144)	(27)	(421)
Scrapping		*(187)*			
Sales		*(63)*			
Transfer to available for use			*(144)*		
Contract termination				*(27)*	
31 December 2022	**204**	**2 117**	**1**	**2 460**	**4 782**
Accumulated depreciation and amortisation					
31 December 2021	101	1 634	-	1 002	2 737
Depreciation (Note 26)	28	142	-	379	549
Impairment (Note 15)	-	5	-	-	5
Derecognition	-	(219)	-	(17)	(236)
31 December 2022	**129**	**1 562**	**-**	**1 364**	**3 055**
Net carrying amount					
31 December 2021	**103**	**589**	**1**	**1 355**	**2 048**
31 December 2022	**75**	**555**	**1**	**1 096**	**1 727**

The table of the movements of property, plant and equipment as at 31 December 2021 is as follows:

(All amounts in HUF million, unless otherwise indicated)

	Investment implemented on third-party property	Fixed assets	Investments	Right-of-use assets – Building (leasing)	Total fixed assets
Cost					
-					
31 December 2019	203	1 924	22	2 315	4 464
Additions	8	153	451	14	626
New acquisitions	*8*			*14*	
Transfer to available for use		*153*	*451*		
Derecognitions	(7)	(32)	(471)	(34)	(544)
Scrapping	*(7)*	*(25)*			
Sales					
Transfer to available for use			*(471)*		
Transfer free of charge		*(7)*			
Contract termination				*(34)*	
31 December 2020	**204**	**2 045**	**2**	**2 295**	**4 546**
Additions	-	178	176	64	418
New acquisitions			*176*	*64*	
Transfer to available for use		*178*			
Derecognitions	-	-	(177)	(2)	(179)
Scrapping					
Sales					
Transfer to available for use			*(177)*		
Contract termination				*(2)*	
31 December 2021	**204**	**2 223**	**1**	**2 357**	**4 785**
Accumulated depreciation and amortisation					
-					
31 December 2019	53	1 256	-	297	1 606
Depreciation (Note 26)	27	211	-	365	603
Impairment (Note 15)		6	-		6
Derecognition	(6)	(38)	-	(19)	(63)
31 December 2020	**74**	**1 435**	-	**643**	**2 152**
Depreciation (Note 26)	27	205	-	361	593
Impairment (Note 15)	-	(6)	-	-	(6)
Derecognition	-	-	-	(2)	(2)
-					
31 December 2021	**101**	**1 634**	-	**1 002**	**2 737**

Net carrying amount

31 December 2020	**130**	**610**	**2**	**1 652**	**2 394**
31 December 2021	**103**	**589**	**1**	**1 355**	**2 048**

The table below shows the acquisition of intangible assets, property and equipment from a cash-flow point of view, as well as the proceeds from the sale of intangible assets and property and equipment for each year.

	31.12.2022	**31.12.2021**	**31.12.2020**
Acquisition of intangible assets, property and equipment	529	694	858
Proceeds from the sale of intangible assets and property and equipment	11	0	0

12.1 Leases

The Bank recognises right-of-use assets and lease liabilities in connection with office premises, which are classified as leasing transactions in accordance with IFRS 16.

In the reporting year HUF 130 million right-of-use assets were activated.

The following table shows the future undiscounted cash flows of leasing liabilities (HUF million)

	31.12.2022	**31.12.2021**	**31.12.2020**
Up to 1 month	67	56	53
1-3 months	84	72	70
3 to 12 months	384	329	319
1 to 5 years	888	1 217	1 589
Over 5 years	-	-	-
Total future undiscounted cash flows of financial leases	**1 422**	**1 674**	**2 031**
Of which short-term part	535	457	442
Of which long-term part	888	1 217	1 589

Table of movements in lease liabilities (HUF million)

	2022	**2021**	**2020**
Liabilities as at 1 January	**1 674**	**2 031**	**2 180**
Fees paid	(516)	(458)	(377)
Recognised interest	20	21	25
Other changes	244	80	203
Liabilities as at 31 December	**1 422**	**1 674**	**2 031**

(All amounts in HUF million, unless otherwise indicated)

The following table shows the effect of the above leases on profit or loss

	2022	2021	2020
Interest expense	20	21	26
Amortisation	362	358	366

NOTE 13 TAXATION

Tax expenses, tax receivables and tax liabilities at 31 December 2022, 31 December 2021 and 31 December 2020 were as follows:

	31.12.2022	31.12.2021	31.12.2020
Corporate income tax expense	163	81	-
Local tax expense	1 007	883	365
Innovation contribution expense	151	133	55
Total actual income tax expense	**1 321**	**1 097**	**420**
Deferred tax expense/(income) arising from the occurrence and reversal of temporary differences	(330)	(193)	(316)
Total income tax expense	**991**	**904**	**104**
Profit or loss before tax	3 240	2 376	(10 210)
Effective tax rate	**31%**	**38%**	**(1%)**

	31.12.2022	31.12.2021	31.12.2020
Actual income tax receivables	-	436	649
Other tax receivables*	442	557	673
Deferred tax receivables	2 502	1 985	374
Tax liabilities**	710	187	105
Deferred tax liabilities	-	200	84

* Other tax receivables include the amount recorded as receivable from the State for Value-Added Tax, Social Security and the Special Epidemiological Tax, which can be taken into account as a tax withholding on the payment of the special tax on financial institutions
**Tax liabilities include other tax liabilities to the National Tax and Customs Administration, Social Security and municipalities

Actual income tax:

In 2020, 2021 and 2022 the corporate income tax rate was 9%. The tax base is the profit before tax, adjusted for certain tax-deductible and non-deductible items in accordance with the legislation.

(All amounts in HUF million, unless otherwise indicated)

In 2020, 2021 and 2022, the rate of local business tax was 2% and the rate of innovation contribution was 0.3%.
The tax base of the local business tax and innovation contribution is the net interest and fee income, against which the following deductions may be applied:

- cost of goods sold and mediated services
- subcontractors' deliverables
- cost of materials
- direct research and development costs incurred during the tax year

Special bank taxes:

A special tax on credit institutions related to Covid-19was introduced in 2020, and then discontinued from 2021. Starting in 2021, the amount paid will reduce the special tax on financial institutions payable in the current year in the form of a tax withholding at a uniform rate of 20% over 5 years. The Bank recorded the HUF 642 million paid in 2020 as a tax claim against the state.

In 2021, the Bank recognised an expense of HUF 888 million for the special tax on financial institutions and reduced its contributions by HUF 128 million. The tax receivable from the State also decreased by the same amount, to HUF 514 million.
In 2022, the Bank recognised an expense of HUF 1 055 million for the special tax on financial institutions and reduced its contributions by HUF 128 million. The tax receivable from the State also decreased by the same amount, to HUF 385 million.

Reconciliation of the total tax charge

		31.12.2022	31.12.2021	31.12.2020
Profit or loss before tax		**3 240**	**2 376**	**(10 210)**
Corporate income tax in 2020, 2021 and 2022	9%	292	214	(919)
Reconciliation items:				
Effect of local business tax and innovation contribution on corporate tax		(104)	(92)	(38)
Tax effect of other (non-temporary) tax base adjusting items		36	42	8
Minimum tax adjustment (other operating expenses)		-	-	43
Effect of the Corporate Tax Act (TAO) on the use of accrued losses		-	-	-
Local business tax and innovation contribution expenditure		1 158	1 016	420
Tax effect of the unused portion of accumulated tax losses		-	-	549
Effect of change in estimate of usable loss on deferred tax		(191)	(392)	-
Impact of change in deferred tax estimate on local business tax		(200)	116	41
Income tax reported in the statement of comprehensive income		991***	904**	104*
Effective tax rate		**31%**	**38%**	**(1%)**

* income tax in profit or loss, in detail: corporate tax: 0; local tax: 365; innovation contribution: 55; deferred tax expense: 58, deferred tax income: -374

** income tax in profit or loss, in detail: corporate income tax: 81; local business tax: 883; innovation contribution: 133; deferred tax expense: 490, deferred tax income: -683

*** income tax in profit or loss, in detail: corporate income tax: 163; local business tax: 1 007; innovation contribution: 151; deferred tax expense: 683, deferred tax income: -1 013

The date of transition to IFRS for Eximbank Zrt. was 1 January 2019. The Bank was required to apply the minimum tax rule under the Corporate Tax Act in the year of transition to IFRS standards and the year following it. Companies were required to pay at least the corporate tax for the year preceding the transition, in our case 2018. In 2020, the minimum tax rate was applied due to the negative tax base, and the total corporate tax of HUF 476 million recorded in 2018 prior to the transition was taken into account by the Bank for tax purposes, as recognised on the Net other operating expenses line.

Due to the negative tax base in 2020, the Bank can reduce its pre-tax profit for the next five tax years, up to 50% of the annual tax base, as provided for in Section 17 of the Corporate Tax Act.

In 2021, thanks to the positive pre-tax result, the Bank used HUF 901 million of the carry-forward loss for 2020 (HUF 10 821 million) to reduce the tax base. In 2021, based on the profit forecast for the next 4 years, the Bank used a total of HUF 7 801 million of its total negative tax base in 2020 as a reduction of the pre-tax profit, and on this base it has recognised a deferred tax receivable of HUF 702 million. The estimated unused loss is HUF 2 119 million, the tax effect of which is HUF 191 million. The effect of the change in the estimate (profit/loss forecast) used as the basis for the usability of the loss in 2020 and 2021 is HUF 4 362 million. The amount of accrued loss that may be carried forward to future years is HUF 9 920 million.

in 2022, thanks to the positive pre-tax result, the Bank used HUF 1 808 million of its loss carried forward from 2021 (HUF 9 920 million) to reduce its tax base. In 2022, based on the profit forecast for the next 3 years, the Bank used a total of HUF 8 112 million of its remaining negative tax base in 2020 as a reduction of the pre-tax profit, and on this base it has recognised a deferred tax receivable of HUF 730 million. Based on the estimate, the entire loss can be used in the coming years. The effect of the change in the estimate (profit/loss forecast) used as the basis for the usability of the loss in 2021 and 2022 is HUF 2 119 million. The amount of accrued loss that may be carried forward to future years is HUF 8 112 million.

(All amounts in HUF million, unless otherwise indicated)

Deferred taxes

The deferred tax presented in the statement of financial position and changes recorded in the statement of comprehensive income as at 31 December 2022, 31 December 2021 and 31 December 2020 are as follows:

	31.12.2022				
	Deferred tax receivables	**Deferred tax liabilities**	**Net**	**Recognised in profit or loss**	**Recognised in other comprehensive income**
Financial assets measured at amortised cost	-	-	-	-	-
Derivatives	-	-	-	-	-
Investments measured at fair value through profit or loss	-	-	-	144	-
Investments accounted for using the equity method	-	-	-	56	-
Other financial and non-financial assets	(25)	-	(25)	(7)	-
Financial liabilities measured at amortised cost	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss (derivatives)	-	-	-	-	-
Provision	108	-	108	108	-
Other financial and non-financial liabilities	-	-	-	-	-
Loss carry-forward	730	-	730	28	-
CF hedge accounting	1 689	-	1 689	-	387
	2 502	**-**	**2 502**	**329**	**387**

	31.12.2021				
	Deferred tax receivables	**Deferred tax liabilities**	**Net**	**Recognised in profit or loss**	**Recognised in other comprehensive income**
Financial assets measured at amortised cost	-	-	-	-	-
Derivatives	-	-	-	-	-
Investments measured at fair value through profit or loss	-	(144)	(144)	(82)	-
Investments accounted for using the equity method	-	(56)	(56)	(34)	-
Other financial and non-financial assets	(19)	-	(19)	(2)	-
Financial liabilities measured at amortised cost	-	-	-	-	-

Financial liabilities measured at fair value through profit or loss (derivatives)	-	-	-	-	-
Provision	-	-	-	-	-
Other financial and non-financial liabilities	-	-	-	-	-
Loss carry-forward	702	-	702	311	-
CF hedge accounting	1 302	-	1 302	-	1 302
	1 985	**(200)**	**1 785**	**193**	**1 302**

	31.12.2020				
	Deferred tax receivables	**Deferred tax liabilities**	**Net**	**Recognised in profit or loss**	**Recognised in other comprehensive income**
Financial assets measured at amortised cost	-	-	-	-	-
Derivatives	-	-	-	-	-
Investments measured at fair value through profit or loss	-	(62)	(62)	(37)	-
Investments accounted for using the equity method	-	(22)	(22)	(4)	-
Other financial and non-financial assets	(17)	-	(17)	(12)	-
Financial liabilities measured at amortised cost	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss (derivatives)	-	-	-	-	-
Provision		-	-	(22)	-
Other financial and non-financial liabilities		- -		-	-
Loss carry-forward	391	-	391	391	-
	374	**(84)**	**290**	**316**	-

(All amounts in HUF million, unless otherwise indicated)

NOTE 14 OTHER ASSETS

	31.12.2022	31.12.2021	31.12.2020
Financial instruments	**9 426**	**5 508**	**3 959**
Income accruals affecting the reporting period*	2 075	4 384	3 938
Initial fair value difference of loans taken out	129	201	-
Other assets**	7 222	923	21
Non-financial instruments	**198**	**84**	**112**
Prepaid expenses	197	84	112
Other	1	-	-
Sub-total	**9 624**	**5 592**	**4 071**
Impairment on financial instruments	(5)	(3)	(4)
Total	**9 619**	**5 589**	**4 067**

*A significant part of the accrued income comes from the accrual of MEHIB insurance premiums for aid credits, which is reimbursed by the central budget.
** The item on the Other assets line consists of two significant amounts (HUF 4 568 million and HUF 2 641 million), which are the recognition of the capital reduction and the yield paid in 2023 in respect of the PortfoLion I. Regionális Magántőke Fund under receivables.

(All amounts in HUF million, unless otherwise indicated)

NOTE 15 PROVISIONS AND IMPAIRMENT

The tables below show the changes in impairment and provisions for the year ended 31 December 2022 and 31 December 2021.

	Cash and cash equivalents	Government securities measured at amortised cost	Receivables from credit institutions and insurance companies	Receivables from other customers	Other assets	Total impairment	Provision under IFRS9	Total impairment and provision
1 January 2022	**2**	**94**	**1 413**	**30 249**	**3**	**31 761**	**144**	**31 905**
Created for the year	62	64	3 499	36 286	2	39 913	286	40 199
Reversal for the year	-	-	(606)	(9 333)	-	(9 939)	(140)	(10 079)
Effect of revaluation	-	-	63	2 309	-	2 372	17	2 389
31 December 2022	**64**	**158**	**4 369**	**59 511**	**5**	**64 107**	**307**	**64 414**
Unwinding of discounts	-	-	**(3)**	**(1 557)**	-	**(1 560)**	-	**(1 560)**
31 December 2022	**64**	**158**	**4 366**	**57 954**	**5**	**62 547**	**307**	**62 854**

(All amounts in HUF million, unless otherwise indicated)

	Cash and cash equivalents	Government securities measured at amortised cost	Receivables from credit institutions and insurance companies	Receivables from other customers	Other assets	Total impairment	Provision under IFRS9	Total impairment and provision
1 January 2021	**4**	**93**	**950**	**25 056**	**4**	**26 107**	**243**	**26 350**
Created for the year	-	54	727	10 344	1	11 126	124	11 250
Reversal for the year	(2)	(53)	(132)	(1 896)	-	(2 083)	(224)	(2 307)
Write-offs	-	-	(172)	(2 139)	-	(2 311)	-	(2 311)
Derecognition	-	-	-	(2 298)	(2)	(2 300)	-	(2 300)
Unwinding of discounts	-	-	-	743	-	743	-	743
Effect of revaluation	-	-	40	439	-	479	1	480
31 December 2021	**2**	**94**	**1 413**	**30 249**	**3**	**31 761**	**144**	**31 905**

The provision for the year also includes the establishment of the first provision for the impairment of new transactions, which in the case of receivables from other customers was HUF 8 822 million (HUF 90 million in 2021).

(All amounts in HUF million, unless otherwise indicated)

	Cash and cash equivalents	Government securities measured at amortised cost	Receivables from credit institutions and insurance companies	Receivables from other customers	Other assets	Total impairment	Provision under IFRS9	Total impairment and provision
1 January 2020	**16**	**77**	**819**	**16 697**	**1**	**17 610**	**261**	**17 871**
Created for the year	4	19	194	7 828	3	8 048	219	8 267
Reversal for the year	(16)	(3)	(103)	(807)	-	(929)	(248)	(1 177)
Write-offs	-	-	-	-	-	-	-	-
Derecognition	-	-	-	(749)	-	(749)	-	(49)
Unwinding of discounts	-	-	-	565	-	565	-	565
Effect of revaluation	-	-	40	1 522	-	1 562	11	1 572
31 December 2020	**4**	**93**	**950**	**25 056**	**4**	**26 107**	**243**	**26 350**

(All amounts in HUF million, unless otherwise indicated)

The table below shows impairment made and reversed for non-financial assets during the year ended 31 December 2022, during the year ended 31 December 2021 and during the year ended 31 December 2020.

	Property, plant and equipment, Intangible assets
1 January 2022	**2**
Created for the year	5
Reversal for the year	(2)
Derecognition	-
Effect of revaluation	-
31 December 2022	**5**

	Property, plant and equipment, Intangible assets
1 January 2021	**7**
Created for the year	-
Reversal for the year	(5)
Derecognition	-
Effect of revaluation	-
31 December 2021	**2**

	Property, plant and equipment, Intangible assets
1 January 2020	**9**
Created for the year	1
Reversal for the year	(3)
Derecognition	-
Effect of revaluation	-
31 December 2020	**7**

The tables below show provisions made and reversed under IAS 9 during the year ended 31 December 2022, during the year ended 31 December 2021 and during the year ended 31 December 2020.

(All amounts in HUF million, unless otherwise indicated)

	Provisions
1 January 2022	**144**
Net value of provisioning for the period	286
Provision reversed during the period	(140)
Provision used during the period	-
Effect of revaluation	17
31 December 2022	307

	Provisions
1 January 2021	**243**
Net value of provisioning for the period	124
Provision reversed during the period	(224)
Provision used during the period	-
Effect of revaluation	1
31 December 2021	144

	Provisions
1 January 2020	**261**
Net value of provisioning for the period	**219**
Provision reversed during the period	(248)
Provision used during the period	-
Effect of revaluation	11
31 December 2020	**243**

The Provisions line of the balance sheet consists of provisions for financial guarantee contracts, loan commitments and litigation cases in accordance with IFRS 9 and IAS37.

	31.12.2022	31.12.2021	31.12.2020
Commitments to credit institutions and insurance companies, credit lines and guarantees	65	72	112
Commitments to other customers, credit lines and guarantees	211	72	131
Loan commitments	31	-	-
Provisions under IFRS 9	**307**	**144**	**243**
Outstanding litigation*	1 200	-	-
Provisions under IAS37	**1 200**	-	-
Total provisions	**1 507**	**144**	**243**

* In connection with the property lease agreement previously concluded by Eximbank Zrt. and MEHIB Zrt., the former landlord filed an action against Eximbank Zrt. and MEHIB Zrt. as joint and several debtors, and the plaintiff seeks to enforce claims for damages and compensation against the defendants. The lawsuit is at an early stage; no hearing has yet taken place, and Eximbank Zrt. and

(All amounts in HUF million, unless otherwise indicated)

MEHIB Zrt. are disputing the legal basis and the amount of the claims that the plaintiff is seeking to enforce against them.

NOTE 16 LIABILITIES TO CREDIT INSTITUTIONS AND INSURANCE COMPANIES

	31.12.2022	31.12.2021	31.12.2020
Short-term			
– in foreign currency	338 508	137 002	152 647
– in HUF	36 338	35 691	57 009
Sub-total	**374 846**	**172 693**	**209 656**
Long-term			
– in foreign currency	491 529	602 979	548 596
– in HUF	305 437	169 302	92 071
Sub-total	**796 966**	**772 281**	**640 667**
Total	**1 171 812**	**944 974**	**850 323**

The table below shows the analysis of loans and deposits from other banks by contractual maturity (i.e. a transaction is only included in a particular range based on the maturity date under the contract) as at 31 December 2022, 31 December 2021 and 31 December 2020.

	31.12.2022	31.12.2021	31.12.2020
In foreign currency			
Up to 1 month	26 598	8 015	66 628
1 to 3 months	151 697	208	292
3 months to 1 year	152 759	120 946	67 630
1 to 5 years	390 723	511 006	456 693
Over 5 years	108 259	99 806	110 000
Sub-total	**830 036**	**739 981**	**701 243**

(All amounts in HUF million, unless otherwise indicated)

In HUF			
Up to 1 month	995	13 082	4 364
1 to 3 months	13 377	4 240	3 446
3 months to 1 year	17 370	17 857	48 527
1 to 5 years	218 689	159 628	90 968
Over 5 years	91 345	10 186	1 775
Sub-total	**341 776**	**204 993**	**149 080**
Total	**1 171 812**	**944 974**	**850 323**

NOTE 17 LIABILITIES TO OTHER CUSTOMERS

	31.12.2022	31.12.2021	31.12.2020
Short-term			
– in foreign currency	2 514	1 009	3 675
– in HUF	-	-	-
Total	**2 514**	**1 009**	**3 675**

The table below shows the analysis of customer deposits recognised as a liability to companies up to the remaining maturity as at 31 December 2022, 31 December 2021 and 31 December 2020.

	31.12.2022	31.12.2021	31.12.2020
In foreign currency:			
Up to 1 month	305	1 009	3 675
1 to 3 months	535	-	-
3 months to 1 year	1 674	-	-
Sub-total	**2 514**	**1 009**	**3 675**
In HUF:			
Up to 1 month	-	-	-
1 to 3 months	-	-	-
Sub-total	-	-	-
Total	**2 514**	**1 009**	**3 675**

(All amounts in HUF million, unless otherwise indicated)

NOTE 18 BOND ISSUE

Issued debt securities

							2022		2021		2020	
Description	**ISIN code**	**Issue date**	**Expiry date**	**Currency**		**Interest**	**Nominal value**	**Average net issue price**	**Nominal value**	**Average net issue price**	**Description**	**Average net issue price**
EXIM 2021/1 USD	HU0000359443	2019/12/19	2021/11/17	USD	2,00%	fixed (annually)	0	0	0	0	14 200 000	99,62748592
Securities Total USD:											**14 200 000**	
EXIM 2021/1	HU0000360011	2020/10/09	2021/10/08	HUF	1,00%	fixed (annually)	0	0	0	0	32 000 000 000	100,0572375
EXIM 2021/1	HU0000360011	2020/11/11	2021/10/08	HUF	1,00%	fixed (annually)	0	0	0	0	29 507 000 000	100,1999415
EXIM 2021/1	HU0000360011	2020/12/09	2021/10/08	HUF	1,00%	fixed (annually)	0	0	0	0	9 055 000 000	100,2971935
EXIM 2022/1	HU0000357926	2017/10/18	2022/06/24	HUF	1,30%	fixed (annually)	0	0	12 100 000 000	100,5108438	12 100 000 000	100,5108438
EXIM 2022/1	HU0000357926	2019/02/20	2022/06/24	HUF	1,30%	fixed (annually)	0	0	12 250 000 000	99,97340531	12 250 000 000	99,97340531
EXIM 2024/1	HU0000359435	2019/12/19	2024/12/04	HUF	1,00%	fixed (annually)	34 000 000 000	100,1813265	34 000 000 000	100,1813265	34 000 000 000	100,1813265
EXIM 2025/1	HU0000360029	2020/10/09	2025/11/26	HUF	1,65%	fixed (annually)	20 322 000 000	99,87039227	20 322 000 000	99,87039227	20 322 000 000	99,87039227
EXIM 2027/1	HU0000360086	2020/11/11	2027/10/27	HUF	2,00%	fixed (annually)	30 400 000 000	101,6590247	30 400 000 000	101,6590247	30 400 000 000	101,6590247
EXIM 2027/1	HU0000360086	2020/12/09	2027/10/27	HUF	2,00%	fixed (annually)	16 280 000 000	101,49193	16 280 000 000	101,49193	16 280 000 000	101,49193
EXIM 2022/2	HU0000360367	2021/03/24	2022/03/23	HUF	1,00%	fixed (annually)	0	0	22 900 000 000	100,0718118	0	0
EXIM 2027/1	HU0000360086	2021/03/24	2027/10/27	HUF	2,00%	fixed (annually)	10 710 000 000	99,69796144	10 710 000 000	99,69796144	0	0
EXIM 2022/2	HU0000360367	2021/04/28	2022/03/23	HUF	1,00%	fixed (annually)	0	0	32 893 000 000	100,1956511	0	0
EXIM 2027/1	HU0000360086	2021/04/28	2027/10/27	HUF	2,00%	fixed (annually)	14 570 000 000	100,8402987	14 570 000 000	100,8402987	0	0
EXIM 2022/3	HU0000360581	2021/06/09	2022/06/08	HUF	1,00%	fixed (annually)	0	0	21 992 000 000	100,009933	0	0
EXIM 2027/1	HU0000360086	2021/06/09	2027/10/27	HUF	2,00%	fixed (annually)	16 920 000 000	99,06963664	16 920 000 000	99,06963664	0	0
EXIM 2022/3	HU0000360581	2021/06/30	2022/06/08	HUF	1,00%	fixed (annually)	0	0	16 382 000 000	99,90899083	0	0
EXIM 2027/1	HU0000360086	2021/06/30	2027/10/27	HUF	2,00%	fixed (annually)	20 200 000 000	98,68703119	20 200 000 000	98,68703119	0	0
EXIM 2029/1	HU0000360763	2021/09/01	2029/05/23	HUF	2,50%	fixed (annually)	16 505 000 000	97,98551324	16 505 000 000	97,98551324	0	0
EXIM 2022/4	HU0000360755	2021/09/01	2022/08/31	HUF	1,25%	fixed (annually)	0	0	26 000 000 000	99,55140459	0	0
EXIM 2022/4	HU0000360755	2021/09/29	2022/08/31	HUF	1,25%	fixed (annually)	0	0	18 750 000 000	99,52299093	0	0
EXIM 2029/1	HU0000360763	2021/09/29	2029/05/23	HUF	2,50%	fixed (annually)	8 850 000 000	95,85188361	8 850 000 000	95,85188361	0	0

(All amounts in HUF million, unless otherwise indicated)

EXIM 2022/5	HU0000360862	2021/10/27	2022/10/26	HUF	1,75%	fixed (annually)	0	0	13 372 000 000	99,66927857	0	0
EXIM 2022/5	HU0000360862	2021/11/24	2022/10/26	HUF	1,75%	fixed (annually)	0	0	18 300 000 000	98,48031093	0	0
EXIM 2023/1	HU0000361399	2022/02/09	2023/02/08	HUF	5,00%	fixed (annually)	22 550 000 000	99,98571863	0	0	0	0
EXIM 2023/1	HU0000361399	2022/02/23	2023/02/08	HUF	5,00%	fixed (annually)	9 999 990 000	100,09382	0	0	0	0
EXIM 2023/2	HU0000361589	2022/03/30	2023/03/29	HUF	6,20%	fixed (annually)	11 650 000 000	99,74174678	0	0	0	0
EXIM 2023/3	HU0000361787	2022/07/14	2023/07/13	HUF	8,00%	fixed (annually)	16 356 000 000	97,14603271	0	0	0	0
EXIM 2023/3	HU0000361787	2022/07/28	2023/07/13	HUF	8,00%	fixed (annually)	36 851 000 000	97,08464435	0	0	0	0
EXIM 2023/4	HU0000361837	2022/08/11	2023/08/10	HUF	12,00%	fixed (annually)	30 522 000 000	99,79653034	0	0	0	0
EXIM 2023/4	HU0000361837	2022/08/25	2023/08/10	HUF	12,00%	fixed (annually)	27 900 000 000	99,85955941	0	0	0	0
EXIM 2026/1	HU0000361860	2022/08/25	2026/04/22	HUF	11,00%	fixed (annually)	18 400 000 000	99,4035	0	0	0	0
EXIM 2023/5	HU0000361878	2022/09/08	2023/09/07	HUF	13,00%	fixed (annually)	28 264 000 000	99,1313301	0	0	0	0
EXIM 2023/5	HU0000361878	2022/09/22	2023/09/07	HUF	13,00%	fixed (annually)	10 490 000 000	99,35153613	0	0	0	0
EXIM 2023/6	HU0000361902	2022/10/13	2023/10/12	HUF	14,00%	fixed (annually)	34 950 000 000	99,05176309	0	0	0	0
EXIM 2023/7	HU0000361977	2022/11/10	2023/11/09	HUF	15,00%	fixed (annually)	17 812 000 000	100,2672464	0	0	0	0
EXIM 2023/7	HU0000361977	2022/11/24	2023/11/09	HUF	15,00%	fixed (annually)	13 455 000 000	100,7525753	0	0	0	0
EXIM 2023/8	HU0000362025	2022/12/08	2023/12/07	HUF	14,00%	fixed (annually)	12 427 800 000	98,62932076	0	0	0	0
EXIM 2023/8	HU0000362025	2022/12/22	2023/12/07	HUF	14,00%	fixed (annually)	30 914 000 000	98,64516872	0	0	0	0
Securities Total HUF:							**511 298 790 000**		**383 696 000 000**		**195 914 000 000**	

(All amounts in HUF million, unless otherwise indicated)

During 2022, the Bank issued eight new short-term fixed-rate forint bonds in a total nominal value of HUF 304.1 billion, and one new medium-term fixed-rate forint bond in a total nominal value of HUF 18.4 billion. During the year, five forints bonds expired, in a total nominal value of HUF 194.9 billion.

During 2021, the Bank issued four new short-term fixed-rate forint bonds in a total nominal value of HUF 170.6 billion and one new medium-term fixed-rate forint bond in a total nominal value of HUF 25.4 billion, and, in respect of one medium-term fixed-rate forint bond, there was a follow-up issue in a nominal value of 62.4 billion.

During the year, one forint bond with a nominal value of HUF 70.6 billion and one dollar bond with a nominal value of HUF 14.2 million matured.

During 2020, the Bank issued a new short-term fixed-rate forint bonds in a total nominal value of HUF 70.6 billion and two new medium-term fixed-rate forint bond in a total nominal value of HUF 67.0 billion. During the year, one forint bond with a nominal value of HUF 7.5 billion matured.

All bond series issued under Hungarian law have been listed on the Budapest Stock Exchange.

The Bank has not repurchased any of its own securities since the date of issue.

The effective interest on bonds issued in 2022 was HUF 16 722 million (in 2021, HUF 4 458 million, in 2020, HUF 1 608) using effective interest rates between 1 and 16% (in 2021, 1 and 2%, in 2020, 1 and 2%).

mHUF	01 January	Issued	Effective interest	Interest payment	Redemption (Nom Value)	FX diff	31 December
USD bonds 2020	**(153 987)**	-	(603)	3 141	153 360	(6 136)	**(4 225)**
HUF bonds 2020	**(66 038)**	(138 431)	(1 004)	798	7 500	-	**(197 176)**
USD bonds 2021	**(4 225)**	-	(83)	92	4 584	(368)	-
HUF bonds 2021	**(197 176)**	(256 852)	(4 375)	4 053	70 562	-	**(383 788)**
HUF bonds 2022	**(383 788)**	(319 570)	(16 722)	5 688	194 939	-	**(519 453)**

	31.12.2022	31.12.2021	31.12.2020
Short-term			
– in foreign currency	-	-	4 224
– in HUF	313 390	195 847	71 371
Sub-total	**313 390**	**195 847**	**75 595**

(All amounts in HUF million, unless otherwise indicated)

Long-term			
– in foreign currency	-	-	-
– in HUF	206 063	187 941	125 805
Sub-total	**206 063**	**187 941**	**125 805**
Total	**519 453**	**383 788**	**201 400**

	31.12.2022	**31.12.2021**	**31.12.2020**
In foreign currency:			
Up to 1 month	-	-	-
1 to 3 months	-	-	-
3 months to 1 year	-	-	4 224
1 to 5 years	-	-	-
Over 5 years	-	-	-
Sub-total	**-**	**-**	**4 224**
In HUF			
Up to 1 month	-	-	-
1 to 3 months	46 178	56 223	-
3 months to 1 year	265 674	139 260	70 776
1 to 5 years	182 493	54 375	78 903
Over 5 years	25 108	133 930	47 497
Sub-total	**519 453**	**383 788**	**197 176**
Total	**519 453**	**383 788**	**201 400**

(All amounts in HUF million, unless otherwise indicated)

The table below shows the balances of bonds issued as at 31 December 2022, 31 December 2021 and 31 December 2020.

ISIN	31.12.2022	31.12.2021	31.12.2020
HU0000357926	-	24 504	24 482
HU0000359435	34 044	34 054	34 064
HU0000359443	-	-	4 225
HU0000360011	-	-	70 776
HU0000360029	20 328	20 320	20 356
HU0000360086	109 142	109 083	47 497
HU0000360367	-	56 223	-
HU0000360581	-	38 558	-
HU0000360755	-	44 752	-
HU0000360763	25 108	24 848	-
HU0000360862	-	31 446	-
HU0000361399	33 993	-	-
HU0000361589	12 185	-	-
HU0000361787	54 194	-	-
HU0000361837	60 897	-	-
HU0000361860	18 979	-	-
HU0000361878	39 990	-	-
HU0000361902	35 678	-	-
HU0000361977	31 942	-	-
HU0000362025	42 973	-	-
Total	**519 453**	**383 788**	**201 400**

NOTE 19 OTHER LIABILITIES

	31.12.2022	31.12.2021	31.12.2020
Financial instruments	**7 414**	**8 162**	**8 227**
MEHIB insurance*	1 690	4 031	3 595
Cost accrual	524	504	1 400
Initial fair value difference of loans taken out	1 422	1 674	580
Lease liability	1 445	1 473	2 031
Other**	2 333	480	622
Non-financial instruments	**649**	**575**	**566**
Income accruals	270	275	164
Other	379	300	402
Total	**8 063**	**8 737**	**8 793**

Includes the insurance premium for an aid credit covered by MEHIB insurance

** The most significant item within the Other category (HUF 1 676 million) is the instalment received on the escrow account due to the Brussels sanctions, which the Bank does not recognise as contractual performance; it has therefore not reduced the carrying amount of the loan by that amount, and currently records it as other liabilities.

NOTE 20 SHAREHOLDERS' EQUITY

On 20 October 2022, the Founder reduced the share capital of the Bank at the same time as the profit reserve was increased. The number of ordinary shares withdrawn was 8 646 with a nominal value of HUF 5 million, and thus the subscribed capital decreased by HUF 43 230 million, retained earnings increased by the same amount. The withdrawn shares were HU0000074950-series ordinary shares.
On 21 December 2022, the Founder decided to increase the subscribed capital by issuing 20 000 ordinary shares with a nominal value of HUF 5 million, belonging to the same series as the ordinary shares that had been issued to date, as a result of which the subscribed capital increased by HUF 100 000 million. After the registration, the Bank has a total of 62 000 shares with a nominal value of HUF 5 million, and thus the share capital amounts to HUF 310 000 million.
In 2021 the Founder increased the Bank's share capital by HUF 40,000 million through a cash contribution by issuing new ordinary limited shares, in 2020 by HUF 54,300 million. The newly issued shares are ordinary shares belonging to the same series as the ordinary shares previously issued.

The provisions of Section 83 (2) of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Credit Institutions Act") state that the Bank is required to transfer 10% of its after-tax profit for the year to general reserves to cover future losses. In the reporting year, 90% of the previous year's after-tax profit, the part reduced by the 10% mandatory reserve, i.e. HUF 1 325 million, was transferred to the general reserve based on the decision of the founder, thereby changing its amount to HUF 11 246 million. The mandatory reserve to be set aside based on the profit for the year represents an increase of HUF 225 million. A general reserve of HUF 147 million was created in 2021.
In 2020 no general reserve was set aside in the reporting, as in the Bank's case, the after-tax result for the year was a loss. In accordance with the opportunity provided it under Section 83 (5) of the Credit Institution Act., in 2020 the Bank used the general reserve to cover the loss for the year.

NOTE 21 CREDIT LINES, PROMISSORY NOTES AND CONTINGENT LIABILITIES

Under the Exim Act, the Hungarian State also provides a statutory guarantee in respect of certain guarantees issued by Eximbank. Eximbank's guarantee portfolio consists primarily of export credit guarantees, issued to banks, and other export-related guarantees (including loan collateral, advance payment, performance, and tender guarantees) issued primarily to corporate customers.

The Hungarian State's obligations in respect of this statutory guarantee are subject to an upper limit set by the annual central budget. Section 52 (2) of 2021 on the Central Budget of Hungary for 2022 sets the ceiling for export credits and other export guarantee transactions undertaken against the central budget at HUF 100 billion (i.e. equal to the HUF 100 billion set in 2021 and HUF 50 billion in 2020). The Government Decree sets forth certain conditions for the statutory guarantee, including that all credit agreements for which Eximbank provides a government-subsidised export credit guarantee must conform to OECD guidelines.

(All amounts in HUF million, unless otherwise indicated)

As at 31 December 2022, of Eximbank's total guarantee portfolio of HUF 28 782, HUF 28 525 million was backed by state guarantees (in 2021, of HUF 30 296 million, HUF 30 022 million had been backed by state guarantees or suretyship, and in 2020 HUF 16 688 million out of HUF 17 160 million).

The remaining 1% of Eximbank's guarantee portfolio (which are guarantees issued at its own risk) is related to export-credit guarantees where the underlying loans, due mainly to the characteristics or nature of the export in question, are outside OECD guidelines and thus do not qualify as guarantees under the Government Decree.

The stock of uncalled guarantees issued by Eximbank under the absolute suretyship of the State decreased from HUF 30 022 million at the end of 2021 to HUF 28 525 million at the end of 2022, and increased from HUF 16 688 million at the end of 2020 to HUF 28 525 million at the end of 2021

In accordance with the provisions of Section 2 (6) of Minister of Finance Decree 16/1998. (V.20.), Eximbank regularly rates uncalled commitments arising from export-purpose guarantee transactions covered by the State's absolute suretyship on a quarterly basis in the same way as the commitments assumed at its own risk, in order to assess the risk to the central budget.

The stock of guarantees issued with the absolute suretyship of the State in each rating category based on the rating specified in the Decree:

	31.12.2022	31.12.2021	31.12.2020
Performing	26 174	28 870	15 520
Non-performing	2 351	1 152	1 168
Total	**28 525**	**30 022**	**16 688**

Financial guarantees and loan commitments as at 31 December 2022, 31 December 2021 and 31 December 2020 were as follows:

	31.12.2022	31.12.2021	31.12.2020
Unutilised part of credit lines, promissory notes	668 041	533 012	790 047
Guarantees counter-guaranteed by the State	28 525	28 102	14 768
Suretyship counter-guaranteed by the State	-	1 920	1 920
Guarantees not counter-guaranteed by the State	257	274	472
Letters of credit	75	137	614
Total	**696 898**	**563 445**	**807 821**

Credit lines represent the amounts not drawn under the Bank's current loan agreements. The Bank's credit lines primarily relate to its export refinancing products entered into with banks.
100% of the borrowings of the MNB's Funding for Growth programme, amounting to liabilities of HUF 1 074 million (compared to the amount of HUF 1 289 million at the end of 2021 and HUF 3 137 million at the end of 2020) are secured by government bonds and trade receivables, in accordance with MNB requirements. Funding for Growth scheme liabilities are presented among liabilities to credit institutions and insurance companies, while securities are shown on the Securities measured at amortised cost line of the balance sheet.

(All amounts in HUF million, unless otherwise indicated)

The above figures do not contain the remaining unpaid portion of commitments and contributions in respect of capital funds, which are presented in the following table. The payment of the remaining amounts depends on future investment decisions and drawdowns by the fund managers, they are therefore recognised as a contingent liability, as the Bank is required to pay its share of the amount upon request (see Notes 9 and 10):

Funds	Commitments			
	2022.12.31	31.12.2021	31.12.2020	
Portfolion Regionális Magántőkealap	HUF 313 million	HUF 313 million	HUF 743 million	Please, refer to Note 10.
Portfolion Regionális Magántőkealap II	HUF 6 057 million	HUF 9 701 million	HUF 11 250 million	Please, refer to Note 10.
Enter Tomorrow Europe Magántőkealap	EUR 5 309 720 (HUF 2 125 million)	EUR 9 329 720 (HUF 3 443 million)	EUR 13 744 720 (HUF 5 019 million)	Please, refer to Note 10.
Columbus	HUF 22 048 million	HUF 9 676 million	HUF 3 248 million	Please, refer to Note 10.
China-CEE Fund	USD 30 000 000 (HUF 11 270 million)	USD 13 013 595 (HUF 4 239 million)	USD 4 873 656 (HUF 1 449 million)	Please, refer to Note 9.
China-CEE Fund II.	USD 32 878 179 (HUF 12 352 million)	USD 47 001 638 (HUF 15 309 million)	USD 50 071 929 (HUF 14 889 million)	Please, refer to Note 9.
IFC FIG Fund	USD 28 676 050 (HUF 10 773 million)	USD 32 642 034 (HUF 10 632 million)	USD 45 095 929 (HUF 13 410 million)	Please, refer to Note 9.
East West	EUR 692 000 (HUF 277 million)	EUR 2 308 000 (HUF 852 million)	EUR 3 137 000 (HUF 1 145 million)	Please, refer to Note 9.
Hungarian - Kazakh Cooperation Fund	USD 7 004 766 (HUF 2 632 million)	USD 7 415 944 (HUF 2 415 million)	USD 7 649 390 (HUF 2 275 million)	Please, refer to Note 9.
SINO-CEE Fund	EUR 33 488 494 (HUF 13 404 million)	EUR 32 862 305 (HUF 12 126 million)	EUR 36 981 350 (HUF 13 503 million)	Please, refer to Note 9.
Three Seas Initiative Investment Fund	EUR 9 058 923 (HUF 3 626 million)	EUR 12 674 629 (HUF 4 677 million)	EUR 20 000 000 (HUF 7 303 million)	Please, refer to Note 9.
Herius - 1 Magántőkealap	EUR 42 637 076 (HUF 17 065 million)	EUR 8 820 000 (HUF 3 255 million)	-	Please, refer to Note 9.
Európa Agrár Magántőkealap	EUR 12 580 664 (HUF 5 035 million)	EUR 30 430 664 (HUF 11 229 million)	-	Please, refer to Note 10.
Innova - 1 Magántőkealap	HUF 9 000 million	-	-	Please, refer to Note 10.

(All amounts in HUF million, unless otherwise indicated)

In the event of the redemption of guarantees undertaken subject to the suretyship of the Hungarian State, the amount of debt paid from government funds is the amount of the receivables outstanding from the customer – as the customer's debt to the state – until such time as the customer settles the amount financially. The Bank records the amount of interest and late payment interest charged on these redeemed guarantees in the zero account class:

Changes in liabilities to customers stemming from guarantees redeemed through the exercising of a full payment guarantee of the State in 2020, 2021 and 2022:

	Basic receivables	Late payment interest receivables	Total
Opening balance 01.01.2020	2 673	1 575	4 248
Increase as a result of redemption and other volume changes	-	124	124
Recoveries (-)	-	-	-
Closing balance 31.12.2020	2 673	1 699	4 372
Opening balance 01.01.2021	2 673	1 699	4 372
Additions resulting from redemption and other volume change	-	124	124
Recoveries (-)	-	-	-
Closing balance 31.12.2021	2 673	1 823	4 496
Opening balance 01.01.2022	2 673	1 823	4 496
Additions resulting from redemption and other volume change	-	123	123
Recoveries (-)	-	-	-
Closing balance 31.12.2022	2 673	1 946	4 619

NOTE 22 INTEREST INCOME AND INTEREST EXPENSE

	In the year of 2022	**In the year of 2021**	**In the year of 2020**
Interest income			
Interest income calculated using the effective interest method	*89 454*	*31 700*	*26 730*
Loans and advances to other banks and insurance companies	(1 350)	(6 812)	421
Loans and advances to customers	4 958	5 733	5 975
Interest compensation*	80 964	31 252	19 523
Interest equalisation related to financial institution loans	72 442	28 019	16 125
Interest equalisation related to corporate loans	8 522	3 233	3 398
Securities	4 882	1 527	811
Derivatives (involved in hedging)	*2 888*	*1 975*	*428*
Derivatives	-	17	428

(All amounts in HUF million, unless otherwise indicated)

Hedging	2 888	1 958	-
Total	**92 342**	**33 675**	**27 158**

	In the year of 2022	In the year of 2021	In the year of 2020
Interest expense			
Interest expense calculated using the effective interest method	*43 788*	*15 167*	*12 459*
Loans and deposits from other banks	26 790	10 701	10 786
Loans and deposits from other customers	276	8	65
Debt securities issued	16 722	4 458	1 608
Other interest expense	*37*	*21*	*239*
Derivatives	17	-	213
Leasing	20	21	26
Total	**43 825**	**15 188**	**12 698**
Net interest income	**48 517**	**18 487**	**14 460**

*In accordance with the provisions of Government Decree 85/1998 (V.6.) on the interest equalisation system and with Government Decree 232/2003 (XII.16.) on tied-aid credits the Bank receives interest compensation from the Hungarian State for special financing options. Please refer to Note 3.13.

The interest income from credit institutions and insurance companies is negative, most of which is explained by the compensation programme launched in 2020 to offset the negative economic situation caused by the Covid-19 epidemic, under which the Bank also granted loans at negative interest rates. The amount of the interest-equalisation aid provided by the state in relation to the transactions alters the amount of the negative interest generated as a result of the disbursement of the compensation loans to a market-based interest amount. In accordance with the above, the amount of interest equalisation and negative interest is treated as part of the loan cash flow when determining the effective interest rate, and negative interest is shown as an item that reduces interest income.

In 2022, the interest income of assets in Stage 3 (mostly "Loans and advances to other customers" and to a lesser extent "Loans and advances to credit institutions and insurance companies") was HUF 3 813 million (which calculated at gross amortised cost would be HUF 5 372 million). In 2021 this interest income in Stage 3 was HUF 1 498 million (calculated at gross amortised cost would have been HUF 2 241 million), and in 2020 this amount was HUF 1 228 million (calculated at gross amortised cost would have been HUF 1 793 million). The payment moratorium related to the coronavirus and the drought changes the development of the amortised cost of the related loans (due to the lack of payments, it typically results in a lower amortised cost when determining the new repayment schedule), and thus it has an impact on the effective interest income recognised in later periods. The modification loss that reduces the amortised cost figure is offset by the higher effective interest income compared to the original during the term of the loan. Other disclosures related to the coronavirus and the drought are presented in Note 33.4.

(All amounts in HUF million, unless otherwise indicated)

Settlements related to the interest equalisation system

	31.12.2022	31.12.2021	31.12.2020
Financially settled claim	63 720	26 392	17 357
Financially settled payment obligation	(285)	(434)	(284)
Balance	**63 435**	**25 958**	**17 073**

The Economic Restart Fund's centrally managed appropriation for the amount to be used as the source of the interest equalisation system's settlement with the central budget was set at HUF 31 200 million in Act XC of 2021 on the Central Budget of Hungary for 2022. Govt. Resolution 1094/2022. (II.28.) allowed for the appropriation to be exceeded by HUF 3 500 million, Govt. Resolution 1323/2022. (VII.8.) by a further HUF 21 700 million at most, and Govt. Resolution 1472/2022. (X.5.) by an additional HUF 8 400 million at most. Of the total appropriation of HUF 64 800 million, HUF 63 720 million was drawn down and paid out.

The Economic Restart Fund's centrally managed appropriation for the amount to be used as the source of the interest equalisation system's settlement with the central budget was set at HUF 25 000 million in Act XC of 2020 on the Central Budget of Hungary for 2021. This amount was changed to a maximum of HUF 27 500 million by Section 1 of Government Resolution 1486/2021. (VII.16.). Of the total appropriation of HUF 27 500 million, HUF 26 392 million was drawn down and paid out.

The KKM's centrally managed appropriation for the amount to be used as the source of the interest equalisation system's settlement with the central budget was set at HUF 19 200 million in Act LXXI of 2019 on the Central Budget of Hungary for 2020. This amount was changed to HUF 19 300 million by Government Decision 1185/2020 (IV.27). Of the total appropriation of HUF 19 300 million, HUF 17 357 million was drawn down and paid out.

Settlements related to tied-aid credits

	31.12.2022	31.12.2021	31.12.2020
Financially settled donation item claim*	2 360	6 414	2 269
Financially settled interest subsidy claim	1 356	696	1 247
Financially settled interest subsidy payment obligation	(77)	(44)	-
Financially settled fee refund	-	-	-
Balance	**3 639**	**7 066**	**3 516**

* The reimbursed MEHIB insurance premiums by the Hungarian State to the Bank for the tied-aid credits that are covered by MEHIB insurance.

In the framework of tied-aid lending, the Economic Restart Fund chapter's centrally managed appropriation for the amount of the interest subsidy to be settled by Eximbank with the central budget was determined by Act XC of 2021 on the Central Budget of Hungary for 2022 in an amount of HUF 12 000 million. The Govt. Resolution 1643/2022. (XII. 21.) on the reallocation of appropriations between chapters and the reallocation of appropriations from the Economic Restart Programmes appropriation reduced the amount of the appropriation by HUF 3 272 million. Of the total appropriation of HUF 8 728 million, HUF 3 716 million was drawn down and paid out.

In the framework of the tied aid lending, the Economic Restart Fund chapter's centrally managed appropriation for the amount of the interest subsidy to be settled by Eximbank with the central budget is determined by Act XC of 2020 on the Central Budget of Hungary for 2021 in an amount of HUF 12 000 million. Of the total appropriation of HUF 12 000 million, HUF 7 110 million was drawn down and paid out.

(All amounts in HUF million, unless otherwise indicated)

In the framework of the tied aid lending, the KKM chapter's centrally managed appropriation for the amount of the interest subsidy to be settled by Eximbank with the central budget is determined by Act LXXI of 2019 on the Central Budget of Hungary for 2020 in an amount of HUF 17 900 million. This amount has been changed to HUF 7 134 million based on the information provided by the KKM in August 2020. Of the total appropriation of HUF 7 134 million, HUF 3 516 million was drawn down and paid out.

NOTE 23 NET INCOME FROM FEES AND COMMISSIONS

	In the year of 2022	In the year of 2021	In the year of 2020
Fee and commission income:			
Guarantees counter-guaranteed by the State	729	331	149
Suretyship counter-guaranteed by the State	6	5	-
Guarantees not counter-guaranteed by the State	9	9	10
Other	163	402	101
Total	**907**	**747**	**260**
Fee and commission expense:			
Guarantee fees	93	57	28
Other	197	182	150
Total	**290**	**239**	**179**
Net fee and commission income	**617**	**508**	**81**

The income and expenses in the table above have been recognised in accordance with IFRS 15.
The functions of a state export credit agency are shared between Eximbank and MEHIB. While Eximbank is engaged in the provision of export and export-related financing and export-related guarantees, MEHIB provides export credit insurance to exporters or their banks, including some of Eximbank's borrowers.

Eximbank is authorised by the Hungarian State to provide loans to borrowers through a system of aid credits based on intergovernmental agreements, with the aim of reaching new markets in developing countries. Tied-aid loans are disbursed to Hungarian exporters, and the tied-aid credit provided by Eximbank incorporates special interest terms and support granted in the form of an insurance premium.

In accordance with the rules and conditions of Government Decree 232/2003 (XII.16.) on aid credits the Bank receives the total amount of the support (insurance premium) from the Hungarian State in the form of compensation.

The insurance premiums payable by Eximbank to MEHIB and the insurance premiums recovered from the Hungarian State (to cover the insurance premiums payable to MEHIB) are considered as transaction costs of the related loan receivables, forming an integral part of the effective interest rate of these transactions, resulting in these items are not being presented as fee income and fee expenses.

Under OECD guidelines, interest charged to borrowers under aid credits must be at least 35% lower than the interest rate charged by Eximbank under its normal lending practices.

In accordance with OECD guidelines, MEHIB insurance covers 100% of the principal and interest amounts under Eximbank's tied-aid credits.

(All amounts in HUF million, unless otherwise indicated)

In 2021 and 2022, the Bank did not have any budgetary settlements related to guarantees undertaken and redeemed at the expense of the central budget, or to recoveries associated with these.
The 2022 budgetary framework for the budget payment obligation arising from redeemed export credit and other export guarantees issued by Eximbank under the full payment guarantee covered by the State was set by Act XC of 2021 on the Central Budget of Hungary for 2022 sets in a total of HUF 100 million (this amount was HUF 500 million in 2021 and HUF 300 million in 2020).
The following table shows the nature and scheduling of the Bank's performance obligations under the types of contracts with customers that give rise to the recognition of a fee income, with the material payment terms of such contracts also being presented in accordance with IFRS 15 Revenue from Contracts with Customers.

Type of fee income	Nature of performance obligation and material payment terms	IFRS 15 revenue recognition
Guarantee fee income	There are two types of fees related to guarantees. One type includes, for example, handling fees, bank service charges and postal charges that occur at the issue of the guarantee. The other type of guarantee fee is paid pro rata temporis. For guarantees where the initial duration of the guarantee is less than one year, the guarantee fee is charged in advance, at the start of the transaction. In the case of guarantees with a term longer than 12 months, the fee is charged in advance for each half-year period.	Guarantee fees are recognised as revenue on a straight-line basis over the life of the guarantee.
Other	Fees that are not significant compared to the Bank's total income, such as administrative, commitment, export and import fee. For ongoing services, the Bank charges fees on a monthly basis during the period in which they are performed, while fees for ad-hoc services are charged when the transaction is performed.	The fees for ongoing services are recognised on a pro rata temporis basis over the duration of the service. Ad-hoc fees are recognised when the transaction is executed.

(All amounts in HUF million, unless otherwise indicated)

NOTE 24 GAINS OR LOSSES ON THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	Carrying amount of derecognised assets	Gain on derecognition	Carrying amount of derecognised assets	Gain on derecognition	Carrying amount of derecognised assets	Gain on derecognition
	31.12.2022	**2022**	**31.12.2021**	**2021**	**31.12.2020**	**2020**
Loans and advances to credit institutions and insurance companies	-	-	-	(12)	-	-
Loans and advances to other customers	-	-	244	678	66	(50)
Total	**-**	**-**	**244**	**666**	**66**	**(50)**

NOTE 25 GAINS OR LOSSES FROM TRADING AND INVESTMENT ACTIVITIES

	2022	2021	2020
Gains or losses on foreign currency swaps, net	11 592	2 017	1 041
Part of hedging transactions reclassified from OCI to profit and loss	(11 197)	(4 970)	-
Profit/loss from the ineffectiveness of cash-flow hedges	2 346	(69)	-
Other foreign currency gains or losses, net*	3 448	409	(2 217)
Foreign currency gains or losses, net	**6 189**	**(2 613)**	**(1 176)**
Gains or losses on investments measured at fair value through profit or loss, net (Note 9)	(1 941)	4 614	(972)
Total	**4 248**	**2 001**	**(2 147)**

* The net value of other foreign currency gains and losses includes exchange trading losses and revaluation differences.

Breakdown of other foreign exchange profit and loss by transaction type:

	31.12.2022	31.12.2021	31.12.2020
Loss on revaluation of impairment	(2 372)	(479)	(1 560)
Loss on revaluation of provisions	(17)	(1)	(11)
Gain on revaluation	5 832	885	(636)
Gain on customer FX trading	5	4	-
	3 448	**409**	**(2 207)**

(All amounts in HUF million, unless otherwise indicated)

NOTE 26 OTHER OPERATING INCOME AND EXPENSES, PERSONNEL-TYPE EXPENDITURES, DEPRECIATION AND AMORTISATION

	In the year of 2022	In the year of 2021	In the year of 2020
Initial fair value difference amortisation*	-	375	694
Interest income from the issue of bonds	-	-	286
Other	-	-	185
Other operating income	**-**	**375**	**1 165**
Material and service expenses	3 917	2 047	2 316
Bank tax **	1 055	888	751
Extra-profit tax***	2 750	-	-
Other administration expenses	890	815	556
Other expenses/ (income), net	128	(28)	515
Other operating expenses	**8 740**	**3 722**	**4 138**
Personnel expenses	4 786	4 348	4 086
Depreciation and amortisation	984	1 009	1 051
Total	**14 510**	**9 079**	**9 275**

The average number of employees in 2022 was 181 (2021: 195, 2020: 197).

*The initial fair value difference on Liabilities to credit institutions and insurance companies received at rates below market interest rates is recognised in other liabilities, as the Bank considers them to be state grants. The state grant is amortised over the term of the loan using the effective interest rate.

**According to the provisions of Act LIX of 2006, from 2010 the Bank is required to pay a so-called "bank tax". From 1 January 2017 the Bank has to consider the value of total assets for the second year preceding the tax year as tax base. The tax rate is 0.15% up to HUF 50 000 million and 0.2% above HUF 50 000 million.

***In 2022, a new special tax on credit institutions and financial enterprises, known as the "extra profit tax", was introduced, which must be paid for the 2022 and 2023 tax years. The payment obligation arose for the first time with respect to the entire tax year following 31 December 2021, and was due in two equal instalments, the first on 1 July 2022. In 2022, the rate of special tax charged on credit institutions and financial enterprises is 10% of the net sales determined on the basis of the annual report of the tax year preceding the tax year concerned, as per Act C of 1990 on local taxes (hereinafter: Local Taxes Act).

(All amounts in HUF million, unless otherwise indicated)

NOTE 27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of the Bank's assets and liabilities analysed according to when they are expected to be recovered or settled.

31.12.2022	**Up to 12 month**	**After 12 months**	**Total**
Cash and settlements with the National Bank of Hungary	186 306	-	186 306
Goverment securities at amortised cost	24 928	88 128	113 056
Loans and advances to credit institutions and insurance companies	427 424	768 059	1 195 483
Loans and advances to other customers	98 838	348 141	446 979
Derivative transactions – Held for trading, measured at fair value through profit or loss	9 746	-	9 746
Investments measured at fair value through profit or loss	-	34 367	34 367
Investments accounted for using the equity method	-	88 973	88 973
Intangible assets	-	2 251	2 251
Property, plant and equipment	-	1 727	1 727
Other tax receivables	185	257	442
Deferred tax receivables	-	2 502	2 502
Other assets	9 488	131	9 619
Total assets	**756 915**	**1 334 536**	**2 091 451**
Liabilities to credit institutions and insurance companies	374 846	796 966	1 171 812
Liabilities to other customers	2 514	-	2 514
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	32 180	32 180
Securities issued	313 390	206 063	519 453
Provisions	1 324	183	1 507
Tax liabilities	710	-	710
Other liabilities	7 672	391	8 063
Total liabilities	**700 456**	**1 035 783**	**1 736 239**
Net	**56 459**	**298 753**	**355 212**

31.12.2021	**Up to 12 month**	**After 12 months**	**Total**
Cash and settlements with the National Bank of Hungary	1 543	-	1 543
Goverment securities at amortised cost	-	102 976	102 976
Loans and advances to credit institutions and insurance companies	283 128	700 665	983 793
Loans and advances to other customers	63 179	344 086	407 265
Derivative transactions – Held for trading, measured at fair value through profit or loss	26	-	26
Investments measured at fair value through profit or loss	-	39 578	39 578
Investments accounted for using the equity method	-	69 856	69 856
Intangible assets	-	2 292	2 292

(All amounts in HUF million, unless otherwise indicated)

Property, plant and equipment	-	2 048	2 048
Actual income tax receivables	436	-	436
Other tax receivables	172	385	557
Deferred tax receivables	-	1 985	1 985
Other assets	5 386	203	5 589
Total assets	**353 870**	**1 264 074**	**1 617 944**
Liabilities to credit institutions and insurance companies	172 693	772 281	944 974
Liabilities to other customers	1 009	-	1 009
Derivative transactions – Held for trading, measured at fair value through profit or loss	4 304	-	4 304
Derivative transactions – Hedge accounting measured at fair value through profit or loss	4 770	14 259	19 029
Securities issued	195 847	187 941	383 788
Provisions	144	-	144
Tax liabilities	187	-	187
Deferred tax liabilities	-	200	200
Other liabilities	7 016	1 721	8 737
Total liabilities	**385 970**	**976 402**	**1 362 372**
Net	**(32 100)**	**287 672**	**255 572**

31.12.2020	**Up to 12 month**	**After 12 months**	**Total**
Cash and settlements with the National Bank of Hungary	2 529	-	2 529
Goverment securities at amortised cost	19 204	86 057	105 261
Loans and advances to credit institutions and insurance companies	225 228	537 138	762 366
Loans and advances to other customers	67 360	256 178	323 538
Investments measured at fair value through profit or loss	-	28 198	28 198
Investments accounted for using the equity method	-	61 121	61 121
Intangible assets	-	2 165	2 165
Property, plant and equipment	-	2 394	2 394
Actual income tax receivables	649	-	649
Other tax receivables	159	514	673
Deferred tax receivables	-	374	374
Other assets	4 067	-	4 067
Total assets	**319 196**	**974 139**	**1 293 335**
Liabilities to credit institutions and insurance companies	209 656	640 667	850 323
Liabilities to other customers	3 675	-	3 675
Derivative transactions – Hedge accounting measured at fair value through profit or loss	1 303	242	1 545
Securities issued	75 595	125 805	201 400
Provisions	243	-	243
Tax liabilities	105	-	105

(All amounts in HUF million, unless otherwise indicated)

Deferred tax liabilities	-	84	84
Other liabilities	6 882	1 912	8 794
Total liabilities	**297 459**	**768 710**	**1 066 169**
Net	**21 737**	**205 429**	**227 166**

NOTE 28 RELATED PARTY TRANSACTIONS

28.1 Employee benefits

Loans to employees of the Bank amounted to HUF 189 million and HUF 263 million and HUF 334 million as at 31 December 2022 and 31 December 2021 and 31 December 2020, respectively. The Bank did not grant any loans to senior management during the reporting year.

The remuneration of the Board of Directors, the Audit Committee and the Supervisory Board was HUF 83 million in 2022 (2021: HUF 82 million, 2020: HUF 80 million). There are no share-based payments to the Board of Directors or senior executives.

The remuneration of key management personnel was HUF 224 million in 2022 (2021: HUF 144 million, 2020: HUF 160 million).

The following table shows the benefits paid to key management personnel in 2022 in HUF million:

Basic salary	149
Other income (waived debt)	1
Exemption (absence allowance)	9
Agreement allowance (average earnings at exit)	40
Unused holiday allowance	15
Absence allowance	10
	224

Of which (a) short-term benefits: **160**
(b) post-employment benefits: **64**
(c) other long-term benefits: **0**
(d) severance pay: **0**
(e) share-based payments: **0**

28.2 Related parties

Since 1 June 2022, the minister responsible for the supervision of state assets has exercised ownership rights on behalf of the Hungarian State.
Eximbank, as a state-owned company, makes use of the exemption under which it does not disclose any transactions conducted with, outstanding balances kept with, and commitments undertaken towards the Hungarian State and entities over which the Hungarian State has control, joint control or significant influence, except for individually or collectively significant transactions.

The Bank considers the following companies to be related parties (and the following entities are likewise under State control):

- Magyar Fejlesztési Bank Zrt.
- Magyar Exporthitel Biztosító Zrt.
- Budapest Lízing Zrt. Up to 31.03.2022
- Budapest Bank Zrt. Up to 31.03.2022
- Garantiqa Hitelgarancia Zrt.
- GIRO Zrt.
- BISZ Zrt.

Related party transactions are conducted at market rates. The total amount of receivables from related party companies was HUF 145 358 million as at 31 December 2022, representing 6.95% of total assets (as at 31 December 2021: 15.56%), the total amount of commitments was HUF 77 390 million as at 31 December 2022, representing 4.46% of total liabilities (as at 31 December 2021: 5.43%), while the value of financial guarantee agreements and loan commitments was HUF 0 million, representing 0% of financial guarantee agreements and loan commitments (as at 31 December 2021: 2.83%).

Related party transactions are conducted at market rates. The total amount of receivables from related party companies was HUF 251 487 million as at 31 December 2021, representing 15.56% of total assets (as at 31 December 2020: 16.16%), the total amount of commitments was HUF 74 017 million as at 31 December 2021, representing 5.43% of total liabilities (as at 31 December 2020: 6.43%), while the value of financial guarantee agreements and loan commitments was HUF 15 939 million, representing 2.83% of financial guarantee agreements and loan commitments (as at 31 December 2020: 2.98%).

(All amounts in HUF million, unless otherwise indicated)

	31.12.2022	31.12.2021	31.12.2020
Hungarian Government bonds	113 056	102 976	105 261
Related party securities measured at amortised cost	**113 056**	**102 976**	**105 261**
Shown on balance sheet line Loan receivables from related parties, Receivables from credit institutions and insurance companies	3 461	133 467	93 882
Shown on balance sheet line Receivables from the State arising from the interest equalisation system, Receivables from other customers	26 204	10 478	5 672
Related party receivables, less impairment	**29 665**	**143 945**	**99 554**
Share in other companies	12	-	-
Total financial assets measured at fair value through profit and loss vis-à-vis related parties	**12**	-	-
Accrued income and receivables from the State in respect of tied-aid credit	2 251	4 189	3 794
Accrued income from other related parties	374	377	353
Total other related party assets	**2 625**	**4 566**	**4 147**
Total assets	**145 358**	**251 487**	**208 962**
Loan and deposit liabilities (accrued interest payable) to related parties	75 029	69 161	63 923
Total loans and deposits from related parties	**75 029**	**69 161**	**63 923**
Other related party liabilities	1 690	4 031	3 700
Accrued expenses against related parties related to cost sharing	671	825	901
Total other liabilities to related parties	**2 361**	**4 856**	**4 601**
Total liabilities	**77 390**	**74 017**	**68 524**
Financial guarantee contracts and loan commitments	-	15 939	24 050
Total financial guarantee contracts and loan commitments	-	**15 939**	**24 050**

(All amounts in HUF million, unless otherwise indicated)

	2022	2021	2020
Interest income:			
Interest equalisation from the State	80 964	31 252	19 523
Government securities measured at amortised cost	4 882	1 527	811
Loans and other current receivables from related parties	255	102	122
Total	**86 101**	**32 881**	**20 456**
Interest expense:			
Loans and deposits from other related parties	2 050	553	485
Total	**2 050**	**553**	**485**
Expense related to MEHIB insurance premiums*	**455**	**14 442**	**5 605**
Tied-aid credit and insurance premium reimbursement from the State	19	6 850	2 764
Net interest income and net fee and commission income	**83 615**	**24 736**	**17 130**
Operating income/(expenses)			
Net operating income/expenses from MEHIB and MFB's subsidiaries (-)	(130)	(80)	(284)
Net income/(expense) from sharing personnel-type expenditures	721	636	591
Total	**591**	**556**	**307**

*Expenses related to MEHIB fees are passed on. Both fee-related expenses and the related income arising from the passing-on are an integral part of the effective interest rate, so they are recognised in Interest income recognised using the effective interest method in the profit and loss account. Only the expenditure side is presented in this table as this is what can be considered a related-party transaction.

(All amounts in HUF million, unless otherwise indicated)

As a result of closer organisational cooperation between Eximbank and MEHIB (the majority of the employees, including CEO and deputy CEOs, have been employees by both Eximbank and MEHIB since 2012) on 4 November 2012 the two companies concluded an agreement according to which Eximbank and MEHIB agreed on how to share and recognise the costs incurred in connection with the closer organisational cooperation. The agreement has since been modified several times.

According to the agreement the following costs are shared between the two companies:

1. personnel-type expenditures,
2. intermediated services,
3. other administrative costs
4. material-type expenditures,
5. costs incurred in connection with jointly used tangible and intangible assets (depreciation, extraordinary depreciation, insurance premiums, taxes, contributions and other costs and expenses directly linked to the assets in joint use).

Effects of the cost sharing to Eximbank's profit and loss in 2022 and 2021 are presented in the following tables:

1) Jointly used tangible assets:

Income (and expense) from jointly used property, plant and equipment	**31.12.2022**	**31.12.2021**	**31.12.2020**
a) revenue from fees invoiced by the Bank to MEHIB for the use of assets, which is included in "Other operating expenses"	**91**	**101**	105
b) fees invoiced by MEHIB to the Bank for the use of assets, which is included in "Other operating expenses"	**(12)**	**(8)**	(18)

2) Personnel-type expenditures: jointly employed employees

Income (and expense) related to jointly employed employees	**31.12.2022**	**31.12.2021**	**31.12.2020**
a) Personnel-type expenditures passed on by the Bank to MEHIB, invoiced amount presented under "Personnel-type expenditures" in the profit and loss account as an item decreasing the given value.	**775**	**664**	619
b) the amount of personnel-type expenditure incurred by MEHIB and passed on to the Bank for jointly employed staff. The amount is presented under "Personnel-type expenditures" in the profit and loss account as an item increasing the given value.	**(54)**	**(28)**	(28)

3) Personnel-type expenditures not linked to persons

Income (expense) related Personnel-type expenditures not linked to persons	**31.12.2022**	**31.12.2021**	**31.12.2020**

a) personnel-type expenditures invoiced by the Bank to MEHIB, recognised under "Net other operating expenses"	**30**	**32**	44
b) personnel-type expenditures invoiced by MEHIB to the Bank, recognised under "Net other operating expenses"	**(112)**	**(64)**	(53)

4) Intermediated services

Income (and expense) related to sharing intermediated services	**31.12.2022**	**31.12.2021**	**31.12.2020**
a) the amount of general administrative expenses invoiced by the Bank to MEHIB, recognised under "Net other operating expenses"	**20**	**20**	62
b) the amount of general administrative expenses invoiced by MEHIB to the Bank, recognised under "Net other operating expenses"	**(14)**	**(8)**	(167)

5) Material-type expenditures and other administration expenses

Income (and expense) related to sharing material-type expenditures and other administration expenses	**31.12.2022**	**31.12.2021**	**31.12.2020**
a) the amount invoiced by the Bank to MEHIB, recognised under "Net other operating expenses"	**146**	**110**	137
b) the amount invoiced by MEHIB to the Bank, recognised under "Net other operating expenses"	**(279)**	**(263)**	(394)

Based on separate agreements, the Bank charged HUF 135 million in 2022 and HUF 114 million in 2021 and HUF 91 million in 2020 to MEHIB within the framework of sublease agreements.

NOTE 29 FINANCIAL ASSETS AND LIABILITIES BY UNDISCOUNTED RESIDUAL CASH FLOWS

The table below summarises the undiscounted cash flows related to the Bank's financial assets and liabilities by maturity. The undiscounted cash flows include estimated interest payments and interest equalisation. For further information about the maturity of derivatives please refer to Note 8.
Cash flows related to demand instruments are taken into account as if they were redeemed immediately. For credit lines, guarantee transactions and letter of credits the maximum amount that can be drawn down is allocated to the earliest period in which they could be called.
As part of its management of liquidity risk arising from financial liabilities, the Bank holds liquid assets consisting of cash and cash equivalents. In addition, the Bank maintains credit lines with other banks, which amounted to HUF 20 013 million, HUF 43 173 million and HUF 115,411 million on 31 December 2022, 31 December 2021 and 31 December 2020, respectively. These amounts reflect amounts not yet drawn as at the reporting date.

Notes to the individual financial statements for the year ended 31 December 2022
(All amounts in HUF million, unless otherwise indicated)

Balance as at 31 December 2022	Carrying amount	Gross nominal inflow/outflow*	Up to 1 month	Within 1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Cash and cash equivalents	186 306	186 306	186 306	-	-	-	-
Government securities measured at amortised cost	113 056	136 160	-	-	31 337	104 823	-
Receivables from credit institutions and insurance companies	1 195 483	1 201 664	81 993	56 493	336 318	624 303	102 557
Receivables from other customers	446 979	795 206	31 164	29 380	99 319	325 316	310 027
Derivative transactions – Held for trading, measured at fair value through profit or loss**	9 746	19 208	663	-	18 545	-	-
Foreign exchange swaps – inflow			48 444		137 419		
Foreign exchange swaps – outflow			(47 781)		(118 874)		
Investments measured at fair value through profit or loss	34 367	34 366	-	-	-	29 846	4 520
Other financial assets	9 421	9 421	9 421	-	-	-	-
Financial assets	**1 995 358**	**2 382 331**	**309 547**	**85 873**	**485 519**	**1 084 288**	**417 104**
Liabilities to credit institutions and insurance companies	1 171 812	1 298 830	3 733	168 903	196 238	713 049	216 907
Liabilities to other customers	2 514	2 570	306	538	1 726	-	-
Securities issued	519 453	570 733	-	46 550	297 413	200 147	26 623
Derivative transactions – Hedge accounting measured at fair value through profit or loss**	*32 180*	92 312	-	-	*16 167*	*76 145*	-
CCIRS – inflow					*(127 250)*	*(595 650)*	
CCIRS – outflow					*143 417*	*671 795*	
Other financial liabilities	7 224	7 224	7 224	-	-	-	-
Financial liabilities	**1 733 183**	**1 971 669**	**11 263**	**215 991**	**511 544**	**989 341**	**243 530**
Liquidity (shortfall)/excess ***	**262 175**	**410 662**	**298 284**	**(130 118)**	**(26 025)**	**94 947**	**173 574**
Loan commitments****		*668 041*	*668 041*				
Financial guarantee contracts		*28 782*	*28 782*				
Letters of credit		*176*	*176*				

(All amounts in HUF million, unless otherwise indicated)

Balance as at 31 December 2021	Carrying amount	Gross nominal inflow/outflow*	Up to 1 month	Within 1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Cash and cash equivalents	1 543	1 543	1 543	-	-	-	-
Goverment securities at amortised cost	102 976	112 939	214	-	2 070	89 551	21 104
Loans and advances to credit institutions and insurance companies	983 793	1 080 651	36 040	31 470	258 282	654 171	100 688
Loans and advances to other customers	407 265	494 695	9 024	5 253	56 757	182 291	241 370
Derivative transactions – Held for trading, measured at fair value through profit or loss**	26	26	26	-	-	-	-
Foreign exchange swaps – inflow	-	-	10 041	-	-	-	-
Foreign exchange swaps – outflow	-	-	(10 015)	-	-	-	-
Investments measured at fair value through profit or loss	39 578	39 578	-	-	-	22 875	16 703
Other financial assets	5 589	5 589	5 589	-	-	-	-
Financial assets	**1 540 770**	**1 735 021**	**52 436**	**36 723**	**317 109**	**948 888**	**379 865**
Liabilities to credit institutions and insurance companies	944 974	975 449	23 224	6 851	150 812	680 119	114 443
Liabilities to other customers	1 009	1 009	1 009	-	-	-	-
Securities issued	383 788	406 415	-	56 351	144 276	67 270	138 518
Derivative transactions – Held for trading, measured at fair value through profit or loss**	4 304	1 860	-	-	1 860	-	-
Foreign exchange swaps – inflow	-	-	-	-	*(84 191)*	-	-
Foreign exchange swaps – outflow	-	-	-	-	*86 051*	-	-
Derivative transactions – Hedge accounting measured at fair value through profit or loss**	*19 029*	(11 449)	-	-	*(2 870)*	*(10 503)*	*1 924*
CCIRS – inflow	-	-	-	-	*(2 870)*	*(31 380)*	*(109 419)*
CCIRS – outflow	-	-	-	-	-	*20 877*	*111 343*
Other financial liabilities	6 788	6 788	6 788	-	-	-	-
Financial liabilities	**1 359 892**	**1 380 072**	**31 021**	**63 202**	**294 078**	**736 886**	**254 885**
Liquidity (shortfall)/excess	**180 878**	**354 949**	**21 415**	**(26 479)**	**23 031**	**212 002**	**124 980**

(All amounts in HUF million, unless otherwise indicated)

Loan commitments****	*533 012*	*533 012*
Financial guarantee contracts	*30 296*	*30 296*
Letters of credit	*176*	*176*

(All amounts in HUF million, unless otherwise indicated)

Balance as at 31 December 2020	**Carrying amount**	**Gross nominal inflow/outflow***	**Up to 1 month**	**Within 1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**
Cash and cash equivalents	2 529	2 529	2 529	-	-	-	-
Goverment securities at amortised cost	105 261	110 663	51	38	21 079	74 422	15 073
Loans and advances to credit institutions and insurance companies	762 366	825 276	13 911	26 074	206 710	478 679	99 902
Loans and advances to other customers	323 538	396 633	14 953	9 933	53 707	148 715	169 325
Investments measured at fair value through profit or loss	28 198	28 198	-	-	-	12 854	15 344
Other financial assets	4 066	4 066	4 066	-	-	-	-
Financial assets	**1 225 958**	**1 367 365**	**35 510**	**36 045**	**281 496**	**714 670**	**299 644**
Liabilities to credit institutions and insurance companies	850 323	878 545	71 609	7 354	137 845	549 449	112 288
Liabilities to other customers	3 675	3 676	*3 676*	-	-	-	-
Securities issued	201 400	211 138	-	-	77 507	85 084	48 547
Financial liabilities measured at fair value through profit or loss (Derivatives)	1 545	1 220	915	7	107	117	74
Foreign exchange swaps – inflow	-	*(79 858)*	*(56 218)*	-	*(2 364)*	-	-
Foreign exchange swaps – outflow	*1 245*	*80 868*	*57 135*	-	*23 733*	-	-
CCIRS – inflow	-	*(1 871)*	*(2)*	*(69)*	*(214)*	*(1 119)*	*(467)*
CCIRS – outflow	*300*	*2 081*	-	*76*	*228*	*1 236*	*541*
Other financial liabilities	6 505	6 505	6 505	-	-	-	-
Financial liabilities	**1 063 448**	**1 101 084**	**82 705**	**7 361**	**215 459**	**634 650**	**160 909**
Liquidity (shortfall)/excess	**162 510**	**266 281**	**(47 195)**	**28 684**	**66 037**	**80 020**	**138 735**
Loan commitments****		*790 047*	*790 047*				
Financial guarantee contracts		*17 160*	*17 160*				
Letters of credit		*614*	*614*				

*Gross amount without impairment

** The significant difference between cash flows and carrying amount is due to a significant shift in market interest rates. Cash flows reflect contractual money movements, while the carrying amount reflects the expected impact of market movements.

*** The liquidity shortfall in February-March 2023 arose due to a large volume of credit maturities. The management of the shortfall was secured in several ways: the EUR 500 million matured credit was renewal in 2023 Q1 and Eximbank continuously issued bonds in the amount of HUF 340 million on the domestic securities market.

**** The Business Department prepares an estimate for the disbursement schedule under the existing credit line in order for the Bank to be able to service the expected liquidity needs. The legal contractual status lasts from the opening of the facility until its maturity, with only an estimate being available for the specific payouts. Accordingly, and following the precautionary principle, the Bank has classified its credit lines in the earliest liquidity range.

NOTE 30 FINANCIAL RISK ANALYSIS

The risk management activities of the Bank are determined by its unique role and position in the Hungarian economy. The ultimate owner of the Bank is the Hungarian State (which has a 100% direct share in the Bank), and it operates under the supervision of the Ministry of Economic Development. The Bank is a specialised credit institution whose primary task is to promote the competitiveness of Hungarian exporters in international markets.

As part of the EXIM-level strategy, in 2022 the Bank put in place a new Risk Strategy, which sets out risk appetite principles aligned with the Business Strategy, a risk management policy, the Bank's risk appetite, its risk profile, the expected risk structure, and it also includes the ICAAP (Internal Capital Adequacy Assessment Process) framework. All elements of the risk management framework are implemented in the form of regulations approved by the Board of Directors and the Asset and Liability Committee, from the structure of internal lines of defence within the organisation to rules on decision-making powers to specific risk management procedures covering all risks relevant to the Bank.

Risk management strategy

The contents of the Bank's Risk Management Strategy apply to processes and activities that result in or have an impact on risk taking. The Risk Management Strategy is a comprehensive framework document for the Bank's risk management rules. The detailed rules related to the different risk categories (including the designation of general and exceptional administration measures, the method, deadline and means of implementation, the name of the responsible department) are set out in the individual risk management policies.

The Bank's Risk Management Strategy includes the identification, measurement, monitoring and management of risks, as well as the exploration of risk levels and weights. The process of risk identification provides a detailed description of the risk categories that the Bank faces in its normal business and economic environment. The risks are primarily determined according to their types (in line with the Basel taxonomy specified in the ICAAP framework), and secondarily according to the bank-specific aspects of services and products. The overall risk level of an individual risk category is determined by the risk assessment of the corresponding risk type, weighted by the Bank according to its significance, in line with the operational characteristics of the Bank. The definition of the risk profile takes into account the extent of the exposure and the severity of the risk. This approach provides a general overview of the Bank's risk profile and the option of carrying out continuous monitoring activities.

The Bank's Business Strategy includes business goals that determine its business structure. The latter forms the basis for the Bank's risk structure, which changes in the event of changes in the business structure.

Changes to the Risk Strategy and the key results of risk management in 2022

In 2021, in the extraordinary situation that arose as a result of the COVID-19 pandemic, it was a particularly important task for the Bank to ensure that domestic enterprises had adequate access to funds, thus supporting the restart of the economy. In 2022, effective responses had to be given to the changed business policy environment resulting from the crisis environment produced by the Russian-Ukrainian war, sanctions and the energy crisis.

In 2022, the key measures, developments and legislative changes affecting risk management can be summarised as follows:

- In accordance with the provisions of the Exim Act, which was amended on 11 August 2022, the Bank was exempted from having to determine and maintain an add-on capital requirement in the context of an ICAAP, as well as from the add-on capital requirement that may be prescribed in the context of a supervisory audit. Although the Bank no longer has to set aside additional capital, in order to maintain strong risk controls, the Bank continues to carry out the stress tests and calculations prescribed under ICAAP, and informs its management about the existing risks as part of the internal risk assessment process.
- In the spring of 2022, the National Bank of Hungary conducted a comprehensive supervisory audit, as a result of which it formulated a number of proposals concerning risk management processes, methodologies, practices and controls. The findings were related to the fine-tuning of the foreign client and counterparty rating models and the client group regulations, the standardisation of the override regulations, the improvement in the control of monitoring processes, the revision of impairment models as also described in the report, the more sophisticated identification and measurement of interest rate risk and the introduction of liquidity stress testing. The Bank had implemented the majority of these by the reporting date.
- In terms of large risk exposures, with effect from 11 August 2022, with the amendment of the Exim Act, the large-risk exposure limit with respect to non-credit institution customers/groups of connected customers increased to 60% from the previous 35%. Large-risk monitoring was implemented in the new IT system. The provisions of the EU Directive on large-risk limit violations and the Bank's obligations to report them were incorporated into its internal regulations.
- To enhance its monitoring, the Bank improved collateral monitoring, reviewed the early warning signals used, and strengthened the controls of the monitoring process.
- In the area of impairment and provisioning, the expected loss models were revised, which caused a change in the Stage 1 and Stage 2 impairment rates through the increased sovereign and corporate default probabilities, the decreasing bank default probabilities and the decreasing corporate LGD. The revision of the parameters was accompanied by a HUF 84 million impairment reduction in the Q3 2022 quarterly rating.
- In 2022, an analysis of climate risk exposure covering the Bank's entire loan portfolio was carried out for the first time.
- In order to prepare for the methodological change expected with the introduction of CRR3, the Bank incorporated the determination of the capital requirement according to the new standardised approach into its operational risk capital calculation practice.
- As a result of a major development project, a new IT system for recording limits and limit loads was introduced, which implemented the recording of limits, limit calculations and limit loads affecting the Bank in a secure IT system that meets the latest requirements.

While in 2020, in the exceptional situation created by the COVID-19 pandemic, the Bank's most important economic task was to ensure that domestic businesses had adequate access to finance and that there were no excessive disruptions in lending, the focus in 2021 was on supporting the recovery of the economy and ensuring compliance with significantly changing international and domestic legal regulations, supervisory requirements and guidelines concerning risk management. To this end, the Bank took the following measures:

- The Compensation Credit Programme and the Compensation Loan Protection Programme were implemented.
- A number of risk management rules, temporarily modified during the period of the emergency, remained in force in 2021.
- The Bank revised its Risk Strategy and improved its monitoring processes in line with MNB Recommendation 14/2021 and the EBA Guidelines on Loan Origination and Credit Monitoring.
- In line with the MNB Green Recommendation 5/2021, climate change and environmental risks were incorporated into the Risk Strategy, the customer rating system, the corporate limit system, the requirements for property appraisals, the monitoring system and operational risk management.

- The Bank has developed a detailed credit risk modelling framework in line with the MNB credit risk recommendations and ICAAP requirements.
- In the area of impairment and provisioning, the expected loss models have been revised, resulting in an increase in Stage 1 and Stage 2 impairment rates due to increased sovereign and corporate default probabilities and corporate LGD. The revision of these parameters resulted in an increase in impairment of HUF 395 million in the Q3 2022 rating.
- The rules on transaction classification and valuation have been amended in line with the changes to the MNB's IFRS-9 Executive Circular. On 1 January 2021, a new definition of default was introduced. The change in the definition of default had no financial impact.
- The Bank adopted the changes to the ICAAP Manual regarding the definition of high-risk portfolios and the determination of the additional capital requirement, as well as the interest rate risk management methodology, and implemented the large-bank operational risk management framework, due to its increased size.
- The Bank revised its rating model for financial institutions, adding a number of new variables to it. The three corporate client rating PD models developed in late 2020 have started to be applied in practice.
- The scope of Work-out's impact and operations has been expanded to include pre-workout activities to achieve the highest possible recovery for the Bank.

30.1 Credit risk

Credit risk management, credit rating systems

The Bank manages and controls credit risk by establishing rating systems and limits to control and mitigate the level of risk it is willing to accept for each customer, group of connected customers, partner and country.

The Bank uses MEHIB insurance and central-budget-backed guarantees to shift a significant part of the risk from the financed customer to the Hungarian State, resulting in a significant exposure to the Hungarian State being present in the portfolio. In addition, as the Bank is exempt from the general large exposure limitation for banks in the case of export-purpose refinancing to credit institutions, significant concentrations in exposures to banks have evolved. The management monitors concentration risks on a quarterly basis. With regard to final risk-takers, the three most significant exposures as at the balance sheet date were to the Hungarian State (HUF 614 655 million) with ratings of Baa2 (Moody's long-term debt rating), to the Magyar Bankholding Group (HUF 346 264 million) consisting of the Ba1-rated MKB Bank (Moody's long-term debt rating) and the BB-rated Magyar Takarékszövetkezeti Bank (S&P long-term debt rating), and to the Raiffeisen Group (HUF 271 901 million) with ratings of A3 (Moody's long-term debt rating).

Top10 clients/client groups within the on-balance Loans and advances to credit institutions and insurance companies comprise more than 90% of the gross exposure. Top10 clients/client groups within the on-balance Loans and advances to other customers comprise more than 70% of the gross exposure. Altogether (credit institutions and other customers) the receivables from the Top10 clients/ client groups comprise more than 60% of the total assets in the balance sheet.

In the case of on-balance exposures, the amount and ratio of the exposure to the 10 largest clients/client groups is illustrated in the table below:

(All amounts in HUF million unless otherwise stated)

	Loans and advances to credit institutions and insurance companies			Loans and advances to other customers		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Gross carrying amount:	1 199 852	985 205	763 316	506 489	437 514	348 594
TOP 10 clients/client groups gross carrying amount:	1 123 556	917 105	724 934	429 717	358 401	258 165
TOP 10 carrying amount as a % of gross carrying amount:	94%	93%	95%	85%	82%	74%
MEHIB insurance and state suretyship behind TOP 10:	-	-	-	285 897	219 570	119 654
Value of MEHIB insurance and state suretyship as a % of TOP 10 carrying amount:	-	-	-	67%	61%	46%

In the case of off-balance exposures, the amount and ratio of the exposure to the 10 largest clients/client groups is illustrated in the table below:

	Loan commitments and Financial guarantees contracts to credit institutions and insurance companies			Loan commitments and Financial guarantees contracts to other customers		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Total amount:	264 444	181 916	376 602	432 381	381 394	430 605
TOP 10 clients/client groups amount:	252 923	174 271	343 621	412 374	355 112	410 164
TOP 10 amount as a % of total amount:	96%	96%	91%	95%	93%	95%
MEHIB insurance and state suretyship behind TOP 10:	-	5 585	-	373 482	351 423	377 395
Value of MEHIB insurance and state suretyship as a % of TOP 10 amount:	-	3%	-	91%	99%	92%

With regard to derivatives, the Bank's only exposure to EU-based credit institutions or members of credit institution groups classified as investment grade by recognised international credit rating agencies was in forward foreign exchange and interest rate swaps. Forward transactions are concluded under ISDA agreements with counterparty credit institutions, and the Bank has CSA agreements with domestic and foreign counterparties to mitigate counterparty risk. As at the reporting date, the Bank had outstanding transactions with the following counterparties: ING Bank NV with ratings of Aa3 (Moody's long-term debt rating), KBC Bank with ratings of A1 (Moody's long-term debt rating), Erste Bank Hungary with ratings of Baa1 (Moody's long-term debt rating), Unicredit Bank and its Hungarian subsidiary Unicredit Bank Hungary with ratings of A2 (Moody's long-term debt rating), SMBC Bank EU AG with ratings of A (S&P long-term debt rating), OTP Bank Nyrt. with ratings of Baa1 (Moody's long-term debt rating), and CIB Bank Zrt. with ratings of BBB (Fitch long-term debt rating).

Exposures to individual borrowers are restricted by sub-limits of different maturity and transaction types. Credit risk management is based on a customer rating system, which consists of different elements for sovereign, sub-sovereign entities, financial institutions and for corporate customers. The Bank's risk assessment is based on the Bank's own internal rating models. The rating models take into account inter alia the business activity, financial position, probability of default, market position, management, organisation and its role in the given business sector.

The maximum credit risk exposure consists of the carrying amounts detailed in the following tables (in respect of financial assets measured at amortised cost), the fair values indicated in the balance sheet (in respect of financial assets measured at fair value) and, in respect of loan commitments and financial guarantees, the values indicated in the following tables, combined.

Quality of the loan portfolio

The following two tables set out information about the credit quality of financial assets measured at amortised cost on 31 December 2022, 31 December 2021 and 31 December 2020. The amounts in the tables show gross carrying amounts. See Chapter 3.7 for Stage 1, 2 and 3 classifications and the definition of Purchased or originated credit impaired (POCI) transactions.

The Government securities measured at amortised cost consist of government bonds issued by the Hungarian State, which has a rating of Baa2 (Moody's, long-term debt rating). The Baa2 rating belongs to the "investment grade" category.

With regard to the loan portfolio, there was a significant increase in Loans and advances to credit institutions and insurance companies, as well as in Loans and advances to other customers, as a result of the new loan placements. In the case of these two portfolio segments, the increase in the risk of part of the existing loan portfolio led to an increase in the volume of Stage 3 loans in the case of credit institutions, and the share of Stage 3 exposures increased in respect of other customers, mainly due to non-performance in respect of a small number of individually larger exposures. The increase in Stage 3 in all segments was caused by a small number of high-volume transactions.

(All amounts in HUF million unless otherwise stated)

31.12.2022	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Purchased or originated credit-impaired	Total
Cash and cash equivalents	186 369	1	-	-	**186 370**
Government securities measured at amortised cost	113 214	-	-	-	**113 214**
Loans and advances to credit institutions and insurance companies	1 188 420	294	11 138	-	**1 199 852**
Loans and advances to other customers	312 862	74 567	119 060	-	**506 489**
Gross carrying amount	**1 800 865**	**74 862**	**130 198**	-	**2 005 925**

(All amounts in HUF million unless otherwise stated)

31.12.2021	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Purchased or originated credit-impaired	Total
Cash and cash equivalents	1 536	9	-	-	**1 545**
Government securities measured at amortised cost	103 070	-	-	-	**103 070**
Loans and advances to credit institutions and insurance companies	911 344	73 454	407	-	**985 205**
Loans and advances to other customers	249 056	79 760	108 698	-	**437 514**
Gross carrying amount	**1 265 006**	**153 223**	**109 105**	-	**1 527 334**

31.12.2020	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Purchased or originated credit-impaired	Total
Cash and cash equivalents	2 533	-	-	-	**2 533**
Government securities measured at amortised cost	105 354	-	-	-	**105 354**
Loans and advances to credit institutions and insurance companies	762 142	618	556	-	**763 316**
Loans and advances to other customers	169 450	120 749	58 395	-	**348 594**
Gross carrying amount	**1 039 479**	**121 367**	**58 951**	-	**1 219 797**

(All amounts in HUF million unless otherwise stated)

The following two tables present the loss allowance for financial assets measured at amortised cost for 31 December 2022, 31 December 2021 and 31 December 2020. The published loss allowance values also include the amount of management overlay. The management overlay methodology and the amount recognised at the reporting date are disclosed in detail in the section 'Expected loss calculation'.

31.12.2022	**Stage 1 12-month expected credit loss**	**Stage 2 Lifetime expected credit loss**	**Stage 3 Lifetime expected credit loss**	**Purchased or originated credit-impaired**	**Total**
Cash and cash equivalents	(64)	-	-	-	**(64)**
Government securities measured at amortised cost	(158)	-	-	-	**(158)**
Loans and advances to credit institutions and insurance companies	(698)	(1)	(3 670)	-	**(4 369)**
Loans and advances to other customers	(695)	(734)	(58 081)	-	**(59 510)**
Loss allowance total	**(1 615)**	**(735)**	**(61 751)**	-	**(64 101)**

31.12.2021	**Stage 1 12-month expected credit loss**	**Stage 2 Lifetime expected credit loss**	**Stage 3 Lifetime expected credit loss**	**Purchased or originated credit-impaired**	**Total**
Cash and cash equivalents	(2)	-	-	-	**(2)**
Government securities measured at amortised cost	(94)	-	-	-	**(94)**
Loans and advances to credit institutions and insurance companies	(756)	(249)	(407)	-	**(1 412)**
Loans and advances to other customers	(760)	(1 198)	(28 291)	-	**(30 249)**
Loss allowance total	**(1 612)**	**(1 447)**	**(28 698)**	-	**(31 757)**

(All amounts in HUF million unless otherwise stated)

31.12.2020	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Purchased or originated credit-impaired	Total
Cash and cash equivalents	(4)	-	-	-	(4)
Government securities measured at amortised cost	(93)	-	-	-	(93)
Loans and advances to credit institutions and insurance companies	(379)	(15)	(556)	-	(950)
Loans and advances to other customers	(613)	(3 153)	(21 290)	-	(25 056)
Loss allowance total	**(1 089)**	**(3 168)**	**(21 846)**	-	**(26 103)**

(All amounts in HUF million unless otherwise stated)

The following section presents the Bank's credit exposures, broken down by rating category and Stage, with a focus on Exposures to credit institutions and insurance companies and Exposures to other customers, as at the balance sheet date and for the previous period.

The credit quality of financial assets was as follows:

Loans and advances to credit institutions and insurance companies	Stage 1	Stage 2	Stage 3	POCI*	31.12.2022 Total
Grades 1-3: Problem-free	1 125 534	-	-	-	1 125 534
Grade 4: Low-risk	54 365	-	-	-	54 365
Grade 5: Substandard	8 521	294	-	-	8 815
Grade 6: Doubtful	-	-	5 286	-	5 286
Grade 7: Bad	-	-	5 852	-	5 852
Total	**1 188 420**	**294**	**11 138**	-	**1 199 852**
Loss allowances	(698)	(1)	(3 670)	-	(4 369)
Carrying amount	**1 187 722**	**293**	**7 468**	-	**1 195 483**

Loans and advances to credit institutions and insurance companies	Stage 1	Stage 2	Stage 3	POCI*	31.12.2021 Total
Grades 1-3: Problem-free	677 326	-	-	-	677 326
Grade 4: Low-risk	231 407	73 409**	-	-	304 816
Grade 5: Substandard	2 611	45	-	-	2 656
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	407	-	407
Total	**911 344**	**73 454**	**407**	-	**985 205**
Loss allowances	(756)	(249)	(407)	-	(1 412)
Carrying amount	**910 588**	**73 205**	-	-	**983 793**

***In the case of 1 credit institution, the Stage 2 classification was caused by the increase in risk resulting from the deterioration of the credit institution's grade.*

Loans and advances to credit institutions and insurance companies	Stage 1	Stage 2	Stage 3	POCI*	31.12.2020 Total
Grades 1-3: Problem-free	711 679	-	-	-	711 679
Grade 4: Low-risk	47 835	-	-	-	47 835
Grade 5: Substandard	2 628	46	-	-	2 674
Grade 6: Doubtful	-	47	-	-	47
Grade 7: Bad	-	525	556	-	1 081
Total	**762 142**	**618**	**556**	-	**763 316**
Loss allowances	(379)	(15)	(556)	-	(950)
Carrying amount	**761 763**	**603**	-	-	**762 366**

(All amounts in HUF million unless otherwise stated)

The rating of Loan commitments was as follows:

Loan commitments to credit institutions and insurance companies					31.12.2022
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	229 090	-	-	-	229 090
Grade 4: Low-risk	20 212	-	-	-	20 212
Grade 5: Substandard	8 700	-	-	-	8 700
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	-	-	-
Total	**258 002**	-	-	-	**258 002**
Provisions	(60)	-	-	-	(60)

Loan commitments to credit institutions and insurance companies					31.12.2021
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	122 920	-	-	-	122 920
Grade 4: Low-risk	44 665	5 903**	-	-	50 568
Grade 5: Substandard	820	-	-	-	820
Grade 6: Doubtful	2 023	-	-	-	2 023
Grade 7: Bad	-	-	-	-	-
Total	**170 428**	**5 903**	-	-	**176 331**
Provisions	(62)	(8)	-	-	(70)

****In the case of 1 credit institution, the Stage 2 classification was caused by the increase in risk resulting from the deterioration of the credit institution's grade.*

Loan commitments to credit institutions and insurance companies					31.12.2020
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	294 801	-	-	-	294 801
Grade 4: Low-risk	79 143	-	-	-	79 143
Grade 5: Substandard	811	-	-	-	811
Grade 6: Doubtful	1 847	-	-	-	1 847
Grade 7: Bad	-	-	-	-	-
Total	**376 602**	-	-	-	**376 602**
Provisions	(111)	-	-	-	(111)

(All amounts in HUF million unless otherwise stated)

The rating of Financial guarantees contracts was as follows:

Financial guarantees contracts to credit institutions and insurance companies					31.12.2022
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	-	-	-	-	-
Grade 4: Low-risk	6 442	-	-	-	6 442
Grade 5: Substandard	-	-	-	-	-
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	-	-	-
Total	**6 442**	-	-	-	**6 442**
Provisions	(5)	-	-	-	(5)

Financial guarantees contracts to credit institutions and insurance companies					31.12.2021
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	-	-	-	-	-
Grade 4: Low-risk	-	-	-	-	-
Grade 5: Substandard	-	5 585	-	-	5 585
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	-	-	-
Total	-	**5 585**	-	-	**5 585**
Provisions	-	(2)	-	-	(2)

The Bank did not have any Financial guarantees contracts to credit institutions and insurance companies on 31 December 2020.

(All amounts in HUF million unless otherwise stated)

The composition by rating category of other exposures to customers is presented in the following tables, in a breakdown by the various Stages. The published loss allowance values also include the amount of management overlay. The management overlay methodology and the amount recognised at the reporting date are disclosed in detail in the section 'Expected loss calculation'. The significant credit risk growth criteria (Stage 2 indicators) and default (Stage 3) triggers used by the Bank are disclosed in detail in chapter 3.7.

The breakdown of exposures per rating categories follows the mission, strategic goals, and the risk appetite of the Bank. In line with market failures and business needs, the Bank – in accordance with its mission – possesses a higher risk undertaking propensity compared to commercial banks. The Bank can finance bearable and transparent risky transactions that might be regarded by market players as excessive risky or less profitable. It manifests itself in undertaking longer term, more complex transactions, and supporting export deals to developing countries where substantial entrepreneurial and legal uncertainties can be faced.

To achieve the expected national economic impacts, the Bank can undertake the lending of lower rated customers within the scope of its professional framework systems, wherein weaker collaterization, higher financing ratio can be observed compared to commercial banks, which is facilitated by a variety of strong public and international financial instruments.

The credit quality of financial assets was as follows:

Loans and advances to other customers					31.12.2022
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	32 506	11	-	-	32 517
Grade 4: Low-risk	72 195	797	-	-	72 992
Grade 5: Substandard	9 526	18 943	667	-	29 136
Grade 6: Doubtful	198 635	5 967	35 911	-	240 513
Grade 7: Bad	-	48 848	82 483	-	131 331
Total	**312 862**	**74 566**	**119 061**	-	**506 489**
Loss allowances	(695)	(734)	(58 081)	-	(59 510)
Carrying amount	**312 167**	**73 832**	**60 980**	-	**446 979**

(All amounts in HUF million unless otherwise stated)

Loans and advances to other customers					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	15 007	3 389	938	-	19 334
Grade 4: Low-risk	73 401	4 357	-	-	77 758
Grade 5: Substandard	17 918	6 904	5 285	-	30 107
Grade 6: Doubtful	142 730	8 753	62 230	-	213 713
Grade 7: Bad	-	56 356	40 246	-	96 602
Total	249 056	79 760	108 698	-	**437 514**
Loss allowances	(760)	(1 198)	(28 291)	-	(30 249)
Carrying amount	**248 296**	**78 562**	**80 407**	-	**407 265**

Loans and advances to other customers					31.12.2020
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	14 951	4 388	1 097	-	20 436
Grade 4: Low-risk	85 326	8 140	1 643	-	95 109
Grade 5: Substandard	16 872	20 875	-	-	37 747
Grade 6: Doubtful	51 762	54 824	37 806	-	144 392
Grade 7: Bad	539	32 522	17 849	-	50 910
Total	169 450	120 749	58 395	-	**348 594**
Loss allowances	(613)	(3 153)	(21 290)	-	(25 056)
Carrying amount	**168 837**	**117 596**	**37 105**	-	**323 538**

The rating of Loan commitments during the period under review was as follows. The published provisioning values also include the amount of management overlay. The management overlay methodology and the amount recognised at the reporting date are disclosed in detail in the section 'Expected loss calculation'. The significant credit risk growth criteria (Stage 2 indicators) and default (Stage 3) triggers used by the Bank are disclosed in detail in chapter 3.7.

Loan commitments to other customers					31.12.2022
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	4 003	-	-	-	4 003
Grade 4: Low-risk	693	-	-	-	693
Grade 5: Substandard	-	2 004	-	-	2 004
Grade 6: Doubtful	339 896	-	-	-	339 896
Grade 7: Bad	-	48 144	15 300	-	63 444
Total	**344 592**	**50 148**	**15 300**	-	**410 040**

(All amounts in HUF million unless otherwise stated)

Provisions	(232)	(2)	(4)	-	(238)

Loan commitments to other customers					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	3 328	-	-	-	3 328
Grade 4: Low-risk	23 662	277	-	-	23 939
Grade 5: Substandard	3 174	681	500	-	4 355
Grade 6: Doubtful	282 440	32	417	-	282 889
Grade 7: Bad	-	42 171	-	-	42 171
Total	**312 604**	**43 161**	**917**	**-**	**356 682**
Provisions	(9)	(16)	-	-	(25)

Loan commitments to other customers					31.12.2020
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	25 774	-	-	-	25 774
Grade 4: Low-risk	28 875	171	-	-	29 046
Grade 5: Substandard	1 445	720	-	-	2 165
Grade 6: Doubtful	323 450	3 185	225	-	326 860
Grade 7: Bad	-	29 600	-	-	29 600
Total	**379 544**	**33 676**	**225**	**-**	**413 445**
Provisions	(10)	(43)	(14)	-	(67)

The rating of Financial guarantees contracts during the period under review was as follows. The published provisioning values also include the amount of management overlay. The management overlay methodology and the amount recognised at the reporting date are disclosed in detail in the section 'Expected loss calculation'.

Financial guarantees contracts to other customers					31.12.2022
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	3 729	2 001	-	-	5 730
Grade 4: Low-risk	1 816	265	-	-	2 081
Grade 5: Substandard	2 446	3 204	1 101	-	6 751
Grade 6: Doubtful	-	5 071	175	-	5 246
Grade 7: Bad	-	1 283	1 250	-	2 533
Total	**7 991**	**11 824**	**2 526**	**-**	**22 341**

(All amounts in HUF million unless otherwise stated)

Provisions	-	(3)	(1)	-	(4)

Financial guarantees contracts to other customers					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	9 069	4 705	-	-	13 774
Grade 4: Low-risk	355	4 069	-	-	4 424
Grade 5: Substandard	2 011	1 607	175	-	3 793
Grade 6: Doubtful	-	221	1 152	-	1 373
Grade 7: Bad	-	1 348	-	-	1 348
Total	**11 435**	**11 950**	**1 327**	**-**	**24 712**
Provisions	(4)	(44)	-	-	(48)

Financial guarantees contracts to other customers					31.12.2020
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Problem-free	6 659	1 546	-	-	8 205
Grade 4: Low-risk	3 654	515	-	-	4 169
Grade 5: Substandard	1 777	84	-	-	1 861
Grade 6: Doubtful	1 112	323	1 168	-	2 603
Grade 7: Bad	-	322	-	-	322
Total	**13 202**	**2 790**	**1 168**	**-**	**17 160**
Provisions	(39)	(25)	-	-	(64)

The following tables provide information on the overdue status of Loans and advances to credit institutions and insurance companies as well as to Other customers at gross carrying amount, broken down by Stage 1, 2 and 3: The significant credit risk growth criteria (Stage 2 indicators) and default (Stage 3) triggers used by the Bank are disclosed in detail in chapter 3.7.

Loans and advances to credit institutions and insurance companies					31.12.2022
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	1 188 378	294	-	-	1 188 672
Overdue within 30 days	42	-	-	-	42
30 - 90 days overdue	-	-	-	-	-
Overdue beyond 90 days	-	-	11 138	-	11 138
Total	**1 188 420**	**294**	**11 138**	**-**	**1 199 852**

31.12.2021

(All amounts in HUF million unless otherwise stated)

Loans and advances to credit institutions and insurance companies	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	911 344	73 454	-	-	984 798
Overdue within 30 days	-	-	-	-	-
30 - 90 days overdue	-	-	-	-	-
Overdue beyond 90 days	-	-	407	-	407
Total	**911 344**	**73 454**	**407**	**-**	**985 205**

Loans and advances to credit institutions and insurance companies					31.12.2020
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	762 142	618	-	-	762 760
Overdue within 30 days	-	-	-	-	-
30 - 90 days overdue	-	-	-	-	-
Overdue beyond 90 days	-	-	556	-	556
Total	**762 142**	**618**	**556**	**-**	**763 316**

Loans and advances to other customers					31.12.2022
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	312 862	74 430	67 442	-	454 734
Overdue within 30 days	-	-	-	-	-
30 - 90 days overdue	-	-	-	-	-
Overdue beyond 90 days	-	137	51 618	-	51 755
Total	**312 862**	**74 567**	**119 060**	**-**	**506 489**

Loans and advances to other customers					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	249 048	75 783	97 847	-	422 678
Overdue within 30 days	7	3 963	4 405	-	8 375
30 - 90 days overdue	-	15	-	-	15
Overdue beyond 90 days	-	-	6 446	-	6 446
Total	**249 055**	**79 761**	**108 698**	**-**	**437 514**

Loans and advances to other customers					31.12.2020
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	169 312	119 404	41 492	-	330 208
Overdue within 30 days	138	1 246	5 043	-	6 427
30 - 90 days overdue	-	99	5 801	-	5 900

(All amounts in HUF million unless otherwise stated)

Overdue beyond 90 days	-	-	6 059	-	6 059
Total	**169 450**	**120 749**	**58 395**	-	**348 594**

The distribution and volume of restructured loans by Stage as a function of their delinquency are shown in the tables below.

Loans and advances to other customers					**31.12.2022**
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Restructured loans					
Not overdue	-	6 090	60 961	-	67 051
Overdue within 30 days	-	-	-	-	-
30 - 90 days overdue	-	-	-	-	-
Overdue beyond 90 days	-	-	38 794	-	38 794
Total	-	**6 090**	**99 755**	-	**105 845**

Loans and advances to other customers					**31.12.2021**
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Restructured loans					
Not overdue	-	4 687	97 656	-	102 343
Overdue within 30 days	-	2 070	4 405	-	6 475
30 - 90 days overdue	-	-	-	-	-
Overdue beyond 90 days	-	-	4 470	-	4 470
Total	-	**6 757**	**106 531**	-	**113 288**

Loans and advances to other customers					**31.12.2020**
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Restructured loans					
Not overdue	3 871	6	40 861	-	44 738
Overdue within 30 days	-	-	5 043	-	5 043
30 - 90 days overdue	-	42	-	-	42
Overdue beyond 90 days	-	-	1 559	-	1 559
Total	**3 871**	**48**	**47 463**	-	**51 382**

*Receivables purchased or originated credit impaired

Within the framework of its monitoring activities, the Bank attempts to identify potential problems with receivables as early as possible. Since the Bank intends to ensure the credit repayment capacity of the customers, when perceiving problems, where appropriate, the Bank makes use of the restructuring option before payment arrears occur. Restructuring may involve extending the term, changing the payment schedule or revising the conditions of the loan. As at 31 December 2022, the restructured loan portfolio consisted, besides the HUF 105 845 million in Loans and advances to other customers, of a further HUF 470 million in Stage 3-classified exposures to credit institutions. As at 31 December 2021, the restructured loan portfolio consisted, besides the HUF 113 288 million in Loans and advances to other customers, of a further HUF 407 million in Stage 3-classified exposures to credit institutions. As at 31 December 2020, the restructured loan portfolio consisted, besides the HUF 51 382 million in Loans and advances to other customers, of a further HUF 372 million in Stage 3-classified exposures to credit institutions. A significant share of the restructured Loans and advances to other customers were related to non-delinquent, non-performing project loans in 2022, 2021 and 2020.

(All amounts in HUF million unless otherwise stated)

Exposures to credit institutions represent the largest part of the Bank's portfolio. For the rating of financial institution counterparties, the Bank uses an internal rating system consisting of 7 categories, similar to the other customer and counterparty segments. The figures below show credit exposures to financial institutions grouped by internal rating category, by collateral, at gross carrying amount, with respect to 31 December 2022, 31 December 2021 and 31 December 2020:

In the case of Loans and advances to credit institutions and insurance companies:

31.12.2022

Rating category	PD range limits	Coverage level			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.04%	4 495	-	-	**4 495**
2	0.04% - 0.22%	393 564	-	1 047	**394 611**
3	0.22% - 1.09%	420 235	15 694	290 498	**726 427**
4	1.09% - 2.43%	9 783	-	44 583	**54 366**
5	2.43% - 5.39%	2 058	-	6 757	**8 815**
6	5.39% - 12.00%	-	-	5 286	**5 286**
7	12.00% - 100.00%	5 852	-	-	**5 852**
Total	-	**835 987**	**15 694**	**348 171**	**1 199 852**

31.12.2021

Rating category	PD range limits	Coverage level			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.04%	24 024	-	-	**24 024**
2	0.04% - 0.22%	333 167	-	1 738	**334 905**
3	0.22% - 1.09%	179 507	3 173	135 717	**318 397**
4	1.09% - 2.43%	140 550	26 429	137 837	**304 816**
5	2.43% - 5.39%	415	-	2 241	**2 656**
6	5.39% - 12.00%	-	-	-	**-**
7	12.00% - 100.00%	407	-	-	**407**
Total	-	**678 070**	**29 602**	**277 533**	**985 205**

(All amounts in HUF million unless otherwise stated)

31.12.2020

Rating category	PD range limits	Coverage level			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.04%	239 238	493	18 425	**258 156**
2	0.04% - 0.22%	256 074	2 374	69 593	**328 041**
3	0.22% - 1.09%	87 999	-	37 483	**125 482**
4	1.09% - 2.43%	28 544	-	19 292	**47 835**
5	2.43% - 5.39%	46	-	2 628	**2 674**
6	5.39% - 12.00%	-	-	47	**47**
7	12.00% - 100.00%	1 081	-	-	**1 081**
Total	-	**612 982**	**2 866**	**147 468**	**763 316**

In respect of Loans and advances to other customers, the Bank likewise applies a 7-grade rating system, where category 1 represents the lowest risk and category 7 the highest. Beyond customer risk rating, collaterals are also taken into consideration when assessing credit risk. The change in the gross carrying amount of receivables in terms of coverage rate as at 31 December 2022, 31 December 2021 and 31 December 2020 is shown below:

In the case of Loans and advances to other customers:

31.12.2022

Rating category	PD range limits	Coverage level			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.22%	26	-	163	**189**
2	0.22% - 0.49%	1 238	4 266	-	5 504
3	0.49% - 1.09%	26 824	-	-	**26 824**
4	1.09% - 2.43%	1	675	72 316	**72 992**
5	2.43% - 5.39%	10 271	2 569	16 296	**29 136**
6	5.39% - 12.00%	19 876	13 910	52 320	**86 106**
7	12.00% - 100.00%	65 882	120	219 736	**285 738**
Total	-	**124 118**	**21 540**	**360 831**	**506 489**

31.12.2021

Rating category	PD range limits	Coverage level			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.22%	37	-	227	**264**
2	0.22% - 0.49%	-	-	-	-
3	0.49% - 1.09%	15 313	2 690	1 067	**19 070**
4	1.09% - 2.43%	4 527	149	73 082	**77 758**
5	2.43% - 5.39%	6 127	10 642	13 338	**30 107**
6	5.39% - 12.00%	54 237	815	158 661	**213 713**
7	12.00% - 100.00%	42 284	-	54 318	**96 602**
Total	-	**122 525**	**14 296**	**300 693**	**437 514**

(All amounts in HUF million unless otherwise stated)

31.12.2020

Rating category	PD range limits	Coverage level			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.22%	239	16	82	**337**
2	0.22% - 0.49%	-	271	-	271
3	0.49% - 1.09%	18 350	-	1 478	**19 828**
4	1.09% - 2.43%	11 292	12 596	71 221	**95 109**
5	2.43% - 5.39%	2 936	-	34 811	**37 747**
6	5.39% - 12.00%	82 137	62	62 193	**144 392**
7	12.00% - 100.00%	11 092	1 409	38 409	**50 910**
Total	-	**126 046**	**14 354**	**208 194**	**348 594**

Expected loss calculation

The set of criteria for Stage classification and the disclosure of the credit risk models used to determine the loss allowance are described in detail in Chapter 3.7.

To determine the loss allowance, the Bank rates its financial assets for each valuation period and determines the loss allowance. For Stage 1 transactions, a loss allowance equivalent to 12 months of expected losses (with a Stage 1 provision being the formula used for financial guarantee contracts and loan commitments) is quantified according to the following formulae:

$$\textit{Stage 1 impairment} = PD \times LGD \times EXP$$

$$\textit{Stage 1 provision} = PD \times LGD \times EXP \times CCF$$

where:

EXP (exposure): gross value of the financial instrument at the reporting date; in the case of off-balance sheet items, the value of the commitment.

PD (probability of default): conditional PD over the following one year from the rating date based on the segmented lifetime PD models as a function of time from initial recognition.

LGD (loss given default): parameter reflecting the loss expected in the case of bankruptcy, characteristic of a given segment.

CCF (credit conversion factor): probability of off-balance sheet items being included in the balance sheet. The Bank applies CCFs in line with the supervisory parameters defined in the CRR.

For Stage 2 transactions, a loss allowance corresponding to the loss expected over the lifetime of the transaction is quantified according to the following formulae:

$$\textit{Stage 2 impairment} = \sum_{t=n}^{p} \frac{PD_t \times LGD \times EXP_t}{(1+EIR)^t}$$

$$\textit{Stage 2 provision} = \sum_{t=n}^{p} \frac{PD_t \times LGD \times EXP_t \times CCF}{(1+EIR)^t}$$

where:

n – time elapsed since initial recognition (years)

p – term (years)

EXP_t: the estimated carrying amount of contractual future cash flows as at the beginning of the year concerned, or the value of the commitment in the case of an off-balance sheet item.

PD_t: the conditional PD for a given future year from the date of rating based on segmented lifetime PD models as a function of the time elapsed from initial recognition.

LGD: parameter reflecting the loss expected in the case of bankruptcy, characteristic of a given segment. LGD in Stage 1 and Stage 2 is the same constant value.

CCF: probability of off-balance sheet items being included in the balance sheet. The Bank applies CCFs in line with the supervisory parameters defined in the CRR. CCF in Stage 1 and Stage 2 is the same constant value.

EIR: effective interest rate used for discounting. In the discount factor, the exponent starts from 1 not from the time elapsed from the date of issue, but from the date of the rating.

The Bank rates Stage 3 deals exclusively by individual assessment. Individual assessment is based on assumed estimated cash flows from interest and/or principal repayment expected over the probable life of the transaction, from the enforcement of collateral and from other debt management solutions. When estimating cash flows the Bank also takes into account the expected costs of the enforcement of claims and collateral and the measures taken. Regarding estimated future cash flows, the Bank considers at least two cash flow scenarios, to which it assigns weights based on the estimated probabilities of occurrence. The probability weights add up to 100%. The Bank evaluates probability-weighted cash flow scenarios using the DCF method, discounted at EIR. Discounting results in the recoverable amount of a given transaction. The amount of the loss allowance is the difference between the amortised cost and the recoverable amount.

(All amounts in HUF million unless otherwise stated)

In the case of the corporate expected loss model, the Bank performs a sensitivity analysis using a macro model for forward-looking PD correction, the quantitative disclosure of which is provided in the table below.

	2022	2021	2020
Macroeconomic model methodology	ARMAX	ARMAX	ARMAX
Modelling target variable	Corporate default rate time series (MNB Stability Report)	Corporate default rate time series (MNB Stability Report)	Corporate default rate time series (MNB Stability Report)
Explanatory variables	autoregressive term, moving-average term, value of the investment volume index lagged by 6 quarters, 1 and 2-quarter forward value of change in unemployment rate	autoregressive variable, moving average variable, inflation rate lagged by 4 quarters, change in unemployment rate lagged by 4 quarters	autoregressive variable, moving average variable, inflation rate lagged by 4 quarters, change in unemployment rate lagged by 4 quarters
Values of macroeconomic indicators in the baseline scenario	(1.50)% investment volume index, 3.41% unemployment rate	3.60% inflation rate, 3.52% unemployment rate	3.56% inflation rate, 4.52% unemployment rate
Values of macroeconomic indicators in the optimistic scenario	8.54% investment volume index, 1.90% unemployment rate	3.92% inflation rate, 2.44% unemployment rate	3.63% inflation rate, 4.37% unemployment rate
Values of macroeconomic indicators in the pessimistic scenario	(12.81)% investment volume index, 5.00% unemployment rate	3.21% inflation rate, 4.85% unemployment rate	3.39% inflation rate, 5.19% unemployment rate

The Bank will use the macroeconomic forecasts and scenario weights published in three scenarios (based on the MNB Inflation Report) in the Annex of the MNB's IFRS 9 Executive Circular for the forward-looking estimation of corporate PD values. The methodological background of the revised macroeconomic model and the parameters and weights used are described in detail in chapter 3.7.

The revised macroeconomic multiplier for Q4 2022 was 1.2719, which is significantly higher than the 1.1434 multiplier used in Q4 2021, and the 1.1365 multiplier used in Q4 2020, thanks to the less favourable macroeconomic outlook. This is most evident in the forecast for the investment volume index. The last time there was a macroeconomic multiplier below 1 was in 2019, before the outbreak of COVID-19, when it was 0.9465.

The Bank also revised its corporate LGD model in Q3 2022, which resulted in a more favourable value than in 2021. The reason for this is that a negligible number of the Bank's non-performing customers were eligible to participate in Moratorium 3 and Moratorium 4, and thus they returned to servicing their debts, and in terms of the LGD model, a larger volume of prepayments and debt collections occurred in 2022. When the corporate LGD had been formerly reviewed in Q3 2021, the modelled LGD became higher than the levels seen in previous years, in line with the adverse impact of the COVID-19 pandemic on expected losses.

In addition to the above, the Bank used the recognition of additional impairment in the form of a management overlay in 2022 as well, in addition to the expected loss models of IFRS 9, in order to even more conservatively reflect the expected losses, based on the increased probability of default of the companies operating in the sectors most exposed to the crisis. In the impairment calculation, the management overlay multipliers replaced the macroeconomic multiplier, leading to higher overall impairment charges on the Stage 1 and Stage 2 domestic direct corporate portfolios, which entails the directly lended corporate clients located in Hungary, presented within receivables from other customers. The exception to this is the Agriculture and mining sector group, where a macroeconomic multiplier higher than the overlay multiplier has been applied.

(All amounts in HUF million unless otherwise stated)

According to the management overlay methodology applied, the original PD matrices have been adjusted by a correction multiplier defined for each sector group. The correction multipliers are defined as the average stressed to non-stressed period ratios of the sectoral bankruptcy rates and are revised in Q4 2022 as follows:

- Over a long historical period, quarters where an economic downturn was observed have been identified on the basis of the GDP volume index.
- Assuming a delayed effect of the downturn, additional quarters were allocated to the stressed period (6 scenarios).
- A simple correlation was calculated between the bankruptcy rates by sector and the 6 scenarios above. The scenario with the highest average correlation was selected.
- The values of average bankruptcy rates for the period stressed under the chosen scenario and for all other quarters were calculated and the quotient of the two numbers was taken into account.
- The PD multipliers differentiated by sector group on the basis of the above are shown in the table below:

Sector group	Multiplier
Agriculture and mining	1.24
Manufacturing industry	1.28
Construction industry	1.48
Real estate transactions	1.54
Other services	1.30

- The management overlay multipliers in Q4 2021 were the followings:

Sector group	Multiplier
Agriculture, mining	1.23
Manufacturing industry	1.28
Construction industry	1.49
Real estate transactions	1.54
Other services	1.30

- Whereas in Q4 2020 the applied multipliers were as follows:

Sector group	Multiplier
Agriculture, mining	1.30
Manufacturing industry	1.37
Construction industry	1.60
Real estate transactions	1.67
Other services	1.38

As it is the Bank's opinion that the management overlay multipliers – with the exception of the Agriculture and mining sector group – are more conservative than the macroeconomic multiplier resulting from the macroeconomic model in managing the impact of the crisis, the Bank calculated the Stage 1 and Stage 2 loss allowances for its domestic corporate portfolio based on the above management overlay multipliers, resulting in additional impairment and provisioning of HUF 192 million as at 31 December 2022. The management overlay was HUF 303 million as at 31 December 2021, and HUF 922 million as at 31 December 2020. Foreign corporate loans are backed by MEHIB insurance, which does not justify the extension of the overlay to foreign corporate loans. The Bank does not apply macro-adjustment and management overlay to exposures to sovereign entities and financial institutions, nor does the MNB expect it.

(All amounts in HUF million unless otherwise stated)

The following table shows the movements and changes that took place between the opening and closing balances of the loss allowance for financial instruments in 2022:

	2022			2022	2021
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents					
Opening balance on 1 January	**2**	-	-	**2**	3
Revaluation of loss allowance	32	-	-	**32**	(1)
Changes in cash	30	-	-	**30**	-
Currency revaluation and other effects	-	-	-	-	-
Closing balance on 31 December	**64**	-	-	**64**	2
Government securities measured at amortised cost					
Opening balance on 1 January	**94**	-	-	**94**	93
Revaluation of loss allowance	61	1	-	**62**	50
Newly originated or purchased financial assets	2	-	-	**2**	3
Financial assets paid or sold	-	-	-	-	(51)
Currency revaluation and other effects	-	-	-	-	-
Closing balance on 31 December	**157**	**1**	-	**158**	94
Loans and advances to credit institutions and insurance companies					
Opening balance on 1 January	**757**	**249**	**407**	**1 413**	950
Transfer to Stage 1	206	(206)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(6)	-	6	-	-
Revaluation of loss allowance	(368)	-	3 197	**2 829**	321
Newly originated or purchased financial assets	173	1	-	**174**	362
Financial assets paid or sold	(103)	(43)	-	**(146)**	(248)
Receivables written off	-	-	-	-	(12)
Unwinding of discounts	-	-	(3)	**(3)**	-
Currency revaluation and other effects	40	-	62	**102**	40
Closing balance on 31 December	**699**	**1**	**3 669**	**4 369**	1 413

(All amounts in HUF million unless otherwise stated)

Loans and advances to other customers

Opening balance on 1 January	**760**	**1 198**	**28 292**	**30 249**	25 056
Transfer to Stage 1	116	(116)	-	-	-
Transfer to Stage 2	-	24	(24)	-	-
Transfer to Stage 3	-	(43)	43	-	-
Revaluation of loss allowance	(118)	(438)	29 045	**28 489**	10 412
Newly originated or purchased financial assets	17	88	992	**1 097**	174
Financial assets paid or sold	(130)	(33)	(248)	**(411)**	(4 814)
Receivables written off	-	-	-	-	(34)
Unwinding of discounts	-	-	(1 556)	**(1 556)**	(742)
Currency revaluation and other effects	50	55	1 537	**1 641**	197
Closing balance on 31 December	**695**	**734**	**58 081**	**59 510**	30 249

Other assets

Opening balance on 1 January	-	-	**3**	**3**	4
Revaluation of loss allowance	-	-	-	-	-
Newly originated or purchased financial assets	-	-	2	**2**	2
Financial assets paid or sold	-	-	-	-	(2)
Receivables written off	-	-	-	-	-
Currency revaluation and other effects	-	-	-	-	-
Closing balance on 31 December	-	-	**5**	**5**	3

Financial guarantees agreements and loan commitments

Opening balance on 1 January	**75**	**70**	-	**144**	243
Transfer to Stage 1	20	(20)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Revaluation of loss allowance	(26)	(24)	4	**(46)**	1
New credit lines and guarantees issued	288	-	-	**288**	88
Credit lines and issued guarantees that have been terminated or derecognised	(62)	(22)	-	**(84)**	(189)
Currency revaluation and other effects	2	2	-	**4**	1
Closing balance on 31 December	**297**	**5**	**4**	**307**	144

(All amounts in HUF million unless otherwise stated)

The following table shows the movements and changes that took place between the opening and closing balances of the loss allowance for financial instruments in 2022:

	2021			2021	2020
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents					
Opening balance on 1 January	**3**	-	-	**3**	17
Revaluation of loss allowance	(1)	-	-	**(1)**	-
Changes in cash	-	-	-	-	(14)
Currency revaluation and other effects	-	-	-	-	-
Closing balance on 31 December	**2**	-	-	**2**	3
Government securities measured at amortised cost					
Opening balance on 1 January	**93**	-	-	**93**	77
Revaluation of loss allowance	50	-	-	**50**	4
Newly originated or purchased financial assets	3	-	-	**3**	12
Financial assets paid or sold	(51)	-	-	**(51)**	-
Currency revaluation and other effects	-	-	-	-	-
Closing balance on 31 December	**94**	-	-	**94**	93
Opening balance on 1 January	**379**	**15**	**556**	**950**	819
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(28)	28	-	-	-
Transfer to Stage 3	-	-	-	-	-
Revaluation of loss allowance	189	131	-	**320**	-
Newly originated or purchased financial assets	272	90	-	**362**	154
Financial assets paid or sold	(61)	(15)	(172)	**(248)**	(57)
Receivables written off	-	-	(12)	**(12)**	-
Unwinding of discounts	-	-	-	-	-
Currency revaluation and other effects	4	-	35	**39**	35
Closing balance on 31 December	**756**	**249**	**407**	**1 413**	950

(All amounts in HUF million unless otherwise stated)

Loans and advances to other customers

Opening balance on 1 January	**613**	**3 153**	**21 289**	**25 056**	16 697
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(102)	102	-	-	-
Transfer to Stage 3	-	(2 456)	2 456	-	-
Revaluation of loss allowance	231	542	9 640	**10 412**	4 891
Newly originated or purchased financial assets	22	127	24	**174**	3 023
Financial assets paid or sold	(9)	(274)	(4 531)	**(4 814)**	(972)
Receivables written off	-	-	(34)	**(34)**	-
Unwinding of discounts	-	-	(742)	**(742)**	565
Currency revaluation and other effects	5	4	189	**197**	852
Closing balance on 31 December	**760**	**1 198**	**28 292**	**30 249**	25 056

Other assets

Opening balance on 1 January	-	-	**4**	**4**	1
Revaluation of loss allowance	-	-	-	-	-
Newly originated or purchased financial assets	-	-	2	**2**	4
Financial assets paid or sold	-	-	(2)	**(2)**	(1)
Receivables written off	-	-	-	-	-
Currency revaluation and other effects	-	-	-	-	-
Closing balance on 31 December	-	-	**3**	**3**	4

Opening balance on 1 January	**160**	**69**	**14**	**243**	261
Transfer to Stage 1	9	(9)	-	-	-
Transfer to Stage 2	(18)	18	-	-	-
Transfer to Stage 3	-	-	-	-	-
Revaluation of loss allowance	(12)	13	-	**1**	(51)
New credit lines and guarantees issued	66	22	-	**88**	188
Credit lines and issued guarantees that have been terminated or derecognised	(131)	(44)	(14)	**(189)**	(164)
Currency revaluation and other effects	1	-	-	**1**	9
Closing balance on 31 December	**75**	**70**	-	**144**	243

See Note 15 for the details of “Impairment losses on financial instruments and (creation)/reversal of provisions”, shown in the statement of comprehensive income.

Collaterals

Risk assumption decisions of the Bank are primarily based on the customers' capability to meet their financial obligations from primary sources. In addition, the Bank determines the degree of risk mitigation required and the credit risk mitigation tools used, taking into account the riskiness of the transaction and the customer, in order to ensure prudent operation. In assuming risk, the Bank therefore seeks to pledge assets as collateral that are sufficiently liquid to ensure that, should the Bank's claim not be satisfied from the primary source, the Bank's claim could then be satisfied in full from these secondary sources in as short a time as possible.

Tasks resulting from the mission of the state-owned export credit agency are distributed between the Bank and Magyar Exporthitel Biztosító Zrt. (Hungarian Export Credit Insurance Ltd., "MEHIB"). The operation of both institutions are regulated by the Exim Act. MEHIB provides export credit insurance directly to exporters or to their financing credit institutions, including some borrowers of the Bank. The Bank and MEHIB currently operate with the same management.

The majority of the Bank's loans to its foreign customers are insured by MEHIB, and these insurances are also backed by the State.

If a loan secured by MEHIB defaults, MEHIB will assume the interest and the principal, including late payments, up to the amount of the coverage, in accordance with the payment terms agreed on by the original borrower.

The Bank requires collaterals or other securities to cover certain credit risks. The following table presents the main collateral types held in order to cover different financial assets. The Bank assesses the value of its collateral in accordance with the supervisory requirements, the relevant rules of the CRR and general banking practice, typically by taking the market value of the collateral as a starting point, on a prudent basis, applying haircuts reflecting the characteristics of the collateral and past performance, and allocating the collateral to individual transactions on an equity basis. In all cases, the Bank takes into account collateral with a collateral value greater than zero as credit risk mitigation. The figures in the table below show the discounted hedge values, allocated by transaction, of the collateral and their ratios to gross receivables.

(All amounts in HUF million unless otherwise stated)

	Loans and advances to credit institutions and insurance companies			Loans and advances to other customers		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Stage 1						
MEHIB insurance and state suretyship	6 733	6 767	7 923	236 241	186 596	99 237
Cash and securities collateral deposit	-	-	-	-	294	466
Bank guarantees	124 812	137 295	68 433	132	-	-
Mortgage on property	-	-	-	1 976	9 041	11 213
Other	208 752	169 685	125 403	41 570	34 333	35 067
Total collaterals:	340 297	313 747	201 759	279 919	230 264	145 983
Gross value of receivables:	1 188 420	911 344	762 142	312 862	249 056	169 450
Value of collateral as a % of receivable:	29%	34%	26%	89%	92%	86%
Stage 2						
MEHIB insurance and state suretyship	-	-	39	57 387	53 076	46 276
Cash and securities collateral deposit	-	-	-	484	575	1 180
Bank guarantees	-	-	-	564	-	-
Mortgage on property	-	-	-	5 686	5 835	10 519
Other	-	46 394	-	2 968	4 268	16 046
Total collaterals:	-	46 394	39	67 089	63 754	74 020
Gross value of receivables:	294	73 454	618	74 567	79 760	120 749
Value of collateral as a % of receivable:	-	63%	6%	90%	80%	61%
Stage 3						
MEHIB insurance and state suretyship	4 901	-	-	16 707	4 478	5 812
Cash and securities collateral deposit	-	-	-	2 351	2 237	1 360
Bank guarantees	-	-	-	-	-	-
Mortgage on property	-	-	-	16 468	21 290	14 609
Other	-	-	-	13 644	13 329	8 300
Total collaterals:	4 901	-	-	49 170	41 334	30 080
Gross value of receivables:	11 138	407	556	119 060	108 698	58 395
Value of collateral as a % of receivable:	44%	-	-	41%	38%	52%
POCI						
MEHIB insurance and state suretyship	-	-	-	-	-	-
Cash and securities collateral deposit	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-
Mortgage on property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total collaterals:	-	-	-	-	-	-
Gross value of receivables:	-	-	-	-	-	-
Value of collateral as a % of receivable:	-	-	-	-	-	-
Total collaterals:	**345 198**	**360 141**	**201 798**	**396 178**	**335 352**	**250 083**
Gross value of receivables:	**1 199 852**	**985 205**	**763 316**	**506 489**	**437 514**	**348 594**
Value of collateral as a % of receivable:	**29%**	**37%**	**26%**	**78%**	**77%**	**72%**

The other collaterals behind refinancing loans provided to banks include pledges on receivables that consist of loans granted by commercial banks to exporters. As at 31 December 2022 53% of the other collaterals behind the loans to customers consisted of guarantees from foreign governments, 5% consisted of institutional guarantees secured with a Hungarian state suretyship, and 42% of pledges on movables. Of these movable pledges, 98% were on vehicles, machinery and equipment and 2% on inventories. As at 31 December 2021 68% of other collaterals behind the loans to customers consisted of assignments, 13% consisted of guarantees issued by companies, and 8% of pledges on movables. Of these movable pledges, 93% were on vehicles, machinery and equipment and 7% on inventories. As at 31 December 2020 53% of other collaterals behind the loans to customers consisted of pledges on movables. Of these movable pledges, 60% were on vehicles, machinery and equipment and 40% on inventories. 29% of other collaterals comes from guarantees issued by companies. The collateral evaluation system considers haircuts for various collateral types that the Bank defined in its internal policies on collaterals.

Since the Bank's business is primarily focused on promoting the export activities of Hungarian companies with various capacities to take out credit, as well as guarantees, the treasury functions of many usual commercial banking activities are of secondary importance. Consequently, the Bank's Treasury department does not engage in speculative derivative transactions, but only operates in foreign exchange swap markets in order to hedge foreign exchange positions opened between assets and liabilities. The main risk mitigation technique to eliminate the credit risk inherent in foreign exchange swap transactions is the use of foreign exchange trading limits, which can only be allocated to prime Western banks (G7, EEA and EFTA banks).

30.2 Liquidity risk

Liquidity risk is the risk that the Bank might be unable to meet its payment obligations when they fall due under normal and stress circumstances. The liquidity management process is carried out and controlled by the Treasury Department, which is also responsible for calculating the liquidity reserve. Treasury monitors the balance sheet liquidity ratios in line with internal and regulatory requirements and reports items in the maturity structure to the Asset and Liability Committee (ALCO). The ALCO, by varying degrees per maturity band, sets limits on the maximum amount of the liquidity gap as a percentage of the balance sheet total, which is monitored by Risk Analysis Methodology and Controlling.

The maturity consistency table set out in Note 29 presents the undiscounted gross nominal cash inflows and outflows of the Bank's financial assets and liabilities, including the related expected interest cash flows up to maturity and due date, as well as financial guarantee contracts and loan commitments issued based on their earliest possible maturity. Hedging derivatives are presented at fair value in the table.

Loans from domestic and foreign banks and the issued global bonds are secured by the general guarantee provided by the Government of Hungary up to the maximum amount of the guarantee, as defined in the Act on the Budget of Hungary. Some loan agreements set out a maturity extension option in favour of the Bank. Termination of short-term money market transactions is not possible due to market characteristics. Based on the legal background of the Bank and its experiences, the Bank regards the probability of the premature termination of funds to be extremely low.

The Bank maintains a liquidity reserve for all its HUF and foreign currency assets, the value and composition of which were as shown in the table below as at 31 December 2022 and 31 December 2021.

(All amounts in HUF million unless otherwise stated)

	31.12.2022	31.12.2021	31.12.2020
HUF current account balance	35 668	1 152	1 492
Foreign currency nostro account balance	315	363	1 031
Positive balance of overnight loans to domestic and foreign credit institutions, and to the MNB, and overnight deposits accepted from them	149 500	-	-
Freely usable securities owned by the Bank and negotiable with the central bank (government securities, MNB bonds)	-	-	9 780
Free collateral value of all instruments that the MNB accepts as collateral for the loans it grants	82 677	96 774	64 939
Total	**268 160**	**98 289**	**77 242**

Under the Exim Act, the Hungarian State, as an absolute guarantor, is liable for the Bank's obligations to pay the principal of and interest on its loans, including debt instruments issued by the Bank, loans from Hungarian and foreign credit institutions, and the Bank's payment obligations arising from additional costs of foreign exchange and interest rate swaps (collectively: "Funding Guarantee").

The Hungarian State's obligations to Eximbank in respect of the Funding Guarantee are subject to an upper limit set by the annual central budget. Under the 2022 Budget Act, the upper limit of the Funding Guarantee is currently HUF 2 800 billion, which was 55.84% used as at 31 December 2022. As at the end of 2021 and 2020 the upper limit of the Funding Guarantee was HUF 1 500 billion and HUF 1 200 billion which were 84.52% and 80.56% used, respectively.

The Hungarian State does not charge any fees in respect of the Funding Guarantee. According to Hungarian law, if the Bank fails to meet its payment obligations guaranteed by the Hungarian State, creditors can seek reimbursement directly from the State by filing a claim with the minister responsible for public finance without first seeking recovery from the Bank.

In order to mitigate the risk of open positions, the Bank holds assets exclusively with low credit risk and does not include futures or options transactions in its portfolio. The portfolio of securities consists primarily of Hungarian Government bonds held by the Bank to realise the cash flows from them. The Bank neither speculates on the stock exchange nor buys derivatives for speculative reasons. The Bank enters into foreign exchange swaps to hedge foreign exchange market risks and interest rate swaps to hedge interest rate risks.

The Bank's interest rate, credit, foreign exchange and liquidity risk management policies are regularly reviewed by the Asset-Liability Committee (ALCO), the Credit Committee (CC) and the Board of Directors. The above guidelines are summarised below:

30.3 Market risk

The Bank does not enter into speculative transactions. In period of 2020-2022 no capital requirement was generated for this purpose in accordance with Article 351 of Regulation (EU) No 575/2013.

The Bank does not keep a trading book and therefore no capital requirement arises concerning a trading book.

(All amounts in HUF million unless otherwise stated)

	31.12.2022	31.12.2021	31.12.2020
Capital requirement of the trading book	-	-	-
Own funds	382 808	286 306	252 001
Capital requirement of the trading book as a percentage of the capital adequacy ratio	-	-	-

30.4 Interest rate risk

Interest rate risk is the current or prospective risk to both the Bank's earnings and capital from adverse movements in interest rates.

The Bank measures the interest rate risk in its books under the re-pricing of loans, furthermore it applies gap analysis to examine the assets and liabilities at different re-pricing dates. Besides the re-pricing risk and shifts in the yield curve, the Bank also faces basis risk and inherent risk in banking products. One of the most important elements of government support for exporters through the Bank is the interest equalisation system that fundamentally reduces interest rate risk occurring in the Bank's operation. This interest rate compensation system covers the risk arising from fixed interest-bearing assets compared to floating and fixed rate funds with a certain amount approved by the Parliament for a one-year period in the Budget Act. The Treasury Department quarterly calculates the actual cost of funds considering the fixed and variable interest-bearing liabilities, which determines the Bank's funding premium beyond IBOR applied in the interest equalisation system.

Where the Bank provides loans based on OECD criteria or European Union competition policy standards in the form of credit at favourable fixed interest rates, the Hungarian State provides the Bank with periodic interest compensation payments.

Under the interest equalisation system, the amount of interest compensation provided by the Hungarian State is determined by the difference between (i) the interest rate paid by the borrower and (ii) the sum of the Bank's funding costs, operating expenses and the applicable risk premium. Funding costs recognised in the interest equalisation system are determined as the funding premium beyond the all-time market 6-month-IBOR rates, therefore the interest compensation system settles fixed interest bearing loans to variable interest bearing ones. The Bank receives the interest equalisation payment after applying to the Hungarian State within 15 days from the end of each quarter, and the Bank receives the payment for that quarter within 30 days after the application.

In addition to receiving payments from the Hungarian State under the interest compensation program, the Bank receives a form of interest support with respect to tied-aid credits. Interest support payments for tied-aid credits are made based on a slightly different cost base than under the interest compensation program.

Interest equalisation and support are intended to promote stability and sustainability for the Bank. However, the level of interest equalisation and support provided by the Hungarian State is also intended to keep the Bank's profit at or near zero for loans covered by these programmes, reflecting the Bank's role as an instrument of economic policy for the Hungarian State rather than as a traditional profit-oriented bank.

All other loans provided by the Bank (i.e. loans that are not covered by the interest equalisation and interest subsidy programmes) are variable-rate and are priced at the Bank's average cost, by reference to LIBOR/EURIBOR/Budapest Interbank Offering Rate ("BUBOR").

(All amounts in HUF million unless otherwise stated)

On the reporting dates the interest rate profile of the Bank's interest-bearing financial instruments was as follows:

	31.12.2022	31.12.2021	31.12.2020
Fixed rate financial instruments			
Financial assets*	533 589	284 166	192 287
Financial liabilities	1 782 119	1 470 868	1 029 643
Total	**2 315 708**	**1 755 033**	**1 221 930**
Variable rate financial instruments			
Financial assets	73 441	73 418	33 097
Financial liabilities	205 821	85 041	106 768
Total	**279 262**	**158 460**	**139 865**
Assets in interest equalisation	1 480 695	1 270 905	1 000 190
Tied-aid credits	90 504	76 838	62 055

* Excluding Assets in interest equalisation and Tied-aid credits.

Financial assets in the interest equalisation system and aid credits are fixed-rate or zero-interest financial instruments from the customers' point of view. In the case of tied-aid credits the Bank receives interest compensation on these assets from the Hungarian State. The interest compensation is calculated and due quarterly based on the weighted average of the daily balances.

The Bank measures the impact of interest rate risk on the net interest income and economic capital with static and duration gap methodology, which are parameterised using the stress scenarios determined by the European Banking Authority (EBA). Impact on economic capital serves for measuring the long-term effects of interest rate risk, which is determined based on the present value differences of cash flows of interest bearing assets and liabilities.

The Bank applies the scenarios, assuming positive and negative parallel shift of yield curves, inclining and steepness shocks and shocking increase and decrease of short-term interest rates, for EUR, USD and HUF currencies, and considers the result of the worst case scenario for all currencies.

The impact of interest rate risk on expected net interest income is estimated by the Bank using the static gap method, where the Bank projects the interest rate changes in the EBA stress scenarios onto the gaps resulting from the difference between interest rate sensitive assets and liabilities classified in each repricing band, and then aggregates the result by currency. From the results calculated with the static gap model, the results of the worst case scenario are selected and aggregated by currency, the sum of the 12-month average and standard deviation of which equals the interest rate risk result, which was HUF 7 921 million as at 31 December 2022, compared to the HUF 4 252 million as at 31 December 2021 and to the HUF 1 862 million as at 31 December 2020.

The Bank implements economic capital changes using a calculation based on duration gap, where the average duration of assets and liabilities is determined by classifying the cash flows of individual items into repricing ranges. The duration of the total asset portfolio is calculated as the portfolio-weighted average of the duration of EUR, USD and HUF assets, and the duration of the liabilities is also determined with this method. The Bank calculates the change in the economic value of capital as a result of a change in interest rates using the BPV method, where the change in the economic value of capital is determined by assuming a shift in the yield curves of each currency to the extent included in the EBA interest rate shock scenarios, in the course of which the largest negative interest-rate shock value, but at most, a value of zero, must be selected from the individual scenarios. The effect of interest rate risk on the economic value of capital calculated on the basis of the duration gap model was HUF 3 471 million as at 31 December 2022 (HUF 1 342 milion and HUF 2 025 million at the end of 2021 and 2020).

The results are aggregated taking into account the average and standard deviation of the last 12 months, and the pillar 2 capital requirement is determined by combining the two methods, with a weighting calculated on the basis of a structural sensitivity calculation different for each foreign currency. Eximbank's effective interest-rate risk capital requirement was HUF 4 140 million and HUF 1 887 million at the end of 2021 and 2020, respectively. From 11 August 2022 Eximbank is not required to allocate additional capital for interest rate risk under Pillar 2 framework, otherwise Eximbank calculates potential interest rate risk under ICAAP regulations with the result of HUF 7 799 million as at 31. December 2022.

The interest rate risk limit is set at 10% of the Bank's own funds, and the limit is charged by the economic impact on capital value of interest rate risks. The utilisation of the interest rate risk limit was 9.87% on 31 December 2022, which has been between 4-14% in recent years, measured on a monthly basis, so there was no need for asset-liability structural intervention to reduce interest rate risk.

A fundamental global reform of main reference interest rates are currently in progress, aiming at replacing or reforming IBOR (interbank offer rates) with alternative, near risk-free yields. The Bank's financial instruments do not have significant exposures to IBORs that might be replaced or reformed due to this market-level initiative. The Bank expects that IBOR reform would not result in a significant operational, risk management and accounting impact on its business activity.

30.5 Foreign currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ALCO also sets limits to the level of exposure per currency and in aggregate both for overnight and for intra-day positions, which are monitored and reported daily. Furthermore, calculating foreign currency exchange risk conforms to the norms of the standard method. The Bank manages its foreign currency risk and position based on its financial position. The Bank opens FX positions only within the framework of highly restricted rules, limiting foreign exchange risks to a minimum with very tight foreign exchange open position limits (HUF 1 000 - 1 000 million for EUR and USD, HUF 300 million for other currencies, with the total value of open positions allowed being HUF 2 300 million). Eximbank's Treasury should keep foreign exchange positions within limits on every booking date, but open positions on value date presented in the table bellow might differ from that they were on that particular booking date. Foreign exchange position limits were not exceeded in any single day in the last two years. As foreign exchange risk is kept between extremly narrow limits, Eximbank does not analyze foreign currency risk sensitivity.

The details of exposures related to currency risk expressed in HUF million as at 31 December 2022 are as follows:

	EUR	USD	GBP	RUB	RSD	KZT	TRY
Loans and advances to credit institutions and insurance companies	645 202	33 640	2	2	2	4	1
Loans and advances to other customers	293 463	105 960	-	-	-	-	-
Investments	32 795	22 878	-	-	-	-	-
Other assets	171	(33)	-	1	-	-	-
Total assets denominated in foreign currency	971 630	162 446	2	3	3	4	1
Deposits from banks and insurance companies	677 108	153 029	-	-	-	-	-
Deposits from customers	802	1 712	-	-	-	-	-
Other liabilities	3 971	193	-	2	-	-	-
Total liabilities denominated in foreign currency	681 880	154 934	-	2	-	-	-
Net amount of assets and liabilities denominated in foreign currency	**289 750**	**7 511**	**2**	**1**	**3**	**4**	**1**
Effect of derivative transactions	*(298 314)*	*(11 759)*	-	-	-	-	-
Net foreign currency exposure	**(8 564)**	**(4 247)**	**2**	**1**	**3**	**4**	**1**

The details of exposures related to currency risk expressed in HUF million as at 31 December 2021 are as follows:

	EUR	USD	GBP	RUB	RSD	KZT	TRY
Loans and advances to credit institutions and insurance companies	508 667	34 474	2	13	3	7	1
Loans and advances to other customers	265 692	95 078	-	-	-	-	-
Investments	18 736	20 280	-	-	-	-	-
Other assets	473	19	-	1	-	-	-
Total assets denominated in foreign currency	793 567	149 852	2	14	3	7	1
Deposits from banks and insurance companies	597 383	142 551	-	-	-	-	-
Deposits from customers	-	1 009	-	-	-	-	-
Other liabilities	2 570	202	-	-	-	2	-
Total liabilities denominated in foreign currency	599 953	143 762	-	-	-	2	-
Net amount of assets and liabilities denominated in foreign currency	**193 614**	**6 091**	**2**	**14**	**3**	**5**	**1**
Effect of derivative transactions	*(214 765)*	*(8 539)*	-	-	-	-	-
Net foreign currency exposure	**(21 151)**	**(2 449)**	**2**	**14**	**3**	**5**	**1**

The details of exposures related to currency risk expressed in HUF million as at 31 December 2020 are as follows:

	EUR	USD	GBP	RUB	RSD	KZT	TRY
Loans and advances to credit institutions and insurance companies	428 777	44 233	-	-	-	-	-
Loans and advances to other customers	213 888	87 414	-	1	-	-	-
Investments	8 636	17 513	-	-	-	-	-
Other assets	1 324	241	2	5	3	2	-
Total assets denominated in foreign currency	652 626	149 402	2	6	4	2	-
Deposits from banks and insurance companies	561 398	139 966	-	-	-	-	-
Deposits from customers	-	3 735	-	-	-	-	-
Issued bonds	-	4 225	-	-	-	-	-
Other liabilities	2 611	130	-	-	-	2	-
Total liabilities denominated in foreign currency	564 009	148 055	-	-	-	2	-
Net amount of assets and liabilities denominated in foreign currency	**88 616**	**1 346**	**2**	**6**	**4**	**1**	-
Effect of derivative transactions	*(77 153)*	*(1 635)*	-	-	-	-	-
Net foreign currency exposure	**11 463**	**(289)**	**2**	**6**	**4**	**1**	-

The Bank does not enter into speculative transactions. During the 2020 – 2022 period no capital requirement was generated for this purpose in accordance with Article 351 of Regulation (EU) No 575/2013.

30.6 Capital management

In 2022, Eximbank met the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (CRR). Own funds are determined in accordance with Part Two of the CRR, while capital requirements are maintained in accordance with the provisions of Part Three.

In accordance with IFRS 9, Eximbank introduced cash-flow hedge accounting for long-term currency swap (CCIRS) transactions in 2021. The effective portion of hedge accounting is recognised in equity under Other comprehensive income, within which the reserve for cash flow hedges is recognised. The fair value reserves related to gains or losses on cash flow hedges of financial instruments (that are not valued at fair value, including projected cash flows), net of the corporate tax charge, shall be eliminated from own funds through prudential filtering (Article 33 of CRR) which increase own funds by HUF 17 082 million as at 31 December 2022. The effect of prudential filtering amounted to HUF 13 166 million at 31 December 2021.

Eximbank has a loan liability of EUR 100 million provided by the Hungarian Development Bank (as interbank liabilities), that is treated as a subordinate capital for capital management aspect, and which expires on 12 September 2024. From the start of the five-year amortisation period, from 12 September 2019, this may be included in the solvency capital as an additional capital instrument in a gradually decreasing amount, as provided for in Section 92 of the CRR. At 31 December 2022, 34% of the total capital amount (HUF 40 025 million) may be included in its own funds, which is HUF 13 605 million. At 31 December 2021, 54% of the total subordinated loan capital amount could have been included in its own funds, which was HUF 19 914 million.

In line with the provisions mentioned, the amount of the additional capital is to be considered a positive component of Eximbank's own funds.

Pursuant to the amendment of the Exim Act that entered into force on 11 August 2022, in the case of Eximbank, the provisions of Section 79 (2) *b)* and Section 97 of the Credit Institutions Act do not need to be applied. According to Section 20 (6) of the Exim Act, the obligation to maintain an add-on capital requirement as prescribed in the context of a supervisory audit has ceased, and the Bank is exempted from the legal requirement of carrying out an internal capital adequacy assessment process.

The evolution of the capital adequacy ratio is shown in the table below, in HUF million and in percent.

	31.12.2022	31.12.2021	31.12.2020
Core capital	369 204	266 391	225 001
Supplementary capital	13 605	19 914	27 000
Own funds	**382 808**	**286 305**	**252 001**
Amount of risk-weighted credit exposure	1 533 094	1 530 349	1 229 858
Value of CVA risk exposure	12 450	14 187	52
Amount of risk-weighted operational risk	45 638	25 484	35 061
Total risk exposure amount	**1 591 182**	**1 570 020**	**1 264 971**
Capital adequacy ratio	24.06%	18.24%	19.92%

As of 31 December 2022, the Bank had fulfilled the prudential capital adequacy requirements at all three tiers of capital (CET1, AT1, total own funds). The capital adequacy ratio significantly exceeded the legal minimum of 8% required by law, and also provided coverage for the amount of the capital conservation buffer, set at 2.5% of risk exposure, to be formed from the primary own funds.

30.7 Large exposures

The provisions of Regulation (EU) No 575/2013 (CRR) regarding large exposures (Article 392) and exceeding the limits to large exposures (Article 395) to a customer or group of connected customers must be applied with the Eximbank variations defined in the Exim Act:
Large exposures:
According to Section 21 (1) of the Exim Act, an exposure to a customer or group of connected customers exceeding 25% of own funds is deemed a large exposure.

Exceeding the large exposure limit:
- For credit institution customers, in the case of non-export and other export-purpose loans and other exposures, the sum total of the exposures to a credit institution or a credit-institution member of a group of connected customers, less exemptions and the credit mitigation effect of credit-risk mitigation tools, may not exceed 200% of the lender's own funds (from June 2020, previous limit: 50%).
- For non-credit institution customers, the large exposure limit is 60% of the lender's own funds (from August 2022, previous limit: 35%).

Exemptions and risk-mitigation techniques set out in Section 21 (3) of the Exim Act in respect of which exemptions should be applied in terms of the value of the exposure serving as the basis for determining the undertaking of large exposures:
a) in respect of export-purpose loans granted by the Eximbank to domestic or foreign credit institutions. Export-purpose credit among the loans specified in Section 1 of Govt. Decree 85/1998. (V. 6.) on the interest equalisation system of the Hungarian Export-Import Bank Private Limited Company (IE decree):
  - ➢ export credits, refinancing export credits, other export-purpose credits (supplier credits, investment loans for projects abroad), and other export-purpose refinancing loans, specified in points a)-d) of Section 1 of the IE decree;
  - ➢ of the products specified in points e)-f) of Section 1 of the IE decree, competitiveness-improving credits and refinancing credits granted within the framework of the Export-Stimulus Loan Programme;
  - ➢ refinancing credits granted for the purchase of export receivables (loans granted by domestic or foreign financial institutions for the purchase of export receivables originating from a foreign trade contract, made on the basis of point 60 of Section 6 (1) of the Credit Institutions Act) as per point g) of Section 1 of the IE decree;
  - ➢ export-purpose pre-financing refinancing credits (export pre-financing loans and export-purpose investment loans) and export pre-financing refinancing credits as per points h)-i) of Section 1 of the IE decree.

b) in respect of credit and loans provided by Eximbank to a foreign buyer, where the credit rating of the destination country – based on the methodology of the "Agreement on officially supported export credits" of the Organisation for Economic Co-operation and Development – is at least 3 or better, and the repayment of the credit and the loan is guaranteed by central budget or the central bank of the destination country,
c) up to the amount covered by the guarantee, the following facilities provided by Eximbank,
  ca) in respect of credit and loans secured by the guarantee of a credit institution headquartered in a member state of the Organisation for Economic Co-operation and Development, or
  cb) in respect of credit and loans secured by the guarantee of a credit institution to which, in respect of its exposures – not secured with loan collateral – with a maturity of longer than three months, can be assigned a risk weight of no more than 50% under the standardised approach for measuring credit risk,

d) in respect of exposures secured by the absolute suretyship of the central budget, including export-purpose credits and loans covered by a non-marketable risk insurance of Mehib Rt., up to the insured amount less the deductible.

In addition to the above, for the purpose of determining a large-exposure limit breach, the value of the exposure may be reduced through the application of the exemptions and CRM techniques specified in Articles 400-403 of the CRR.

As at 31 December 2020, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk mitigation techniques set out in the CRR and the Exim Act amounted to HUF 957 297 million.
As at 31 December 2020, in its *non-credit institution client base*, the Bank had a large risk exposure to one client exceeding 25% of its solvency capital, in the amount of HUF 342 985 million. The exposure with a value of HUF 315 341 million is secured by MEHIB insurance, which provides a risk mitigation effect for the purposes of the large-exposure limit up to the amount of the cover.
In its *non-credit institution client base*, the total amount of the values of the Bank's exposures before the application of exemptions and credit risk mitigation tools was HUF 614 312 million, vis-à-vis four credit institution client groups. The large exposure to these client groups was reduced by credit lines, in the value of HUF 164 356 million, which can be cancelled in the event of a drawdown that would result in a large-exposure overrun. The limit load was further reduced by medium/low-risk (20% CCF) credit lines, 50% of which can be considered under Article 400 (2) i) of the CRR, amounting to HUF 9 113 million. Under the Exim Act, the guarantee for credit institutions established in OECD member countries meant an exemption of HUF 27 456 million.
At the end of December 2020, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2021, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk-mitigation techniques set out in the CRR and the Exim Act amounted to HUF 1 118 317 million.
As at 31 December 2021, in its *non-credit institution customer base*, the Bank had a large exposure to one customer exceeding 25% of its own funds, in the amount of HUF 346 403 million. The exposure with a value of HUF 318 683 million is secured by MEHIB insurance, which provides a risk-mitigation effect for the purposes of the large-exposure limit up to the amount of the cover.
In its *non-credit institution customer base*, the total amount of the values of the Bank's exposures before the application of exemptions and risk-mitigation tools was HUF 771 914 million, vis-à-vis five credit-institution groups of connected customers. The large exposure to these groups of connected customers was reduced by credit lines, in the value of HUF 1 039 million, which may be cancelled in the event of a drawdown that results in a large-exposure breach. The decrease in the volume of cancellable credit lines was due to the elimination of excess credit lines at the end of the compensation loan programme. The limit load was further reduced by medium/low-risk (20% CCF) credit lines, 50% of which can be considered under Article 400 (2) i) of the CRR, amounting to HUF 26 294 million. In accordance with the Exim Act, guarantees of credit institutions headquartered in an OECD member country represented an exemption of HUF 36 464 million.
At the end of December 2021, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2022, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk-mitigation techniques set out in the CRR and the Exim Act amounted to HUF 1 698 753 million.[1]

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[1]The MNB's resolution HJÉ-IB-298/2022 issued as a result of its 2022 comprehensive audit conducted at Eximbank Zrt. required that the Bank calculate and report its large exposures on a gross basis, while treating the exemptions provided for by the Exim Act together with the CRR-based

As at 31 December 2022, the Bank had a large exposure to one customer in its *non-credit institution customer base* of HUF 416 454 million, exceeding 25% of its initial own funds position, not yet including the profit for the year. The exposure with a value of HUF 345 671 million is secured by MEHIB insurance, which provides a risk-mitigation effect for the purposes of the large-exposure limit up to the amount of the cover.
In its *non-credit institution customer base*, the total amount of the values of the Bank's exposures before the application of exemptions and risk-mitigation tools was HUF 1 282 299 million, vis-à-vis five credit-institution groups of connected customers and one individual customer.
Under Section 21 (3) a) of the Exim Act, exports and export-type receivables from credit institutions are exempted from the large exposure limit. As at the end of December, for the five groups of connected customers, this exemption covered a portfolio of HUF 209 220 million.
Pursuant to Section 21 (3) ca) of the Exim Act, a loan secured by a guarantee from a credit institution headquartered in an OECD member country is also exempt for the purpose of the limit. At the end of December, this exemption was applied in the case of the five groups of connected customers in the amount of HUF 46 682 million.
Medium/low risk credit lines (20% CCF) that can be considered in a 50% proportion according to Article 400 (2) i) of the CRR are also exempt for the purpose of the limit. At the end of December, in the case of the five group of connected customers, this exemption applied in the amount of HUF 14 298 million.
As an individual credit institution customer, the National Bank of Hungary represented a large risk exposure, which is an exposure denominated in domestic currency to the central bank under Article 400 of the CRR, and thus the entire HUF 165 243 million portfolio is exempt in terms of application of the limit.
At the end of December 2022, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2022 Eximbank had no large-exposure limit breaches at either customer or group of connected customers level.

exemptions. In practice, this means that exposures of an export nature and covered by a bank guarantee from an OECD member-country bank, which are involved in high risk taking, are not reported as high risk exposures; however, according to the new methodology, these exposures are also reported/shown as high risk taking and the types of exposures mentioned must be exempted in terms of application of the limit.

30.8 Disclosures related to the Russian-Ukrainian war

In its invasion of Ukraine on 24 February 2022, Russia used overwhelming military force in a blitzkrieg to force Ukraine into making concessions. The current – presumed – goal of the Russian invasion of Ukraine, which has been underway for a year now, is the acquisition of territory. Due to the continuous Ukrainian resistance and the recent counterattacks, a protracted war seems likely. Russia's invasion of Ukraine has led to a deterioration of relations between Moscow and the West not seen since the Cold War, and this is not expected to improve significantly in the medium term.

Russia's aggression has been severely sanctioned by the EU Member States, the United Kingdom, the United States of America, Japan and South Korea, among others, following the attack launched on 24 February 2022. Given that Western sanctions against Russia have rapidly expanded and deepened, further sanctions are likely if Russia acquires more territory or violates additional international legal norms in Ukraine. The sanctions have been accompanied by a major increase in business risk, as well as in foreign exchange and transfer risks.

The Bank previously assumed risk in relation to the countries involved in the conflict, under MEHIB Zrt.'s insurance cover. However, MEHIB Zrt. suspended Ukraine's insurance limit on the day of the launch of the Russian offensive (24 February 2022), and the Russian and Belarusian limits on 28 February 2022, with immediate effect. Following the assessment of the situation, on 2 March 2022, the Bank downgraded Russia from category 4 to category 6 and Ukraine from category 6 to 7 (the worst category), while suspending the country limits for Ukraine, Russia and Belarus. The Bank suspended its limits for all Russian and Belarusian financial institutions and their respective Hungarian subsidiaries. The Bank had no outstanding limits with Ukrainian financial institutions. On 11 March 2022, the OECD decided to downgrade Russia and Belarus to category 7. On 23 September 2022, the Bank downgraded Belarus to category 7. Finally, the OECD downgraded Ukraine to category 7 on 26 January 2023.

The Bank does not have Ukrainian or Belarusian exposures, and therefore no credit losses can arise in respect of these two countries as a result of the war.

At the outbreak of the war, the Bank had a corporate exposure in Russia of HUF 4 437 million, which was 100% covered by MEHIB type V insurance. Due to the default of the Russian borrower, the transaction was cancelled and eventually removed from the Bank's balance sheet through a lump-sum insurance payment. There was no credit loss due to the transaction.

The sanctions in force against Russia affected the exposure of HUF 5 286 million to Sberbank Russia existing as at the reporting date. The refinancing loan facility originated in 2013 is backed by 95% MEHIB type V insurance. In view of the uncertainty of recovery due to the sanction restrictions, impairment of HUF 271 million, reflecting the amount of the Bank's own contribution, was accounted for.

The voluntary liquidation of Sberbank Magyarország Zrt. can be considered an indirect effect of the war. On the reporting date, the Bank had an exposure of HUF 5 383 million to Sberbank Magyarország Zrt., resulting from various refinancing loan facilities. In view of the uncertainty of the recovery from the liquidation, impairment of HUF 2 930 million was accounted for up to the reporting date on our receivables from Sberbank.

The exposure to Russia and Ukraine of the capital funds that operate with Eximbank's participation is limited, and thus so is the related investment risk. The primary reason for this is that the geographical focus of the funds, in the case of funds registered in Hungary, is predominantly centred on Central and Eastern Europe, and there are no direct Russian or Ukrainian investments among the funds' portfolio companies. None of these events raised any material doubt regarding the continuation of the business, i.e. the principle of going concern was not jeopardised.

30.9 Climate risk and green disclosures

In its Business Strategy elaborated for the period 2022-2026, the Bank has stipulated the full integration of Environmental, Social, Governance (ESG) and sustainable development principles in its operations as a key strategic objective. This includes a progressive increase in positive social and environmental impacts from banking activities, while reducing negative impacts and risks, effectively contributing to the transition to a carbon-neutral and climate resilient economy. The Bank's Green Strategy has been developed as part of the Business Strategy, in an effort to meet the sustainability objectives set out in national and international legal regulations and strategic documents, which summarises the fundamental principles of the Bank's Environmental Policy.

The Bank has placed a strong emphasis on compliance with the MNB's Green Recommendation, integrating climate change and environmental risks as well as sustainability considerations into its strategic objectives, corporate governance aspects and risk assessment processes.

The Bank applies the OECD-based environmental and social due diligence procedure for screening export-purpose transactions under the OECD Agreement, in the course of which it performs an environmental, social and human rights risk assessment of the transaction to be supported. This ensures that the Bank does not provide financing for projects/investments that would entail high greenhouse gas emissions or where the implementation of the project/investment would result in social or human rights violations.

An ESG Centre has been set up within the Bank, with responsibility for coordinating and managing tasks related to climate change, environmental risk and sustainability.

Environmental sustainability credit risk is defined by the Bank as an environmental, social or governance event or circumstance, the occurrence of which could have a material adverse impact on the value of placements and/or investments, or on the financial position, performance or reputation of customers. The Bank has incorporated the principle of environmentally sustainable credit risk into the basic principles of its Risk Strategy. Accordingly, the Bank adjusts its exposures to ensure that the share of environmentally sustainable (green) industries and customers will increase in relation to "brown" industries and customers, i.e. those that are more exposed to tightening environmental regulation (and are therefore riskier in the longer term).

The Bank continuously monitors international trends, recommendations, guidelines and statutory regulations, and incorporates best practices into its own regulatory framework. It strikes a balance between limiting unsustainable activities and promoting sustainable activities. To this end, the Bank has stopped financing both domestic and export-related activities related to coal with effect from 1 January 2021.

The Bank has defined sustainability risk indicators in accordance with Annex 1 of EU Regulation 2019/2088 'Final Report on draft Regulatory Technical Standards', with the objective of assisting financial and capital market participants in understanding and assessing sustainability risk exposure.

The Bank's policy is to use its equipment and other assets efficiently for as long as possible. In addition, the Bank considers its employees to be its greatest asset, and maintaining a safe working environment is therefore essential. The Bank is committed to implementing all relevant issues into its existing processes and operations in order to make its business – and that of its customers – more environmentally sustainable.

The Bank has launched its Green Financing Programme, which offers financing schemes for domestic developments where at least 25% of the investment is for sustainability purposes, reducing energy consumption, environmental impact and greenhouse gas emissions, and for promoting sustainable farming and the transition to clean technology. Due to the energy crisis, the loan targets set out in the Green Financing Programme were accorded exceptional priority in the government's crisis management and economic development initiatives, and for this reason the Bank expects to see a higher volume of green lending from 2023.

The Bank has incorporated climate change and environmental risks into its risk taxonomy, which it has identified and defined as various transition, physical and reputational risks.

Transition risks are risks to the Bank arising from the transition to a low-carbon and climate-resilient economy. These may include the following:

a) Political or regulatory risks, for example due to energy efficiency requirements, carbon pricing mechanisms (e.g. carbon tax) that increase the price of fossil fuels, or policies that promote sustainable land use.
b) Legal risks such as liability for damages related to disputes arising from failure to avoid or minimise adverse impacts on the climate or failure to adapt to climate change.
c) Technological risks, for example, if a less climate-damaging technology replaces a more climate-damaging technology, drastically reducing the profitability of those using the "old" technology.
d) Market risks, for example, if customer preferences and demand shift towards more climate-friendly products and services.
e) Reputational risks, such as customers, employees, business partners and investors turning away from polluting companies.

Physical risks are the risks that arise from the physical effects of climate change. These may include the following:

a) Acute physical risks arising from specific events, especially weather-related events such as storms, floods, fires or heat waves, which can damage production facilities and disrupt value chains.
b) Chronic physical risks resulting from longer-term changes in the climate, such as temperature changes, rising sea levels, declining water supplies, loss of biodiversity and changes in soil fertility.

Reputational risks related to climate change and environmental risks are the risks that arise from having to meet regulatory requirements related to climate change. These may include the following:

a) The risk of assessing ESG risks and preparing ESG-type reports (correct risk identification and, as a result, preparing accurate reports)
b) The risk of compliance with domestic and international regulations, which includes the risk of regularly monitoring domestic and international regulations, displaying them in the Institution's internal regulations and complying with them.
c) Greenwashing risk, i.e. avoiding "greenwashing" (companies claiming to be environmentally friendly but not living up to these claims) and the risks associated with it.

In order to ensure that the Bank is aware of its customers' impact on and vulnerability to climate change and the environment, the Bank has mapped the climate change and environmental risks of its business sectors on a heat map. The Bank has formulated mitigation measures to help reduce the identified risks.

The Bank uses a risk framework approach to measure environmental and climate change risks, which includes climate stress testing, scenario analysis and sensitivity analysis, in order to assess the impact of sustainability issues on the Bank's risk profile. As a part of this, the Bank has assessed:

- how the Bank may be affected by physical and transition risks;

- how climate change and environmental risks may evolve under different scenarios, taking into account the specificities of this type of risk (uncertainty and non-linearity, probability not based on historical data, potentially extreme and wide-ranging impacts);
- how climate and environmental risks may occur in the short, medium and long term, depending on the scenarios considered.

In the context of the climate stress testing, the Bank assessed the impact of different climate change scenarios on the risk indicators of the Bank's priority portfolio segments, which the Risk Strategy sought to quantify through the long-term probability of default, through sovereign ratings and through bank and corporate PDs, relying heavily on the results of the climate stress testing conducted by the ECB in 2021. To this end, the Bank used three scenarios, taking into account the degree of transitory and physical risks and the effectiveness of the measures. Based on the results, it can be concluded that none of the climate-change scenarios significantly alters the average probabilities of default in the short and medium term.

The Bank carries out the further quantification of climate change-related and environmental risks using the gram/euro equivalent of greenhouse gas emissions per sector, available at Eurostat in the 2-digit TEOR code depth, and as documented in the Risk Strategy. In order to ensure accurate sectoral matching, the Bank used the 2-digit TEÁOR codes of the end-customers (instead of the borrowing banks) for the refinancing loans, the 2-digit TEÁOR codes of the Hungarian exporters (instead of the borrowing foreign entities) for foreign-risk loans, and the 2-digit TEÁOR codes of the borrowing customers for domestic direct loans. Eurostat indicator of greenhouse gas emission intensity by sector: CO_2, N_2O in CO_2 equivalent, CH_4 in CO_2 equivalent, HFC in CO_2 equivalent, PFC in CO_2 equivalent, SF_6 in CO_2 equivalent, and NF_3 in CO_2 equivalent, which were quantified at the gram/euro current price.

Overall, it can be concluded that the Bank has no exposure at all to the most significant GHG-intensive activities, i.e. air transport, coal-fired thermal power plants and oil extraction, and it does not intend to change this within the time horizon of the Risk Strategy. Its exposure is minimal in the relatively high sectors above 6 000 g/EUR: HUF 1.8 billion in waste management and decontamination, and HUF 32.9 billion in the electricity sector, though the latter almost exclusively represents refinancing of solar farms, which does not actually involve the financing of GHG emissions – it is only that the available aggregate Eurostat data does not allow a deeper sectoral breakdown. It can be concluded that the majority of the Bank's loan portfolio is concentrated in sectors of low GHG intensity.

NOTE 31 GEOGRAPHICAL CONCENTRATION

The tables below show the concentration of elements of the Statement of financial position and incomes of the Bank by geographical areas. In addition to domestic balances, the columns of the tables show balances related to other EU Member States, European countries that are not EU Member States, and non-European countries.

(All amounts in HUF million unless otherwise stated)

Concentration of assets and liabilities by geographical area as at 31.12.2022

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Cash and cash equivalents	186 066	4	9	227	186 306
Securities measured at amortised cost	113 056	-	-	-	113 056
Receivables from credit institutions and insurance companies	1 148 653	35 076	5 015	6 739	1 195 483
Receivables from other customers*	105 845	-	44 670	296 464	446 979
Derivative transactions – Held for trading, measured at fair value through profit or loss	5 795	3 951	-	-	9 746
Investments measured at fair value through profit or loss	12	22 624	-	11 731	34 367
Investments accounted for using the equity method	88 973	-	-	-	88 973
Intangible assets	2 251	-	-	-	2 251
Property, plant and equipment	1 646	-	81	-	1 727
Actual income tax receivables	-	-	-	-	-
Other tax receivables	442	-	-	-	442
Deferred tax receivables	2 502	-	-	-	2 502
Other assets	9 619	-	-	-	9 619
Total assets	**1 664 860**	**61 655**	**49 775**	**315 161**	**2 091 451**
Liabilities to credit institutions and insurance companies	748 983	422 829	-	-	1 171 812
Liabilities to other customers	2 514	-	-	-	2 514
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	-	-	-	-
Derivatives held for hedging purposes	11 186	20 994	-	-	32 180
Securities issued**	511 830	-	-	7 623	519 453
Provisions	1 469	-	-	38	1 507
Tax liabilities	710	-	-	-	710
Deferred tax liabilities	-	-	-	-	-
Other liabilities	3 764	2 001	165	2 133	8 063
Total liabilities	**1 280 456**	**445 824**	**165**	**9 794**	**1 736 239**
Subscribed capital	310 000	-	-	-	310 000
Retained earnings	49 074	-	-	-	49 074
Other reserves	(3 862)	-	-	-	(3 862)
Total equity	**355 212**	**-**	**-**	**-**	**355 212**
Total liabilities and equity	**1 635 668**	**445 824**	**165**	**9 794**	**2 091 451**

(All amounts in HUF million unless otherwise stated)

Off-balance sheet financial instruments

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Unutilised part of credit lines***	273 677	-	1	394 363	668 041
Guarantees issued with a guarantee by the State	28 525	-	-	-	28 525
Suretyship issued with a guarantee by the State	-	-	-	-	-
Guarantees issued without a guarantee by the State	257	-	-	-	257
Letters of credit	-	-	-	75	75
Funds	61 644	43 560	-	10 773	115 977
Total	**364 103**	**43 560**	**1**	**405 211**	**812 875**

* In the Receivables from other customers Other countries category, 49.67% are Egyptian exposures, 19.26% Indonesian, 15.52% Lao and 5.4% Sri Lankan.

**The bonds issued by the Bank are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of foreign investors according to geographical areas, so the Bank has included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.

*** Of the undrawn credit lines related to Other countries as at 31.12.2022, HUF 265 291 million is Egyptian exposure.

(All amounts in HUF million unless otherwise stated)

Concentration of assets and liabilities by geographical area as at 31.12.2021

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Cash and cash equivalents	1 273	1	23	246	1 543
Securities measured at amortised cost	102 976	-	-	-	102 976
Receivables from credit institutions and insurance companies	960 228	16 564	4 761	2 240	983 793
Receivables from other customers*	134 948	-	5 620	266 697	407 265
Derivative transactions – Held for trading, measured at fair value through profit or loss	22	4	-	-	26
Investments measured at fair value through profit or loss	12	30 963	-	8 603	39 578
Investments accounted for using the equity method	69 856	-	-	-	69 856
Intangible assets	2 292	-	-	-	2 292
Property, plant and equipment	1 955	-	93	-	2 048
Actual income tax receivables	436	-	-	-	436
Other tax receivables	557	-	-	-	557
Deferred tax receivables	1 985	-	-	-	1 985
Other assets	5 589	-	-	-	5 589
Total assets	**1 282 129**	**47 532**	**10 497**	**277 786**	**1 617 944**
Liabilities to credit institutions and insurance companies	504 484	440 490	-	-	944 974
Liabilities to other customers	1 009	-	-	-	1 009
Derivative transactions – Held for trading, measured at fair value through profit or loss	2 911	1 393	-	-	4 304
Derivatives held for hedging purposes	6 437	12 592	-		19 029
Securities issued**	380 859	-	-	2 929	383 788
Provisions	139	2	-	3	144
Tax liabilities	187	-	-	-	187
Deferred tax liabilities	200	-	-	-	200
Other liabilities	7 730	513	87	407	8 737
Total liabilities	**903 956**	**454 990**	**87**	**3 339**	**1 362 372**
Subscribed capital	253 230	-	-	-	253 230
Retained earnings	4 920	-	-	-	4 920
Other reserves	(2 578)	-	-	-	(2 578)
Total equity	**255 572**	-	-	-	**255 572**
Total liabilities and equity	**1 159 528**	**454 990**	**87**	**3 339**	**1 617 944**

(All amounts in HUF million unless otherwise stated)

Off-balance sheet financial instruments

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Unutilised part of credit lines***	179 982	456	667	351 907	533 012
Guarantees issued with a guarantee by the State	28 102	-	-	-	28 102
Suretyship issued with a guarantee by the State	1 920	-	-	-	1 920
Guarantees issued without a guarantee by the State	274	-	-	-	274
Letters of credit	-	-	-	136	136
Funds	37 616	39 618	-	10 631	87 865
Total	**247 894**	**40 074**	**667**	**362 674**	**651 309**

* In the Receivables from other customers Other countries category, 52% are Egyptian exposures, 21% Indonesian, 14% Lao and 6% Sri Lankan.

**The bonds issued by the Bank in October 2017, February 2019, November 2020 and December 2020 are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of foreign investors according to geographical areas, so the Bank has included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.

*** Of the undrawn credit lines related to Other countries as at 31.12.2021, HUF 207 678 million is Egyptian exposure.

(All amounts in HUF million unless otherwise stated)

Concentration of assets and liabilities by geographical areas as at 31 December 2020

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Cash and cash equivalents	2 183	95	12	239	2 529
Securities measured at amortised cost	105 261	-	-	-	105 261
Receivables from credit institutions and insurance companies	753 172	442	5 568	3 184	762 366
Receivables from other customers*	147 287	3 095	6 086	167 070	323 538
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	-	-	-	-
Investments measured at fair value through profit or loss	12	23 057	-	5 129	28 198
Investments accounted for using the equity method	61 121	-	-	-	61 121
Intangible assets	2 165	-	-	-	2 165
Property, plant and equipment	2 307	87	-	-	2 394
Actual income tax receivables	649	-	-	-	649
Other tax receivables	673	-	-	-	673
Deferred tax receivables	374	-	-	-	374
Other assets	4 067	-	-	-	4 067
Total assets	**1 079 271**	**26 776**	**11 666**	**175 622**	**1 293 335**
Liabilities to credit institutions and insurance companies	419 492	430 831	-	-	850 323
Liabilities to other customers	3 675	-	-	-	3 675
Derivative transactions – Held for trading, measured at fair value through profit or loss	1 417	128	-	-	1 545
Securities issued**	198 030	-	-	3 370	201 400
Provisions	231	1	3	8	243
Tax liabilities	105	-	-	-	105
Deferred tax liabilities	84	-	-	-	84
Other liabilities	7 831	580	98	285	8 794
Total liabilities	**630 865**	**431 540**	**101**	**3 663**	**1 066 169**
Subscribed capital	213 230	-	-	-	213 230
Retained earnings	3 595	-	-	-	3 595
Other reserves	10 341	-	-	-	10 341
Total equity	**227 166**	-	-	-	**227 166**
Total liabilities and equity	**858 031**	**431 540**	**101**	**3 663**	**1 293 335**

(All amounts in HUF million unless otherwise stated)

Off-balance sheet financial instruments

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Unutilised part of credit lines***	379 479	451	1 751	408 366	790 047
Guarantees issued with a guarantee by the State	16 382	-	306	-	16 688
Guarantees issued without a guarantee by the State	456	-	16	-	472
Letters of credit	-	-	-	614	614
Funds	20 259	40 564	-	13 410	74 233
Total	**416 576**	**41 015**	**2 073**	**422 390**	**882 054**

* Exposures to other clients in the Other countries category include 34% Indonesian, 30% Egyptian, 18% Laotian and 7% Sri Lankan exposures.

**The bonds issued by the Bank in October 2017, February 2019, November 2020 and December 2020 are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of investors according to geographical areas, so the Bank has included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.

*** Of the undrawn credit lines related to Other countries as at 31.12.2020, HUF 293 689 million is Egyptian exposure. This exposure was the reason for the significant increase compared to the previous year.

(All amounts in HUF million unless otherwise stated)

Segmented revenue by geographical areas for the year ended 31 December 2022

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Interest income:					
Income from credit institutions and insurance companies	(1 567)	6	115	96	(1 350)
Income from other customers	1 497	-	288	173	4 958
Interest equalisation system***	80 964	-	-	-	80 964
Securities	4 882	-	-	-	4 882
Derivatives	-	-	-	-	-
Held for hedging purposes	947	1 941	-	-	2 888
Other interest income	-	-	-	-	-
Total interest income	**86 723**	**1 947**	**403**	**3 269**	**92 342**
Income from fees and commissions	894	5	5	3	907
Total income	**87 617**	**1 952**	**408**	**3 272**	**93 249**

*** The revenues related to the interest equalisation system come from the Hungarian State.

Segmented revenue by geographical areas for the year ended 31 December 2021

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Interest income:					
Income from credit institutions and insurance companies	(7 053)	-	129	72	(6 852)
Income from other customers	2 593	41	81	3 018	5 733
Interest equalisation system***	31 252	-	-	-	31 252
Securities	1 527	-	-	-	1 527
Derivatives	17	-	-	-	17
Held for hedging purposes	799	1 159	-	-	1 958
Other interest income	40	-	-	-	40
Total interest income	**29 175**	**1 200**	**210**	**3 090**	**33 675**
Income from fees and commissions	384	2	6	355	747
Total income	**29 559**	**1 202**	**216**	**3 445**	**34 422**

(All amounts in HUF million unless otherwise stated)

*** The revenues related to the interest equalisation system come from the Hungarian State.

Segmented revenue by geographical areas for the year ended 31 December 2020

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Interest income:					
Receivables from credit institutions and insurance companies	131	-	147	90	368
Receivables from other	3			2	5
customers	652	71	87	165	975
Interest equalisation system***	19 523	-	-	-	19 523
Securities	811	-	-	-	811
CCIRS	278	-	150	-	428
Other interest income	47	6	-	-	53
Total interest income	**24 442**	**77**	**384**	**2 255**	**27 158**
Income from fees and commissions	235	3	22	-	260
Total income	**24 677**	**80**	**406**	**2 255**	**27 418**

*** The revenues related to the interest equalisation system come from the Hungarian State.

NOTE 32 EVENTS AFTER THE BALANCE SHEET PREPARATION DATE

Provision of a one-off, large-sum, 20-year investment loan to a Hungary-based company for the partial financing of the acquisition of a majority share in another business entity based in Hungary. The loan amounts to almost 60% of Loans and advances to other costumers (without impairment) as at 31 december 2022, significant part of the receivable is covered by joint and several surety of the State.

On 23 March 2022, the EU Commission adopted a new Communication on state aid under the title "*Temporary crisis management framework for state aid measures to support the economy following Russia's aggression against Ukraine*" (Temporary Crisis Framework, TCF). With the Communication, the Commission wanted to enable Member States to take state aid measures that might mitigate the negative consequences of Russian military aggression and of EU responses thereto on the European economy. Hungary announced its own umbrella programme based on section 2.1 of the TCF, which Eximbank also joined, and also initiated an independent notification to the Commission in the last quarter of 2022. The Commission's approval decision is the basis for the new programmes developed in 2022 and launched in 2023. At the start of January 2023, the programme was launched as the Factory Rescue Investment Loan Programme, and in the first phase, as part of the Government's package of measures to support manufacturing companies exposed to the effects of the energy crisis, preferential investment loans were granted for the energy efficiency and renewable-energy production investments of large and medium-sized Hungarian manufacturing companies. Based on the Government's decision of January 2023, the programme was launched by Eximbank on 1 February 2023, in an expanded form under the name Gábor Baross Re-industrialisation Loan Programme, with a budget of HUF 700 billion. In the Gábor Baross Loan Programme, Eximbank offers working capital and investment loans directly, as well as in refinancing with the co-operation of commercial banks and leasing companies. The loans can be applied for by Hungarian SMEs and large companies affected by the adverse effects of the war and the energy crisis, with extremely favourable fixed interest rates. The loan programme is based on the rules on state aid provided under sections 2.3 and 2.1 of the TCF. As part of the Programme, Eximbank also offers its customers a green investment loan facility, the interest rate on which is even more favourable, in order to provide priority support for energy efficiency and sustainability goals. The success of the Programme is evidenced by the fact that more than HUF 500 billion in credit applications were received by Eximbank in the first two weeks of its announcement.

NOTE 33 USE OF ESTIMATES AND JUDGEMENTS

Management discusses with the Supervisory Board the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures complement the notes related to financial risk management (see Note 30).

33.1 Main sources of estimation uncertainty

Credit losses

Assets measured at amortised cost are tested regularly for impairment in accordance with the Bank's accounting policy.

The expected loss models used to measure Stage 1 and Stage 2 financial assets, financial guarantees and loan commitments, as well as the parameters of these models, are set out in detail in Notes 3.7 and 30, which also include the factors of estimation uncertainty.
Impairment on individually valued financial assets are determined on a customer-specific basis, based on the best estimate of the net present value of expected cash flows. In estimating the cash flows, the management considers the financial position of the customer and the net realisable value of the collateral related to the transaction. For each individually impaired asset, Risk Management individually approves the estimate of cash flows deemed recoverable based on the recovery strategy.

Provisions

The Bank sets asides provisions for litigation cases and employee benefits. The Bank is involved in a number of ongoing litigation cases. Based on past experience and expert reports, the Bank assesses developments in the cases and the likelihood and amount of potential financial losses. A provision is recognised if the Bank has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Determination of fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of the valuation techniques that are described in the accounting policy. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also Note 34 entitled "Fair value of financial instruments".

33.2 Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Determination of extent of control or influence exercised in respect of investments

The Bank's contribution to the share capital of Innova-1 Járműipari Magántőkealap is 100, of EXIM Exportösztönző Magántőkealap is almost 100%, in the case of Enter Tomorrow Europe Magántőkealap it is 50%, in the case of Columbus Magántőkealap Európa-Agrár Magántőkealap and Herius-1 Magántőkealap it is 70%, and in the case of PortfoLion Regionális Magántőkealap II it is 49.9%. The Bank does not exercise control, but it has significant influence. Significant influence means the power to govern the financial and operating policies of a target company. The Bank has a right to participate in the investment policy decisions of the funds, but only in a minority and therefore its participation does not constitute control or joint control. In the case of the PortfoLion Regionális Magántőkealap (PRMA), the Bank has a 50% stake and, as it has a veto right over the investment policy decisions of the fund, its participation constitutes joint control. Eximbank accounts for its holdings in these funds using the equity method.

Eximbank does not have a significant influence in the other funds, as is does not have the power to participate in the financial and operational policy decisions of the funds, nor does it have representatives in the relevant decision-making bodies of the funds. Eximbank's representation is limited to objecting to whether a proposed investment's beneficial owners are suitable counterparties. The members of Eximbank's delegation to the actual investment decision-making bodies of the funds – with the exception of PortfoLion Regionális Magántőkealap I– do not have veto rights.

Each fund uses a number of unobservable inputs in the valuation of its investments (inputs used for multiplier valuation and inputs used for DCF-based valuations), and therefore the Bank classifies these assets at level 3 of the fair value hierarchy. The fair values are not generated by the Bank, but are based on the valuations of the funds, and thus the Bank does not, in accordance with IFRS 13 93 d), disclose them.

Other considerations related to investments accounted for using the equity method

Determining whether the investment funds accounted for using the equity method described in Note 10 meet the definition of an investment entity specified in Note 3.17 requires significant judgement on the part of the Bank, as some investment funds have one investor or a small number of investors, and the Bank has participated in the creation of the funds and therefore significant consideration is required in determining whether the Bank has "other benefits" (other than the return on capital appreciation or the investment income) through the entity's investments that are not available to other parties that are not affiliated to the investee.

Based on the considerations set out above and the concept presented in Note 3.17, of the investment entities accounted for using the equity method presented in Note 10, Eximbank considers Columbus Magántőkealap, Enter Tomorrow Europe Magántőkealap, Európa Agrár Magántőkealap, Herius-1 Magántőkealap, Innova-1 Magántőkealap and PortfoLion Regionális Magántőkealap I-II to be investment entities.

33.3 Others

The subsidy scheme for interest equalisation and aid credits is detailed in Note 3.13 and the premium paid to MEHIB is detailed in Notes 19 and 23.

33.4 Calculation of modification gain/loss

(All amounts in HUF million unless otherwise stated)

Pursuant to Govt. Decrees 47/2020 (III. 18.) (as amended several times), 62/2020. (III. 24.) and 637/2020. (XII. 22.), the optional interest- and principal-payment moratorium originally in effect until 30 June 2022 was extended to 31 December 2022. The additional modification of the cash flows resulted in a loss of HUF 1 million on the transactions concerned.
To mitigate the effects of the drought that had hit the agricultural sector, Government Decree 292/2022 (VIII. 8.) provided for a payment moratorium on obligations under the credit and loan agreements of agricultural producers for the period between 1 September 2022 and 31 December 2023. The Bank performed the calculation of the modification of the cash flows for the transactions concerned, and based on these, no case was identified where a write-off was necessary, either on the basis of qualitative or quantitative factors, and it determined a modification loss of HUF 35 million in respect of Receivables from credit institutions and insurance companies.
In 2021, a modification loss of HUF 25.8 million was recognised in the statement of comprehensive income (HUF 891 million in 2020).

NOTE 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

Several provisions of the Bank's accounting policy and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.
All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument at initial recognition is the transaction price (that is, the fair value of the consideration given or received).
Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are measured at fair value based on bid prices for assets held and ask prices for liabilities issued. When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.
For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data.
The table below analyses financial instruments carried at fair value, by valuation method:

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	9 746	-	**9 746**
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	-	-	-
Investments	-	-	34 367	**34 367**
Financial liabilities measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	-	-	-

Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	(32 180)	-	**(32 180)**

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	26	-	**26**
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	-	-	**-**
Investments	-	-	39 578	**39 578**
Financial liabilities measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	(4 304)	-	**(4 304)**
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	(19 029)	-	**(19 029)**

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	-	-	**-**
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	-	-	**-**
Investments	-	-	28 198	**28 198**
Financial liabilities measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	-	-	**-**
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	(1 545)	-	**(1 545)**

Each fund uses a number of unobservable inputs in the valuation of its investments (inputs used for multiplier valuation and inputs used for DCF-based valuations), and therefore the Bank classifies these assets at level 3 of the fair value hierarchy. The fair values are not generated by the Bank, but are based on the valuations of the funds, and thus the Bank does not, in accordance with IFRS 13 93 d), disclose them.

(All amounts in HUF million unless otherwise stated)

	31.12.2022	31.12.2021	31.12.2020
Opening balance	**39 578**	**28 198**	**26 284**
Payment / paid	10 931	10 400	3 602
*of which: disbursement**	*10 931*	*7 866*	3 602
*of which: subscription***	-	*2 534*	-
Payment / received	(14 201)	(3 633)	(717)
of which: capital transfer	(4 881)	(370)	-
of which: repayment	(1 551)	(3 263)	(717)
of which: yield payment	(7 769)	-	-
Recognised in the profit and loss account	(1 941)	4 613	(971)
of which: fair value difference	(9 711)	4 613	(971)
of which: yield payment	7 769	-	-
Closing balances	**34 367**	**39 578**	**28 198**

* Disbursement means that the Bank provides funds for the realisation of the investment following the subscription or makes an asset contribution to the costs specified in the management regulations on the basis of a detailed drawdown document.
**Subscription is a special disbursement drawn by the fund manager from the investor(s) in order to establish the fund. This amount is then used to make an investment, pay a fund management fee or an expense.

Repayments were due to the following events:
- The fund has partially or completely exited the investment;
- The amount called through the investment was not used in completely for the investment; the unused amount has been repaid;

The realised profit was not generated in the current year, because the actual settlement takes place at the end of the term.

The fair value of the funds is set out by Eximbank, based on the net asset value calculation provided by the funds. However, these assets are denominated in foreign currencies, exchange rate risk is significant for fair value measurement.
With this in mind, the Eximbank performs sensitivity analysis on the received actual (or corrected) net asset value data in order to estimate to how the income from the distribution of the participation units of the fund are affected by future exchange rate changes. During the current year's estimate, taking into account a lower limit ((2022: 383 HUF/EUR illetve 353; 2021: HUF/EUR 350 and HUF/USD 296; 2020: HUF/EUR 360 and HUF/USD 296) and an upper limit (2022: 401 HUF/EUR, illetve 378 HUF/USD; 2021: HUF/EUR 420, and HUF/USD 370; 2020: HUF/EUR 400, and HUF/USD 325, respectively), a positive and a negative result were determined. The closing exchange rates on 31 December 2022 were HUF 400.25/EUR and HUF 375.68/USD (on 31 December 2021: HUF 369/EUR and HUF 325.71 USD; on 31 December 2020: HUF 365.13/EUR and HUF 297.36/USD)

Equity instruments listed in EUR (31 December 2022):

EUR	Net asset value 31.12.2022 (Foreign currency)	Carrying amount 31/12/2022 (mHUF)	Impact of negative outcome on profit for the year (mHUF)	Impact of positive outcome on profit for the year (mHUF)
East West VC Fund	2 918 285	1 168	(50)	2
SINO CEE Fund	7 491 329	2 998	(129)	6
Three Seas Fund	11 264 000	4 508	(194)	9

Equity instruments listed in EUR (31 December 2021):

	Net asset value per bank 31.12.2021. (Foreign currency)	Carrying amount 31.12.2021 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
East West VC Fund	1 511 707	558	(29)	77
SINO CEE Fund	16 731 846	6 174	(318)	853
Three Seas Fund	7 019 661	2 590	(133)	358

Equity instruments listed in EUR (31 December 2020):

	Net asset value per bank 31.12.2020. (Foreign currency)	Carrying amount 31.12.2020 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
East West VC Fund	980 875	358	(5)	34
SINO CEE Fund	8 936 473	3 264	(46)	312

Equity instruments listed in USD (31 December 2022)

USD	Net asset value 31.12.2022 (FCY)	Carrying amount 31/12/2022 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	2 578 771	988	(78)	(13)
China CEE Fund II.	30 262 887	11 580	(897)	(141)
IFC FIG Fund	29 931 888	11 731	(1 165)	(417)
Kazakh Hungarian Agriculture Fund	3 676 868	1 381	(83)	9

Equity instruments listed in USD (31 December 2021):

	Net asset value per bank 31.12.2021. (FCY)	Carrying amount 31.12.2021 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	42 106 532	13 715	(1 251)	1 865
China CEE Fund II.	20 100 117	6 547	(597)	890
IFC FIG Fund	26 412 924	8 603	(785)	1 170
Kazakh Hungarian Agriculture Fund	4 236 551	1 380	(126)	188

Equity instruments listed in USD (31 December 2020):

	Net asset value per bank 31.12.2020. (FCY)	Carrying amount 31.12.2020 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	42 023 621	12 496	(57)	1 162
China CEE Fund II.	16 751 898	4 981	(22)	463
IFC FIG Fund	17 247 390	5 129	(24)	476
Kazakh Hungarian Agriculture Fund	6 585 551	1 958	(9)	182

The fair value of the funds is set out by Eximbank, based on the net asset value calculation provided by the funds on a regular basis and taking into account the ownership interest of Eximbank in each fund. In case the net asset value calculation for the current quarter is not available at the time of the compilation of the current report of the Bank, the Bank takes into account the net asset valuation of the previous quarter and adjusts it with the capital contributions for investment and / or disbursements from investments for the current quarter.

China CEE Fund

The fund calculates its net asset value by subtracting liabilities from total assets according to the detailed valuation rules outlined in the private placement memorandum dated November 2013 and provided to the investors before investing into the fund. The private placement memorandum was approved by the Commission de Surveillance du Secteur Financier of Luxemburg at the establishment of the fund.

The fund determines its net asset value at least once a year with the help of an independent valuation expert (TPA Horwath) and its results are monitored by the fund's alternative investment fund manager (LIS). At the net asset value calculation the fund always aims that the assets and liabilities reflect the fair value, taking into account similar, recent transactions between independent market participants, discounted cash flow analysis and other valuation techniques commonly used by market participants. The AIFM ensures that the valuation methods are in line with the IFRS rules and informs the investors of the current net asset value of the fund.

Since the participation units of the fund are denominated in USD, however, the participation units owned by Eximbank are kept in HUF in its books, Eximbank performs sensitivity analysis on the received actual (or corrected) net asset value data in order to estimate to how the income from the distribution of the participation units of the fund are affected by future exchange rate changes.

The valuation techniques used by the fund for each of the portfolio companies are as follows:

- Boston: fair value determined using the portfolio company's share price at year-end. The fair value of investment is classified as Level 1.
- Enshi: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: liquidity discount, net working capital growth, as well as the terminal growth rate, WACC. The valuation has been prepared by an external valuer. The fair value of investment is classified as Level 3.
- Radenci: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: target CPI inflation, terminal growth rate, liquidity discount and WACC. The valuation has been prepared by an external valuer. The fair value of investment is classified as Level 3.

China CEE Fund II

The net asset value of the fund is calculated by subtracting liabilities from total assets according to the detailed valuation rules outlined in the private placement memorandum dated January 2018 and provided to the investors before investing into the fund. By investing into the fund, all investors have accepted and expressed

their consent to be bound by the content of the private placement memorandum that was approved by the Commission de Surveillance du Secteur Financier of Luxemburg at the establishment of the fund.
The fund determines its net asset value at least once a year with the help of an independent valuation expert (TPA Horwath) and its results are monitored by the fund's alternative investment fund manager (LIS). In the net asset value calculation the fund always aims that the assets and liabilities reflect the fair value, taking into account similar, recent transactions between independent market participants, discounted cash flow analysis and other valuation techniques commonly used by market participants. The AIFM ensures that the valuation methods are in line with the IFRS rules and informs the investors of the current net asset value of the fund.
Since the fund's equity notes are denominated in USD, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

The valuation techniques used by the fund for each of the portfolio companies are as follows:

- Canveta: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: target inflation, liquidity discount and Weighted Average Cost of Capital ("WACC"). The fair value of investment is classified as Level 3.
- Gardenica: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: inflation in medical sector, liquidity discount, terminal growth rate, as well as net working capital growth and WACC adjustment. The fair value of investment is classified as Level 3.
- Rishima: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: tariff forecasted for 2021/2022 period, discount applied to book value of liquidated assets, as well as Weighted Average Cost of Capital (WACC). The fair value of investment is classified as Level 3.

Orlando: fair value determined the discounted cash flows method. The most significant inputs affecting the valuation are: inflation in medical sector, liquidity discount, terminal growth rate, as well as net working capital growth and WACC adjustment. The fair value of investment is classified as Level 3.

East West VC Fund

The Fund Manager establishes the net asset value quarterly and calculates the value of the participation units on that basis. In the valuation of financial instruments that are not admitted to trading in any regulated market or multilateral trading facility or other form of shares that do not qualify as financial instruments, the Management Company adopts the following criteria to apply the fair value method:

  - cost within 12 months following the date of acquisition of the asset,
  - materially relevant transactions carried out in the 12 months preceding the valuation date by entities independent from the fund and the fund manager, taking into account any facts or circumstances occurred after the relevant acquisition date that may imply a change in the value considered as of the acquisition date. typical input data are, but not exclusively, the size of the transaction, the stake acquired, the sector and the geographical location
  - multiples of similar companies considering their activity sector, size, leverage and profitability based on public database and data.
  - discounted cash flow method, takin into consideration the recent operational results and the financial plan of the company typical input data are the income, EBITDA, cashflow calculation and the discount factor.
- latest valuation disclosed by the relevant management entity, when referring to participation units in collective investment undertakings,
- in exceptional circumstances, other criteria that are widely accepted in the international markets, provided that the fund manager justifies in writing the valid reasons to resort to such criteria.

The valuation of financial instruments admitted to trading on a regulated market or a multilateral trading facility - in principle - is set in accordance with the closing price or the reference price. The valuation of financial instruments that are not admitted to trading on a regulated market or a multilateral trading facility is set in principle with DCF method.

In case of the investments held on 31st December 2022 the Fund applies cost based valuation and DCF method considering the date of investments and operational figures and financial plans of the portfolio companies.

Since the participation units of the fund are denominated in EUR, but Eximbank recognises the participation units it owns in its books in HUF, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it to estimate the extent to which future changes in the exchange rate may affect the income from the sale of the fund's participation units.

Hungarian – Kazakh Cooperation Fund

The Limited Partnership Agreement dated 7 December 2015 provides the rules of fair value calculation. Accordingly, the fair value of the fund is calculated according to the International Private Equity and Venture Capital Valuation Guidelines or any other method unanimously accepted by the advisory board.

Since the fund's equity notes are denominated in USD, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

The valuation techniques used by the fund for each of the portfolio companies are as follows:

- Green Capital: fair value determined using the discounted cash flows method. The most significant input affecting the valuation is the terminal multiple. The fair value of investment is classified as Level 3.
- Sady Vostoka: fair value determined using the discounted cash flows method. The most significant input affecting the valuation is the discount rate. The fair value of investment is classified as Level 3.

IFC FIG Fund

To determine the net asset value of the fund, the fund manager uses the valuation methodology used by the International Finance Corporation (IFC), which is contained in a private-issue prospectus compiled in November 2013 that is provided to the investors prior to their investing in the fund. The fund manager prepares the quarterly valuation through the portfolio managers it employs, which is audited by a central valuation team in IFC's finance and accounting department.

Equity, quasi-equity and equity-related assets are measured on a fair value basis and are updated on a quarterly basis. In an active market, real-time prices are used to determine the fair value. Non-public equity holdings are carried at cost for 12 months, unless an event that materially affects fair value occurs during that period. After such latter event, or in every case after 12 months, the fair value of direct equity investments is determined on a quarterly basis using DCF or other methods based on, for example, industry multipliers or market transactions.

The fair value of common or preference share may be determined using Level1, Level2 or Level 3 hierarchies. Level 1 typically means the closing share price on valuation date, Level 2 means that the closing share price may be adjusted by relevant inputs, whereas Level 3 means either using the discounted cash flows method, where the most significant inputs are cost of capital and discount rate, or using market data of comparable companies, where the most significant inputs are P/BV and liquidity discount rate.

The fair value of convertible notes is determined under Level 3 hierarchy, using the discounted cash flows methodology, where the most singificant inputs are credit default swap spreads and expected recovery rate.

The fund manager also values the assets and liabilities of the fund in the audited annual report. It also communicates unaudited valuations to investors on a quarterly basis.

Since the fund's equity notes are denominated in USD, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

SINO-CEE Fund

The net asset value of the fund is determined by the fund manager or its agent appointed to perform this task at least once a year, on the last business day of the financial year, taking into account IFRS and the fund's valuation rules. The fund manager is obliged to inform investors about the changes before changing the fund's valuation rules.

Under the alternative fund management agreement, the alternative investment fund manager (Carne Global Fund Managers) values the fund's assets, with the understanding that the valuation process is independent of the portfolio management functions, in accordance with the AIFM Directive.
The fund is valued on an annual basis and the alternative investment fund manager may use the assistance of an independent appraiser to value certain assets, but, as the internal valuer, the fund manager remains fully responsible for the valuation of the fund's assets. The valuation is done in accordance with internationally accepted valuation principles, and the fund's valuation policy recorded in the "Limited Partnership Agreement" in a consolidated structure as of 23 July 2018.

The fair value of the fund's only portfolio company is determined using the market approach based on the valuation multiple of comparable public companies. The most significant inputs are the EV/Sales multiple, as well as the calibration ratio that accounts for the underperformance of the company against its peers. The fair value of investment is classified as Level 3.

Since the fund's equity notes are denominated in EUR, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

Three Seas Initiative Investment Fund

The net asset value of the fund is determined at least once a year, on the last working day of the financial year, by the fund manager or its agent appointed to carry out this task, taking into account IFRS and the fund's valuation policy. The fund manager must inform investors of the changes before changing the fund's valuation policy.

Under the alternative fund management contract, the alternative investment fund manager (Fuchs Asset Management) carries out the valuation of the fund's assets, with the proviso that the valuation process is carried out independently of the portfolio management functions, in accordance with the AIFM Directive, at all times working towards the objective that the valuation process of the fund's portfolio be reliable, transparent, comprehensive and well documented. The fund is valued on an annual basis and the alternative investment fund manager may use the assistance of an independent appraiser to value certain assets, but, as the internal valuer, the fund manager remains fully responsible for the valuation of the fund's assets. The valuation is carried out in accordance with internationally accepted valuation rules and the fund's own valuation policy, as set out in the "Private Placement Memorandum" set out in a consolidated format on 20 October 2020.

Since the fund's shares are denominated in EUR, however, the shares held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

The valuation techniques used by the fund for each of the portfolio companies are as follows:

- Aramon: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: EV/EBITDA at exit, discount rate and asset yield at exit. The fair value of investment is classified as Level 3.
- Enery: fair value determined using the discounted cash flows method. A sum of the parts valuation is built for the company primarily based on its existing asset base. The fair value of investment is classified as Level 3.
- Greenergy: fair value determined using the discounted cash flows method. The most significant inputs affecting the valuation are: EV/EBITDA at exit, discount rate and asset yield at exit. The fair value of investment is classified as Level 3.
- Por of Bourgas: fair value determined using the discounted cash flows method. The most significant input affecting the valuation is EV/EBITDA at exit. The fair value of investment is classified as Level 3.

Valuation methods for financial instruments measured at fair value

Level 2:

- The foreign currency swaps are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

Level 3:

- The fair value of investments is determined based on the net asset value presented by the investment funds.

Classification of the fair value of financial instruments not measured at fair value between levels of the hierarchy

The estimated fair values disclosed below are designated to an approximate price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. However, many financial instruments do not have an active market, so fair value is determined based on estimates using net present value and other valuation techniques, which are significantly affected by assumptions about the amount and timing of estimated future cash flows and discounts. Furthermore, due to the use of subjective judgement and uncertainties, the aggregate fair value amounts should not be interpreted as being realisable in an immediate settlement of the instruments.

Cash and cash equivalents

Due to their short term nature, the fair value of cash and cash equivalents, amounts due from banks and balances with the National Bank of Hungary is assumed to approximate the carrying amount.

Securities measured at amortised cost

The fair value of Hungarian Government bonds are determined based on observable market prices published by Government Debt Management Agency Private Ltd (ÁKK Zrt.). The fair value of short term bonds issued by National Bank of Hungary and short term Treasury bills is determined using the discounted cash flow model based observable yield curves available on observable market published by ÁKK Zrt.

Receivables from credit institutions and insurance companies and Receivables from other customers

Where available the fair value of loans and receivables is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash-flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of underlying collateral.

Derivative financial assets and liabilities

Derivative financial instruments are carried at their fair values in the statement of financial position. The fair value of derivative financial instruments is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

Investments measured at fair value through profit or loss

The carrying amount of FVTPL equity investments are provided in Note 9 to the financial statements. These are based on quoted market prices.

Other assets/liabilities

The carrying amounts of other financial assets and other financial liabilities approximate their fair values.

Financial liabilities measured at amortised cost

The Bank measures the fair value of Liabilities to credit institutions and insurance companies and Liabilities to other customers using the discounted cash flow method, which takes into account assumptions and inputs based on market data. Market data includes Bloomberg swap yield curves in the instrument's currency. The reference yield curves is calculated by shifting the sovereign yield curves. The extent of the shift is based on historical data. The cash flow of the liability is calculated by Inforex system using the contractual cash flows.

Securities issued

All bond series issued under Hungarian law have been listed on the Budapest Stock Exchange. Fair value of these bonds is determined based on the observable market prices.

The following tables set out values of financial instruments not measured at fair value and analyse them by the level in the fair value hierarchy into which each fair value measurement is categorised.

(All amounts in HUF million unless otherwise stated)

As at 31 December 2022	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents	-	186 306	-	186 306	186 306
Goverment securities at amortised cost	-	104 413	-	104 413	113 056
Loans and advances to credit institutions and insurance companies	-	-	1 151 875	1 151 875	1 195 483
Loans and advances to other customers	-	-	448 427	448 427	446 979
Other financial assets	-	-	9 421	9 421	9 421
Total	**-**	**290 719**	**1 609 723**	**1 900 442**	**1 951 245**
Liabilities to credit institutions and insurance companies	-	-	931 631	931 631	1 171 812
Liabilities to other customers	-	-	2 514	2 514	2 514
Securities issued	470 095	-	-	470 095	519 453
Other financial liabilities	-	-	7 224	7 224	7 224
Total	**470 095**	**-**	**941 369**	**1 411 464**	**1 701 003**

As at 31 December 2021	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents	-	1 543	-	1 543	1 543
Goverment securities at amortised cost	-	94 347	-	94 347	102 976
Loans and advances to credit institutions and insurance companies	-	-	988 414	988 414	983 793
Loans and advances to other customers	-	-	411 336	411 336	407 265
Other financial assets	-	-	5 589	5 589	5 589
Total	**-**	**95 890**	**1 405 339**	**1 501 229**	**1 501 166**
Liabilities to credit institutions and insurance companies	-	-	931 631	931 631	944 974
Liabilities to other customers	-	-	1 008	1 008	1 009
Securities issued	362 263	-	-	362 263	383 788
Other financial liabilities	-	-	6 788	6 788	6 788
Total	**362 263**	**-**	**939 427**	**1 301 690**	**1 336 559**

(All amounts in HUF million unless otherwise stated)

As at 31 December 2020	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents	-	2 529	-	2 529	2 529
Goverment securities at amortised cost	-	106 028	-	106 028	105 261
Loans and advances to credit institutions and insurance companies	-	-	764 905	764 905	762 366
Loans and advances to other customers	-	-	329 415	329 415	323 538
Other financial assets	-	-	4 066	4 066	4 066
Total	-	**108 557**	**1 098 386**	**1 206 943**	**1 197 760**
Liabilities to credit institutions and insurance companies	-	-	863 528	863 528	850 323
Liabilities to other customers	-	-	3 676	3 676	3 675
Securities issued	203 493	-	-	203 493	201 400
Other financial liabilities	-	-	6 505	6 505	6 505
Total	**203 493**	-	**873 709**	**1 077 202**	**1 061 903**

12 April 2023
Authorised for issue by

Kornél Kisgergely
Chairman and Chief Executive Officer

Mihály Hoffmann
Chief Financial Officer