2014/004777 - 2014.03.27

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED
31 DECEMBER 2013

WITH THE INDEPENDENT AUDITORS' REPORT

CONTENTS

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Independent Auditors' Report

To the shareholder of Magyar Export-Import Bank Private Limited Company

Report on the Financial Statements

We have audited the accompanying financial statements of Magyar Export-Import Bank Private Limited Company ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Budapest, 21 March 2014

KPMG Hungária Kft.

Gábor Agócs
Partner

KPMG Hungária Kft., a Hungarian limited liability company and
a member firm of the KPMG network of independent member
firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.
Company registration: Budapest, Fővárosi Bíróság, no: 01-09-063183

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

	Note	31.12.2013	31.12.2012
Cash, due from banks and balances with the National Bank of Hungary	4	898	2,505
Available-for-sale financial assets, net of impairment loss	5	2,105	25,840
Loans and advances to customers, net of impairment losses	6	99,265	63,282
Loans and advances to other banks and insurance companies, net of impairment losses	7	275,753	165,380
Financial assets at fair value through profit or loss	8	43	130
Intangibles, property and equipment, net	9	355	214
Deferred tax assets	17	79	-
Other assets, net	10	3,093	1,218
Total Assets		**381,591**	**258,569**
Loans and deposits from other banks and insurance companies	12	144,156	128,855
Financial liabilities at fair value through profit or loss	8	4,274	856
Debt securities issued	13	211,967	109,148
Provision for guarantees and contingencies	11	321	246
Deferred tax liabilities	17	-	76
Other liabilities	14	3,109	875
Total Liabilities		**363,827**	**240,056**
Share capital	15	10,100	10,100
Reserves	15	7,664	8,413
Total Shareholder's Equity		**17,764**	**18,513**
Total Liabilities and Equity		**381,591**	**258,569**

21 March 2014

Authorised for issue by

Roland Nátrán
Chief Executive Officer

The accompanying notes to the financial statements on pages 7-81 form an integral part of these financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

	Note	31.12.2013	31.12.2012
Interest income	18	16,078	10,399
Interest expense	18	(11,747)	(6,148)
Net interest income		**4,331**	**4,251**
Fee and commission income	19	3,507	266
Fee and commission expense	19	(3,314)	(60)
Net income from fees and commissions		**193**	**206**
Provisions and impairment (losses)/reversal	11	(901)	15
Gains and (losses) from trading and investment activities, net	20	(656)	840
Operating expenses, net	21	(3,532)	(3,991)
Profit/(loss) before income tax		**(565)**	**1,321**
Income taxes	17	(194)	(522)
Profit/(loss) for the period		**(759)**	**799**
Other comprehensive income			
Fair value adjustment of available-for-sale securities, net of tax	22	9	49
Other comprehensive income for the period, net of income tax		**9**	**49**
Total comprehensive income/ (loss) for the period		**(750)**	**848**

21 March 2014

Authorised for issue by

Roland Nátrán
Chief Executive Officer

The accompanying notes to the financial statements on pages 7-81 form an integral part of these financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

	Note	31.12.2013	31.12.2012
OPERATING ACTIVITIES			
Profit/(loss) for the period		(759)	799
Adjustments to reconcile net income to net cash provided by operating activities:			
- Depreciation and amortisation	21	161	105
- Impairment loss/(release)	11	826	(255)
- (Profit)/loss from revaluation to fair value		3,497	(694)
- Foreign exchange (gains) and losses relating to non-operating cash-flows		(710)	-
- Other non-cash items		8	49
- Net interest income	18	(4,331)	(4,251)
- Tax expenses	17	194	522
Changes in operating assets and liabilities:			
- Net (increase)/decrease in loans and advances to other banks and insurance companies, before impairment losses		(110,591)	(36,437)
- Net (increase)/decrease in loans and advances to customers, before impairment losses		(36,232)	(7,853)
- Net (increase)/decrease in available-for-sale financial assets		23,739	(13,587)
- Net (increase)/decrease in other assets		(1,952)	(390)
- Net increase/(decrease) in other liabilities including provision		2,307	229
Interest received		15,723	8,659
Interest paid		(9,976)	(5,932)
Income taxes paid		(269)	(567)
Net cash provided by/(used in) operating activities		**(118,365)**	**(59,603)**
INVESTING ACTIVITIES			
Purchases of intangibles, property and equipment		(302)	(143)
Net cash used in investing activities		**(302)**	**(143)**
FINANCING ACTIVITIES:			
Proceeds from borrowings from banks		475,596	1,665,360
Repayment of borrowings from banks		(461,617)	(1,712,277)
Proceeds from issuance of debt securities		103,065	109,011
Net cash (used in)/provided by financing activities		**117,044**	**62,094**
Net decrease in cash and cash equivalents		**(1,623)**	**2,348**
Net foreign exchange difference		16	(5)
Cash and cash equivalents at the beginning of the period	4	2,505	162
Cash and cash equivalents at the end of the period	4	**898**	**2,505**

The accompanying notes to the financial statements on pages 7-81 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

	Share Capital	Share Premium	Retained Earnings	Statutory reserves	Fair value reserve	Total
Balance as at 1 January 2012	10,100	400	1,052	6,147	(34)	17,665
Total comprehensive income for the period						
Profit or loss			799			799
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					49	49
Total comprehensive income for the period			*799*		*49*	*848*
Other transactions, recorded directly in equity						
Increase or allocation of statutory reserves			(293)	293		
Reclassification of retained earnings to general reserve (Note 3.12)			(300)	300		
Total other transactions			(593)	593		
Balance as at 31 December 2012	10,100	400	1,259	6,739	15	18,513

The accompanying notes to the financial statements on pages 7-81 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

	Share Capital	Share Premium	Retained Earnings	Statutory reserves	Fair value reserve	Total
Balance as at 1 January 2013	**10,100**	**400**	**1,259**	**6,739**	**15**	**18,513**
Total comprehensive income for the period						
Profit or loss			(759)			(759)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					9	9
Total comprehensive income for the period			*(759)*		*9*	*(750)*
Other transactions, recorded directly in equity						
Increase or allocation of statutory reserves (Note 3.12)			(6)	6		
Reclassification of general risk reserve to retained earnings (Note 3.12)			430	(430)		
Reclassification of retained earnings to general reserve (Note 3.12)			(1,413)	1,413		
Total other transactions			(989)	989		
Balance as at 31 December 2013	**10,100**	**400**	**(489)**	**7,729**	**24**	**17,764**

The accompanying notes to the financial statements on pages 7-81 form an integral part of these financial statements.

NOTE 1. GENERAL INFORMATION

Hungarian Export-Import Bank Private Limited Company ("Eximbank", the "Bank") was established on 26 May 1994 as the legal successor of the Export Guarantee Corporation. The legal status and the activities of the Bank are regulated by Act XLII of 1994 on the Hungarian Export-Import Bank Ltd. and the Hungarian Export Credit Insurance Ltd. ("Act on Eximbank"). Eximbank's primary business goal is to promote Hungarian exports by granting loans and guarantees.

The Bank is a limited liability company incorporated and domiciled in Hungary. The Bank's registered office is at Nagymező St. 46-48., H-1065 Budapest, Hungary.

Eximbank – as a 100 % state owned company – was controlled by the Hungarian National Asset Management Company, the successor of the State Privatisation and Holding Company (ÁPV Rt.) between 1 January 1999 and 15 December 2004. On 15 December 2004, ÁPV Rt. sold 75 % less one share (and voting rights) of Eximbank to the Hungarian Development Bank Ltd. according to the rules of paragraph 138 (4) of Act XLVIII of 2004 on Financial Services and the respective Government Decree no. 2186/2004 (VII.22.).
Since 17 June 2010, Eximbank had been controlled solely by the Hungarian Development Bank Ltd. in accordance with the paragraph 12 (1) of Act LII on accountable management of state owned properties. Therefore the Hungarian Development Bank Ltd. – having its registered office at Nádor St. 31., H-1051 Budapest, Hungary – was the Bank's parent company. The Bank was included in the Consolidated Financial Statements of the Hungarian Development Bank Ltd. for the years ending 31 December 2011 and 31 December 2010. In both years the ultimate parent of the Bank was the Hungarian State.

On 12 April 2012, the Hungarian Government had announced that the Hungarian State acquired the shares in Eximbank owned by the Hungarian Development Bank Ltd. and all the shareholders' rights exercised by Ministry for National Economy. The relating modification of the Act on Eximbank is effective from 10 May 2012.

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

Under the Act on Eximbank, Eximbank is charged with the public task of financing the export of Hungarian goods and services, as well as financing Hungarian investments abroad and export related investments in Hungary, thereby enabling companies operating in Hungary – primarily small or medium-sized enterprises but also large corporations – to maximise their export opportunities, while assisting in the maintenance and creation of jobs in Hungary, and also promoting the development of the national economy by improving the competitiveness of Hungarian exports in foreign markets.

In support of its mandate, Eximbank may lend directly to the exporters of Hungarian products and services, to their suppliers or their foreign purchasers, or, as is more prevalent, indirectly through refinancing facilities to domestic commercial banks (and, to a lesser extent, foreign commercial banks) providing financing related to Hungarian export transactions. Eximbank provides the majority of its loans based on OECD rules in the form of medium- to long-term credit at favourable fixed interest rates. These rates are based on the Commercial Interest Reference Rate ("CIRR"), which is the OECD minimum interest rate for officially-supported financing of exports, in effect on the date of the loan contract.

NOTE 1. GENERAL INFORMATION (CONTINUED)

As an export credit agency in the traditional sense, Eximbank provides products and services which represent either alternative or supplementary financial tools, the purpose of which is to fill gaps in trade finance created by the lack of capacity or willingness on the part of commercial banks to provide loans at rates that are attractive to Hungarian exporters, and to provide Hungarian exporters with a more level playing field in terms of access to financing compared to exporters from other countries. The majority of Eximbank's direct customers are small or medium-sized enterprises that tend to export to geographic markets where financing provided by Eximbank has the potential to deliver significant competitive advantages to exporters. Most of Eximbank's loans are made indirectly through commercial banks. While Eximbank does not seek to compete directly with commercial banks, it does provide direct lending to customers upon customer request, or where commercial banks are unable or unwilling to lend to customers directly. In addition, Eximbank provides buyer's credit to support foreign purchasers of Hungarian exports and plays the role of lender in tied-aid agreements concluded between the Hungarian government and governments of tied-aid eligible countries.

The functions of the state export credit agency in Hungary are divided between Eximbank and the Hungarian Export Credit Insurance Pte Ltd. ("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 to certain of Eximbank's borrowers.

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards ('IFRSs') as 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.

These financial statements for the year ended 31 December 2013 include the accounts of Eximbank.
No consolidated accounts are presented by Eximbank, given that IFRS 10 criteria are not met.

These financial statements were authorised for issue by the Chief Executive Officer on 21 March 2014. These financial statements are not intended to be used for statutory filing purposes.

The Bank presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date and more than 12 months after statement of financial position date is presented in Note 23.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement

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

- Derivative financial instruments are measured at fair value,
- Financial instruments at fair value through profit or loss are measured at fair value,
- Available-for-sale financial assets are measured at fair value,
- Other financial instruments are measured at amortised cost.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 described in Note 30.

2.3 Functional and presentation currency

These financial statements are presented in Hungarian Forints ('HUF'), which is the Bank's functional currency. Except as indicated, financial information presented in Hungarian Forints has been rounded to the nearest million (MHUF).

2.4 Going concern

The management of the Bank has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. The management is not aware of any material uncertainties that may cast doubt on the Bank's ability to continue as going concern. The financial statements continue to be prepared on going concern basis.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by the Bank in preparing and presenting financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial statement presentation

These financial statements for years 2013 and 2012 include the accounts of Eximbank.

3.2 Financial instruments

Any contract that gives rise to a financial asset, a financial liability or equity is classified as a financial instrument. All financial instruments are initially recognised at their fair values in the Bank's statement of financial position when the Bank becomes a party to the contractual agreement (at trade date). Initial fair values represent given or received considerations and all transaction costs. In case of financial assets at fair value through profit or loss, transaction costs are charged to profit or loss. 'Regular way' purchases or sales of financial assets are recognised using trade date accounting.

Subsequent to initial recognition, financial instruments are measured by specific valuation principles disclosed at each relevant category of financial assets and financial liabilities below.

Financial assets are derecognised when the Bank loses the right to receive cash flow from the related asset, loses rewards and risks related to the asset or loses the control over the contractual rights of the financial assets (at trade date). The Bank derecognises financial liabilities when its contractual obligations are discharged, cancelled or expired.

3.3 Determination of fair values

A number of the Bank's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Fair value is the 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. The fair value of a liability reflects its non-performance risk.

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on 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. Determination of fair values is more detailed in Note 30.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Cash, due from banks and balances with the National Bank of Hungary

Cash, due from banks and balances with the National Bank of Hungary include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturity of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

These items are carried at amortised cost in the statement of financial position.

For the purpose of reporting cash flows, cash and cash equivalents include cash, due from banks and short term balances with National Bank of Hungary with original maturities of three months or less.

3.5 Financial assets and liabilities at fair value through profit or loss

Trading debt and equity instruments, are generally held for the short term in anticipation of market gains and resale, and are measured initially at their fair values, with transaction costs taken to profit or loss. Subsequently, their fair values are remeasured and all gains and losses on these instruments are recognised in profit or loss under 'Gains and losses from trading and investment activities'.

Debt and equity instruments held for trading are reported as financial assets at fair value through profit or loss. Interest earned on debt securities is reported as interest income, and dividends earned on equity instruments are taken to 'Gains and losses from trading and investment activities' when declared. Interest payable on such securities is reported as interest expense.

The Bank uses foreign currency exchange contracts for economic hedging purposes, however, hedge accounting according to IAS 39 is not applied. These contracts include cross currency interest rate swaps. All derivative financial instruments are carried at fair value. All gains and losses on these instruments are recognised in 'Gains and losses from trading and investment activities'.

3.6 Available-for-sale debt and equity instruments

Investments (not at fair value through profit or loss) in debt securities are classified either as available-for-sale or held-to-maturity. Investments in securities are classified as available-for-sale when, in management's judgement, they may be sold in response to or in anticipation of changes in market conditions, unless they are considered to be part of trading-related activities. These securities are initially measured at their fair values plus direct and incremental transaction costs. Subsequently, their fair values are remeasured and changes therein are recognised in other comprehensive income and presented within equity in 'Fair value reserve' until the securities are sold or impaired. When these securities are sold, cumulative gains and losses previously recognised in other comprehensive income are taken to profit or loss as 'Gains and losses from trading and investment activities'.

Interest income on debt securities, including amortisation of premiums and accretion of discounts, are reported as interest income. Interest income is recognised using the effective interest rate method.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Available-for-sale debt and equity instruments (continued)

Equity investments (not at fair value through profit or loss) represent shares held in certain companies in order to benefit in terms of banking relationships. These equity investments are classified as available-for-sale. Equity investments for which no fair values are available are stated at cost. Dividend income on securities is taken to 'Gains and losses from trading and investment activities' when declared. Realised gains and losses generated from sales of securities are reported in 'Gains and losses from trading and investment activities' on a net basis.

3.7 Held-to-maturity debt instruments

Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortised cost on the statement of financial position. Premiums are amortised and discounts are accumulated against net profit using the effective interest rate method. On the basis of the management decision the held-to-maturity category is currently not applied.

3.8 Loans and advances to banks, insurance companies and customers

Loans and advances to banks, insurance companies and customers are classified as Loans and receivables. Loans are reported at the principal amount outstanding, net of impairment and unearned income. Interest income is recognised using the effective interest rate method for all loans other than impaired loans.

3.9 Loans and deposit form other banks and insurance companies, issued debt securities

Loans and deposit from other banks and insurance companies and issued debt securities are the Bank's source of debt funding.
Loans and deposit from other banks and insurance companies and issued debt securities are initially measured at fair value less incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.
An analysis of the Bank issued debt is disclosed in Note 13.

3.10 Financial guarantees

In the ordinary course of business, the Bank gives guarantees, consisting of letters of credit and credit related guarantees. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.
Any increase in the liability relating to financial guarantees is taken to the income statement. The premium received is recognised in the profit or loss in 'Net income from fees and commissions' on a straight-line basis over the life of the guarantee.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of financial assets

3.11.1 Impairment of loans and advances to banks, insurance companies and customers

At each balance sheet date the Bank assesses whether there is objective evidence that loans and advances are impaired. Loans and advances are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that loans and advances are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy.

Impairment allowances are calculated for all loans individually. Increases in loan impairment are charged to profit or loss for the period. The carrying amount of impaired loans on the reporting date is reduced through the use of impairment allowance accounts.

Reversals of impairment
If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, loan impairment are reversed through profit or loss.

Write-off of loans and advances
Bad loans are not written off against the related provisions until the conclusion of the liquidation process or until considered to be legally uncollectible as set out under statutory regulations. Subsequent recoveries are credited to profit or loss if previously written off.

Assets acquired in exchange for loans
During 2010 and 2012 several securities were acquired in exchange for loan and relating interest receivable to a foreign bank within a restructuring plan due to the financial difficulties of the client. The securities were issued by the client. More details of the loan and securities are presented in Note 5, Note 7 and Note 21.

Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual impairment assessment, calculated using the loan's original EIR.

3.11.2 Impairment of available-for-sale financial assets

Investments in available-for-sale securities are considered to be impaired if their carrying amount is greater than the estimated recoverable amount assessed at each balance sheet date on the basis of objective evidence such as significant financial difficulty of the issuer, actual breaches of contracts, high probability of bankruptcy or other financial

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11.2 Impairment of available-for-sale financial assets (continued)

reorganization of the issuer. Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.
If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity instrument is recognised in other comprehensive income.

3.12 Statutory reserves

3.12.1 General risk reserve

Hungarian legislation allowed the Bank to set aside amounts for general banking risks, including future losses and other unforeseeable risks or contingencies, in addition to those losses which have been specifically identified and those potential losses which experience indicates are present in the credit portfolio. As at 31 December 2012 the Bank set aside 1.25 % (2011: 1.00 %) of risk-weighted assets and off-balance sheet exposures. In 2013 the Bank did not set aside general risk reserve. Such amounts are separately disclosed as appropriation of retained earnings and are not included in the determination of net profit or loss for the period.

The provisions of the "*Act of CXII of 1996 on Credit Institutions and Financial Enterprises*" in force as at 31 December 2013 allowed credit institutions to reclassify their whole amount of general risk reserves to the retained earnings. According to the provisions of the *"Act LIX of 2006 on the Introduction of Special Tax and Bankers' contribution Intended to Improve the Balance of Public Finances"* credit institutions shall assess and pay credit institutions' contribution at the rate of 19% on the general risk reserve reclassified to retained earnings as at 31 December 2013.
Based on the above possibility Eximbank reclassified its general risk reserve of HUF 430 million to retained earnings as at 31 December 2013.

3.12.2 General reserve

The provisions of the Act CXII of 1996 on Credit Institutions and Financial Enterprises (" Hungarian Banking Act") prescribes that the Bank has to set a general reserve in the amount of 10 % of the current year profit after tax figure, which will be eliminated to cover the future losses. The Hungarian Banking Act also allows the Bank reclassify its retained earnings into the general reserve. In 2013 the Bank reclassified HUF 1,413 million retained earnings into the general reserve (2012: HUF 300 million).
The general reserve cannot be distributed as dividends.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Foreign currency translation

The Bank's functional currency is the Hungarian Forint. Income and expenditure arising in foreign currencies are translated at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at rates quoted by the National Bank of Hungary ("NBH") ruling at the end of the year. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments.

3.14 Intangibles, property and equipment

Intangibles, property and equipment are measured cost, less accumulated depreciation and amortisation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. In case of property and equipment cost of maintenance and repairs are recognised in profit or loss as incurred. Major improvements and the cost of replacing a part of an item of property and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation and amortisation are computed on a straight-line basis over the estimated useful lives of the assets, based upon the following percentages:

Leasehold improvements	4.94 % to 48.69 %
Software	20 % to 50 %
Furniture, fixtures and office equipment	14.5 % to 50 %

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Items of intangibles, property and equipment are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

Gains and losses on disposal of an item of intangibles, property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "Other expenses" in profit or loss.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income taxes

Income tax for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the calculated tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date as well as any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and the general risk reserve (due to uncertainty of reversal).
The amount of deferred tax provided is based on the expected manner of realisation or settlement of carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16 Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading are recognised in 'Interest income' and 'Interest expense' in profit or loss using the effective interest method. The effective interest method is a way of calculating 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 the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition or at repricing of the financial asset and liability and is not revised subsequently. 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 not future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is recognised on available-for-sale securities using the effective interest rate method, calculated over the asset's expected life.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fee and commission income and expense

The Bank earns fees and commissions income from a diverse range of services it provides to its clients and also pays fees and commissions related to these services.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate method.
Other fees and commission income are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees that are expensed when the services are received.

3.18 Provisions

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 current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities, which include certain guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank. Such contingencies are guarantees and commitments to extend credit lines into which the Bank enters in the ordinary course of business. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

The provision for possible losses on such commitments is maintained at a level adequate to absorb probable future losses. Provision for possible losses is recognised only if the Bank considers that it is more likely than not that a present obligation exists at the reporting date. Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

3.19 Segment reporting

In 2013 the management reassessed the organisational, management and internal reporting structure of the Bank, and identified only one operating segment. As a result the Bank does not disclose operating segment as of 2013. However in accordance with the requirements of IFRS 8 Operating Segments the Bank continues showing its assets, liabilities and revenues by geographical areas.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Change in accounting policy

Except for changes below the Bank consistently applied the accounting policies as set out in Note 3 above to all period presented in these financial statements.

IFRS 10 Consolidated financial statements IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (2011)

The Bank has early adopted IFRS 10, IFRS 11 and IFRS 12 with a date of 1 January 2013. IFRS 10 introduces a single control model to determine whether an investee should be consolidated. Early adoption of this standard has no impact on the Bank's financial statements as the Bank does not prepare consolidated financial statements, the Bank has no subsidiaries, significant interest in other entities.
IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. IFRS 11 did not have any impact on the Bank because the Bank does not have interests in joint arrangements.
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 13 Fair value measurement

The Bank has adopted IFRS 13 Fair Value Measurement with the date of January 2013. IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that was dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by the other IFRSs. The application of IFRS 13 had no significant impact on the fair value measurements carried out by the Bank.
IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosure. The Bank provides these disclosures in Note 29 and Note 30.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Change in accounting policy (continued)

Annual Improvements May 2012

These improvements will not have an impact on the Bank, but include:

IFRS 1 First-time Adoption if International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plan and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013. Several other new standards and amendments apply for the first time in 2013. However they do not impact the annual financial statements of the Bank.

3.21 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (2013) IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together IFRS 9)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the exciting requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the exciting IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date.

However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

IFRS 9 (2013) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Bank has commenced the process of evaluating the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New standards and interpretations not yet adopted (continued)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.
Based on our initial assessment, the Bank is not expecting a significant impact from the adoption of the amendments to IAS 32.

IFRIC 21, 'Levies'

This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is effective for annual periods beginning on or after 1 January 2014. IFRIC 21 is not expected to have a material effect on the Bank's financial statements.

Financial Instruments: Recognition and Measurement Amendment to IAS 39 'Novation of derivatives

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.
The amendments are effective for annual periods beginning on or after 1 January 2014. Based on our initial assessment, the Bank is not expecting a significant impact from the adoption of the amendments to IAS 39.

(All amounts stated in HUF million unless otherwise noted)

NOTE 4. CASH AND CASH EQUIVALENTS

	31.12.2013	31.12.2012
Balances with National Bank of Hungary in HUF	7	1,313
Due from banks in HUF	2	5
Due from banks in foreign currency	889	1,187
Total	**898**	**2,505**

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 7 million as at 31 December 2013 and HUF 1,313 million as at 31 December 2012, respectively. These reserves earn interest at below market rates.

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2013	31.12.2012
Bonds issued by National Bank of Hungary in HUF	-	24,968
Hungarian Treasury Bills in HUF	1,226	-
Hungarian Government bonds in HUF	807	807
Fair value adjustment	27	19
Sub-total	**2,060**	**25,794**
Senior Notes	66	67
Global Depository Receipts	66	68
Impairment loss (Note 11)	(99)	(101)
Securities acquired in exchange for loan	**33**	**34**
HUF shares	12	12
Sub-total	**12**	**12**
Total	**2,105**	**25,840**

(All amounts stated in HUF million unless otherwise noted)

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Remaining maturity of discounted bonds issued by National Bank of Hungary, Hungarian Treasury bills and Hungarian Government bonds as at 31 December 2013 and 31 December 2012 are detailed below:

Remaining Maturity	31.12.2013	31.12.2012
Up to 1 month	-	24,967
1 to 3 months	-	-
3 months to 1 year	2,060	-
1 to 5 years	-	827
Over 5 years	-	-
Total	**2,060**	**25,794**

Shares as at 31 December 2013 are detailed below.

	Equity owned	Face Value	Cost	Unrealised gain/(loss)	Book Value
Garantiqa Hitelgarancia Ltd.	0.3 %	12	12	-	12
Total		**12**	**12**		**12**

NOTE 6. LOANS AND ADVANCES TO CUSTOMERS, NET OF IMPAIRMENT LOSSES

	31.12.2013	31.12.2012
Short-term:		
- in foreign currency	33,230	27,865
- in HUF	4,296	4,965
Sub-total	**37,526**	**32,830**
Long-term:		
- in foreign currency	67,014	34,931
- in HUF	110	58
Sub-total	**67,124**	**34,989**
Total	**104,650**	**67,819**
Less: impairment losses (see Note 11)	(5,385)	(4,537)
Total	**99,265**	**63,282**

NOTE 6. LOANS AND ADVANCES TO CUSTOMERS, NET OF IMPAIRMENT LOSSES (CONTINUED)

Loans and advances to customers include balances with the Hungarian State from interest compensation systems in amount of HUF 2,979 million as at 31 December 2013 and HUF 3,148 million as at 31 December 2012.

As at 31 December 2013, 77% of loans and advances to customers – excluding balances with the Hungarian Sate – (by nominal amount) qualified for interest compensation from the Hungarian State (as at 31 December 2012: 63.2%). In addition to receiving payments from the Hungarian State under the interest equalisation programme, Eximbank receives a form of interest support with respect to tied-aid credits, which tied-aid loans represented 9% of total loans and advances to customers – excluding balances with Hungarian Sate - (by nominal amount) as at 31 December 2013 (as at 31 December 2012: 8.7%).

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 6. LOANS AND ADVANCES TO CUSTOMERS, NET OF IMPAIRMENT LOSSES (CONTINUED)

The table below shows an analysis of loans and advances to customers by remaining maturity as at 31 December 2013 and 31 December 2012.

		31.12.2013	31.12.2012
Remaining Maturity		Gross value	Gross value
In foreign currency:			
Up to 1 month		6,302	4,400
1 to 3 months		7,533	3,848
3 months to 1 year		19,395	19,618
1 to 5 years		57,569	27,670
Over 5 years		9,445	7,260
	Sub-total	**100,244**	**62,796**
In HUF			
Up to 1 month		4,257	2,598
1 to 3 months		15	1,850
3 months to 1 year		24	517
1 to 5 years		83	58
Over 5 years		27	-
	Sub-total	**4,406**	**5,023**
Total		**104,650**	**67,819**

(All amounts stated in HUF million unless otherwise noted)

NOTE 7. LOANS AND ADVANCES TO OTHER BANKS AND INSURANCE COMPANIES

	31.12.2013	31.12.2012
Short-term (up to 1 year)		
- in foreign currency	82,464	49,812
- in HUF	38,135	11,808
Sub-total	**120,599**	**61,620**
Long-term (over 1 year), in foreign currency	155,573	104,198
Sub-total	**155,573**	**104,198**
Total	**276,172**	**165,818**
Less: impairment losses (see Note 11)	(419)	(438)
Total	**275,753**	**165,380**

A loan receivable from a foreign bank insured by Hungarian Export Credit Insurance Ltd (MEHIB) in amount of HUF 16,471 million (EUR 60,861,115) was assigned to MEHIB due to default in 2010. Based on the agreement, MEHIB repays the loan and interest in accordance with the same conditions as the original client. As at 31 December 2012 the balance of the claim (including relating accrued interest) against MEHIB was HUF 9,695 million (EUR 33,283,379), while as at 31 December 2013 it was HUF 7,412 million (EUR 24.962.534).
Information on the changes in the impairment losses relating to the above deals is presented in Note 21.

(All amounts stated in HUF million unless otherwise noted)

NOTE 7. LOANS AND ADVANCES TO OTHER BANKS AND INSURANCE COMPANIES (CONTINUED)

The table below shows an analysis of Loans and advances to other banks and insurance companies by remaining maturity as at 31 December 2013 and 31 December 2012.

	31.12.2013	**31.12.2012**
Remaining Maturity	Gross value	Gross value
Placements in foreign currency:		
Up to 1 month	24,858	8,349
1 to 3 months	12,031	6,847
3 months to 1 year	45,575	34,616
1 to 5 years	141,687	99,299
Over 5 years	13,886	4,899
Sub-total	**238,037**	**154,010**
Placements in HUF		
Up to 1 month	38,135	11,808
Sub-total	**38,135**	**11,808**
Total	**276,172**	**165,818**

Where Eximbank provides loans based on OECD criteria (set in *"OECD Arrangement on officially supported export credit")* in the form of medium- to long-term credit (loans with maturity two years or more) at favourable fixed interest rates, the Hungarian State provides Eximbank with periodic interest equalisation payments in accordance with local regulations.

The Hungarian State will also provide interest equalisation payments to Eximbank for loans with maturity below two years that are based on EU rules (EU Commission Communication 2008/C 14/02) though Eximbank has not yet concluded any transactions meeting these criteria.
Under the interest equalisation program, 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 Eximbank's funding costs, operating expenses and the applicable risk premium, as agreed with the representative of the Ministry for National Economy.

Loans and advances to other banks and insurance companies include refinancing loans disbursed. While 85.7% of total loans and advances to other banks and insurance companies were refinancing loans as at 31 December 2012 this ratio was 74.8% as at 31 December 2013 by nominal amount. All of the refinancing loans qualified for interest compensation from the Hungarian State. As at 31 December 2013 the aforementioned receivable from a foreign bank assigned to MEHIB represented 2.7% of the total loans and advances to other banks and insurance companies while short-term interbank placement represented 22.5%. (These ratios were 5.8% and 8.5% as at 31 December 2012.)

NOTE 8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Eximbank enters into currency swap transactions intended to hedge foreign exchange risks and does not enter into derivatives for speculative purposes.

Financial assets at fair value through profit or loss as at 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013	31.12.2012
Derivative assets (trading):		
Foreign exchange swaps	43	130
Total	**43**	**130**

Financial liabilities at fair value through profit or loss as at 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013	31.12.2012
Derivative liabilities (trading):		
Cross currency interest rate swap	4,013	603
Foreign exchange swaps	261	253
Total	**4,274**	**856**

The details of the cross currency interest rate swap for the year ended 31 December 2013 and 31 December 2012 – with Deutsche Bank AG London - are shown below:

	31.12.2013	31.12.2012
Contractual maturity	08.02.2018	08.02.2018
Receive notional in USD	250,000,000	250,000,000
Receive notional in HUF million	53,918	55,232
Pay notional in EUR	191,659,000	191,659,000
Pay notional in HUF million	56,905	55,828

The interest rate is fixed 5.5% p.a. in case of USD and is fixed 5.35% p.a. in case of EUR part. Interest is payable and receivable semi-annually on 12^{th} of February and August from 12 August 2013.

NOTE 8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Foreign exchange swaps are short term derivatives. The details of FX swaps as at 31 December 2013 are shown below:

Contractual maturity	Receive notional		Receive notional in HUF million	Pay notional		Pay notional in HUF million
02.01.2014	1,574,280,200	HUF	1,574	5,300,000	EUR	1,574
06.01.2014	72,194,644	USD	15,570	53,200,000	EUR	15,796
09.01.2014	15,389,302	USD	3,319	11,300,000	EUR	3,355
09.01.2014	1,938,112,000	HUF	1,938	6,400,000	EUR	1,900
16.01.2014	20,675,968	USD	4,459	15,000,000	EUR	4,454
Total			**26,860**			**27,079**

The details of FX swaps as at 31 December 2012 are shown below:

Contractual maturity	Receive notional		Receive notional in HUF million	Pay notional		Pay notional in HUF million
02.01.2013	6,737,618	USD	1,489	5,100,000	EUR	1,486
04.01.2013	2,187,584,000	HUF	2,188	7,600,000	EUR	2,214
04.01.2013	32,500,000	USD	7,180	7,056,975,000	HUF	7,057
14.01.2013	58,823,965	USD	12,996	45,000,000	EUR	13,108
18.01.2013	66,738,740	USD	14,745	51,000,000	EUR	14,856
Total			**38,598**			**38,721**

(All amounts stated in HUF million unless otherwise noted)

NOTE 9. INTANGIBLES, PROPERTY AND EQUIPMENT

Movement table of intangible and tangible assets as at 31 December 2013 is as follows:

	Leasehold improvements	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2012	152	397	2	1,261	30	1,842
Additions	4	141	7	167	14	333
Disposals	-	(85)	(2)	(33)	(30)	(150)
31 December 2013	156	453	7	1,395	14	2,025
Accumulated depreciation and amortisation						
31 December 2012	152	335	-	1,141	-	1,628
Charge for year	-	69	-	91	-	160
Disposals	-	(85)	-	(33)	-	(118)
31 December 2013	152	319	-	1,199	-	1,670
Net book value						
31 December 2012	-	62	2	120	30	214
31 December 2013	4	134	7	196	14	355

Movement table of intangible and tangible assets as at 31 December 2012 is as follows:

	Leasehold improvements	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2011	152	366	-	1,175	6	1,699
Additions	-	31	33	86	111	261
Disposals	-	-	(31)	-	(87)	(118)
31 December 2012	152	397	2	1,261	30	1,842
Accumulated depreciation and amortisation						
31 December 2011	148	313	-	1,062	-	1,523
Charge for year	4	22	-	79	-	105
Disposals	-	-	-	-	-	-
31 December 2012	152	335	-	1,141	-	1,628
Net book value						
31 December 2011	4	53	-	113	6	176
31 December 2012	-	62	2	120	30	214

(All amounts stated in HUF million unless otherwise noted)

NOTE 10. OTHER ASSETS

	31.12.2013	31.12.2012
Accrued income	2,055	-
Prepaid expenses	174	82
Current tax assets	415	383
Other	463	768
Sub-total	**3,107**	**1,233**
Less: impairment loss (see Note 11)	(14)	(15)
Total	**3,093**	**1,218**

Other assets increased by HUF 1,875 million from 31 December 2012 to 31 December 2013. It mainly caused by accrued income related to tied-aid credits. For details please refer to Note 19.

(All amounts stated in HUF million unless otherwise noted)

NOTE 11. PROVISIONS AND IMPAIRMENT LOSSES

The table below shows impairment made and released during the year ended 31 December 2013 and during the year ended 31 December 2012.

	Loans and advances to other banks and insurance companies	Loans and advances to customers	Available-for-sale securities	Other assets	Total
As at 31 December 2011	**489**	**4,850**	**1,167**	**-**	**6,506**
Write-offs	(8)	(1,167)	-	-	(1,175)
Net charge/ (release)	(43)	854	(1,066)	15	(240)
As at 31 December 2012	**438**	**4,537**	**101**	**15**	**5,091**
Write-offs	-	-	-	-	-
Net charge/ (release)	(19)	848	(2)	(1)	826
As at 31 December 2013	**419**	**5,385**	**99**	**14**	**5,917**

(All amounts stated in HUF million unless otherwise noted)

NOTE 11. PROVISIONS AND IMPAIRMENT LOSSES (CONTINUED)

The table below shows provision made and reversed during the year ended 31 December 2013 and during the year ended 31 December 2012.

	Provisions
As at 31 December 2011	**21**
Provision made during the period	310
Provision used and reversed during the period	(85)
As at 31 December 2012	**246**
As at 31 December 2012	**246**
Provision made during the period	218
Provision used and reversed during the period	(143)
As at 31 December 2013	**321**

Out of the total HUF 321 million provisions as at 31 December 2013 HUF 80 million was made for management bonuses. The remaining part of provisions was made for commitments and contingent liabilities. As at the end of 2012 the total provision was made for commitments and contingent liabilities.

Provisions and impairment losses as at 31 December 2013

	Provisions and impairment losses
Impairment charge	(826)
Provision made during the period (net)	(218)
Provision used and reversed during the period	143
Total (losses)/reversal	**(901)**

NOTE 12. LOANS AND DEPOSITS FROM OTHER BANKS AND INSURANCE COMPANIES

		31.12.2013	31.12.2012
Short-term			
- in foreign currency		27,669	21,552
- in HUF		23,529	411
	Sub-total	**51,198**	**21,963**
Long-term			
- in foreign currency		87,959	86,953
- in HUF		4,999	19,939
	Sub-total	**92,958**	**106,892**
Total		**144,156**	**128,855**

(All amounts stated in HUF million unless otherwise noted)

NOTE 12. LOANS AND DEPOSITS FROM OTHER BANKS AND INSURANCE COMPANIES (CONTINUED)

The table below shows an analysis of loans and deposits from other banks by remaining maturity as at 31 December 2013 and 31 December 2012.

	31.12.2013	31.12.2012
Remaining Maturity		
In foreign currency:		
Up to 1 month	2,353	3,659
1 to 3 months	15,863	8
3 months to 1 year	9,453	17,885
1 to 5 years	84,354	82,159
Over 5 years	3,605	4,794
Sub-total	**115,628**	**108,505**
In HUF		
Up to 1 month	3,018	411
1 to 3 months	5,531	-
3 months to 1 year	14,980	-
1 to 5 years	4,999	19,939
Sub-total	**28,528**	**20,350**
Total	**144,156**	**128,855**

Under the Act on Eximbank, the Hungarian State is liable, as absolute guarantor, for the fulfilment of Eximbank's obligations to pay principal and interest arising from its borrowings, including debt instruments issued by Eximbank, loans from Hungarian and foreign credit institutions and Eximbank's payment obligations arising from the replacement costs of foreign exchange and interest rate swap transactions.

The Hungarian State's obligations to Eximbank in respect of the Funding Guarantee are subject to an upper limit set by the annual budget. Under the 2013 Budget Act, the upper limit of the Funding Guarantee is currently HUF 1,200 billion. As at 31 December 2013, Eximbank had total amounts drawn, or available to be drawn but undrawn, under the Funding Guarantee (calculated as Eximbank's balance sheet liabilities plus the amount yet undrawn under the Medium Term Note Programme) of HUF 696.4 billion (EUR 2.3 billion), representing approximately 58% of the HUF 1,200 billion upper limit (as at 31 December 2012: 57.4%).

The Hungarian State does not charge any fee in respect of the Funding Guarantee.
In accordance with Hungarian law, if Eximbank fails to perform any of its payment obligations which are guaranteed by the Hungarian State, creditors may seek to recover directly from the Hungarian State by filing a petition with the minister responsible for public finances without first seeking to recover from Eximbank.

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED

On 12 December 2012, under the 2 billion EUR Medium Term Note Program (MTN Program), the Bank issued USD 500 million 5.5% at a nominal value of USD 1,000 per bond. The issue price was 98.879% of the aggregated nominal amount.

The bonds mature 5 years from the issue date at the nominal value. The bonds will be redeemed on the maturity date. Interest payment dates are 12 February and 12 August in each year up to and including Maturity date. There was a long first coupon from and including 12 December 2012 up to but excluding 12 August 2013.

Bonds are listed on London Stock Exchange's regulated market with effect from the issue date. Bank has not repurchased any of its own debt since the issue date.

On 1 October 2013, under the before-mentioned 2 billion EUR MTN Program, the Bank issued EUR 400 million of fixed-rate notes. The rate of interest is 2.125% per annum payable semi-annually in advance, and 4.297% for the final interest period. The first interest payment date was the issue date, and thereafter 15 February and 15 August in each year up to, and including 15 August 2018. There was a short first interest period from, and including the issue date to, but excluding 15 February 2014.

The effective interest on the bonds recorded in Interest expense was HUF 7,647 million (in 2012: HUF 135 million) using effective rates of 5.9% (USD bond) and 5.1% (EUR bond).

Main data of bonds:

ISIN code	US55977W2A95; XS0864511588	XS0953951711
Issue date	12.12.2012	01.10.2013
Maturity date	12.02.2018	13.02.2019
Currency	USD	EUR
Nominal value	500,000,000	400,000,000
Issue price	494,395,000	347,124,400
Difference between issue price and nominal value on the issue date	5,605,000	52,875,600
Arranger and debt securities issuance fee charged at issue date	975,000	-
Rate of interest	5.5%	2.125%
Last day of first interest period	12 August 2013	12 February 2014
Frequency of interest payment after the first interest period	semi-annually	semi-annually
Timing of interest payment	in arrear	in advance

The structure of the issuance in 2013 was different from standard issuances known on capital markets before. The notes issued by Eximbank– that are unconditionally and irrevocably guaranteed by the government of Hungary - were completely subscribed by MAEXIM Secured Funding Ltd (MAEXIM Ltd). This company is an SPV incorporated in the Republic of Ireland with the express purpose of issuing EUR 400 million notes. The SPV is owned by an independent third party – TMF Administration Services Limited - incorporated under the laws of Ireland. TMF acts as the corporate services provider for the SPV as well based on a corporate services agreement.

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED (CONTINUED)

The SPV issued EUR 400 million notes in two tranches: EUR 380 million fixed-rate class A1 notes and EUR 20 million fixed-rate class A2 notes.
The transaction is backed by EUR 400 million notes ("collateral securities") issued by Eximbank under its EUR 2 billion MTN Program. Proceeds of the issuance by SPV were used to pay issuer expenses payable upfront and to purchase the bonds issued by Eximbank.

The SPV entered into a contract of guarantee with a member of the World Bank Group, the Multilateral Investment Guarantee Agency (MIGA). Under this contract, MIGA agrees to cover 95% of the payments due to the SPV under the collateral securities in the event of the Republic of Hungary failing to make payment when due under the funding guarantee. MIGA is obligated to pay all amounts due (scheduled interest and principal) when an event of default on the collateral securities occurs and the custodian has made a demand for payment under the funding guarantee, and upon the lapse of the 30 days required thereunder for payment by the sovereign.

Since class A1 notes represent 95% of the total series 1-2013 note issuance, payments received by the SPV under the MIGA contract will exclusively be used to pay class A1 noteholders. While payments of principal and interest on class A1 notes are fully covered by the guarantee, class A2 notes will not benefit.

Fitch Ratings has assigned ratings to the notes issuance by the SPV as indicated in the table below. The 'AAA' rating assigned to class A1 notes is consistent with the credit quality of the guarantee provider, MIGA. The rating assigned to class A2 notes is linked to the 'BB+' rating assigned to the collateral securities, which benefit from an irrevocable guarantee by Hungary.

Main data of bonds issued by the Bank and by MAEXIM Ltd.:

Issuer	Eximbank	MAEXIM Ltd	
Issue date	01.10.2013	01.10.2013	
Maturity date	13.02.2019	13.02.2019	
Currency	EUR	EUR	
Tranche number	1	A1	A2
Nominal value	400,000,000	380,000,000	20,000,000
Issue price	347,124,400	377,758,000	15,696,600
Difference between issue price and nominal value on the issue date	52,875,600	2,242,000	4,303,400
Collateral	Unconditional and irrevocable guarantee by Hungary	MIGA guarantee and debt issued by Eximbank	Debt issued by Eximbank
Rating	BB+	AAA	BB+
Rate of interest	2.125%	2.125%	2.125%
Last day of first interest period	12 February 2014	12 February 2014	12 February 2014
Frequency of interest payment after the first interest period	semi-annually	semi-annually	
Timing of interest payment	in advance	in arrear	

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED (CONTINUED)

The difference between the issue price of bonds issued by MAEXIM Ltd and bonds issued by the Bank were used by MAEXIM Ltd to pay issuer expenses - including the MIGA guarantee fee.
The structure resulted in significant interest savings for the Bank. Eximbank has not repurchased any of its own debt or debt issued by MAEXIM Ltd. since the issue date.

NOTE 14. OTHER LIABILITIES

	31.12.2013	31.12.2012
MEHIB insurance fee	2,074	-
Accrued expenses	345	325
Accrued revenue	298	233
Current tax liabilities	66	183
Other	326	134
Total	**3,109**	**875**

Other liabilities increased by HUF 2,234 million from 31 December 2012 to 31 December 2013. It caused by MEHIB insurance fee related to tied-aid credits. For details please refer to Note 19.

NOTE 15. SHAREHOLDER' S EQUITY

	31.12.2013	31.12.2012
Share capital	10,100	10,100
Share premium	400	400
Retained earnings	(489)	1,259
Fair value reserve, net of tax	24	15
Statutory reserves	7,729	6,739
Out of that		
General risk reserve	-	*430*
General reserve	*7,729*	*6,309*
Total	**17,764**	**18,513**

As at 31 December 2013 the Bank's share capital is comprised of 2,020 fully paid shares, each with a par value of HUF 5 million.

As at 31 December 2013 and 31 December 2012 the shareholder's rights were the following:

Shareholder	Number of shares	Face value of shares	Equity owned	Votes owned
The Hungarian State represented by Ministry for National Economy	2,020	10,100	100 %	100 %
Total	2,020	10,100	100 %	100 %

(All amounts stated in HUF million unless otherwise noted)

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank enters into off-balance sheet financial instruments such as guarantees and letters of credit.

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

The Hungarian State's obligations in respect of this back-to-back statutory guarantee are subject to an upper limit set by the annual central budget. According to the 2013 Budget Act, the upper limit was increased from a combined HUF 80 billion to a combined HUF 350 billion in respect of Eximbank's export-credit and other export-related guarantees. By government decree, the back-to-back statutory guarantee is also subject to certain conditions, including that any credit agreement over which Eximbank extends a state-backed export-credit guarantee must conform to OECD guidelines.

As at 31 December 2013, HUF 14,086 million of Eximbank's overall guarantee portfolio of HUF 16,774 million was backed by state guarantees.

The remaining 16% of Eximbank's guarantee portfolio (which are guarantees issued at its own risk) related to export-credit guarantees where the underlying loans, due mainly to the nature of the export or tenor, are outside OECD guidelines, and accordingly, outside the statutory guarantee.

Commitments and contingent liabilities as at 31 December 2013 and 31 December 2012 are summarised as follows:

	31.12.2013	31.12.2012
Unutilised part of discount and credit lines	184,030	59,939
Guarantees counter-guaranteed by the Republic of Hungary	14,086	25,407
Guarantees not counter-guaranteed by the Republic of Hungary	2,688	2,932
Letters of credit	1,251	16
Total	**202,055**	**88,294**

Loan commitments constitute undrawn amounts under Eximbank's existing loan agreements. Eximbank's loan commitments primarily relate to its pre-export refinancing products entered into with banks.

There are no assets of the Bank that are pledged as collateral.

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION

The components of income tax expense for the year ended 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013	31.12.2012
Corporate income tax expense	6	200
Credit institutions' contribution	83	-
Local tax expense	226	217
Innovation contribution expense	34	33
Current income tax	**349**	**450**
Deferred tax	(155)	72
Total income tax	**194**	**522**
Net profit before income tax	(565)	1,321
Effective tax rate after adjustments	**(34)%**	**40%**

The corporate income tax was 10 % of the positive tax base up to HUF 500 million thereafter 19% both in 2012 and in 2013. The tax base is the net profit before tax – calculated in accordance with the Hungarian accounting rules - modified by certain tax deductible and non deductible items as required the local tax law.

According to the provisions of the Act LIX of 2006 on the particular tax of the credit institutions are obliged to pay credit institutions' contribution at the rate of 19% on the general risk reserve reclassified to retained earnings as at 31 December 2013. The contribution is presented as an income tax expense for statutory and IFRS purposes.

Considered their net non-turnover character, local business tax and innovation contribution expenses are presented as an income tax expense for IFRS purposes.
In 2013 and 2012 local business tax an innovation contributions are payable 2% and 0.3% respectively on statutory net interest and fee income modified by certain cost elements.

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION (CONTINUED)

Reconciliation of the total tax charge

Reconciliation between the tax expense and the accounting profit multiplied by the Bank's domestic tax rate for the years ended 31 December 2013 and 2012 is as follows:

		31.12.2013		31.12.2012
Profit (loss) before income tax		**(565)**		**1,321**
Corporate income tax up to HUF 500 million	10%	(57)	10%	50
Corporate income tax from HUF 500 million	19%	-	19%	156
Average tax rate	10%	(57)	16%	206
Adjustments:				
Credit institutions' contribution		83		-
Local business tax and innovation contribution		260		249
Effect of local tax and innovation contribution on income tax		(26)		(48)
Tax base increasing items		-		150
Tax base decreasing items		(66)		(35)
Total adjustments		**251**		**316**
Income tax reported in the Statement of Comprehensive Income		**194**		**522**
Effective tax		**(34%)**		**40%**

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION (CONTINUED)

Deferred tax

The deferred tax included in the statement of financial position and changes recorded in the statement of comprehensive income are as follows:

	31 December 2013				
	Deferred Tax Assets	Deferred Tax Liabilities	Net	Recognised in profit or loss	Recognised in other comprehen-sive income
Impairment allowance for loans and advances to customers	-	-	-	23	-
Financial instruments held at amortised cost	(44)	-	(44)	4	-
Fair value adjustments of financial instruments at fair value through profit or loss	120	-	120	119	-
Available-for-sale financial assets	(3)	-	(3)	-	1
Other temporary differences	6	-	6	9	-
Total	**79**	**-**	**79**	**155**	**1**

	31 December 2012				
	Deferred Tax Assets	Deferred Tax Liabilities	Net	Recognised in profit or loss	Recognised in other comprehen-sive income
Impairment allowance for loans and advances to customers	-	(23)	(23)	(23)	-
Financial instruments held at amortised cost	-	(48)	(48)	(48)	-
Fair value adjustments of financial instruments at fair value through profit or loss	-	1	1	1	-
Available-for-sale financial assets	-	(4)	(4)	-	(11)
Other temporary differences	-	(2)	(2)	(2)	-
Total	**-**	**(76)**	**(76)**	**(72)**	**(11)**

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. INTEREST INCOME AND INTEREST EXPENSE

	31.12.2013	31.12.2012
Interest income:		
Loans and advances to customers	2,490	1,822
Loans and advances to other banks and insurance companies	2,502	2,447
Interest compensation*	9,626	5,093
Securities	1,440	1,034
Other	20	3
Total	**16,078**	**10,399**
Interest expense:		
Loans and deposits from other banks and insurance companies	4,100	6,013
Debt securities issued	7,647	135
Total	**11,747**	**6,148**
Net interest income	**4,331**	**4,251**

* In accordance with the rules and conditions of the Government Decree 85/1998 (V.6.) on the interest compensation system and of the Government Decree 232/2003 (XII.16.) on the tied-aid credits the Bank receives interest compensation from the Hungarian State for special financing facilities.

The principal factor for the increase in the interest income and interest expense in the year ended 31 December 2013 compared to the year ended 31 December 2012 was the significantly higher volume of loans granted and as a result the necessary borrowings in the given period.

(All amounts stated in HUF million unless otherwise noted)

NOTE 19. NET INCOME FROM FEES AND COMMISSIONS

	31.12.2013	31.12.2012
Fee and commission income:		
Insurance fees invoiced by MEHIB	3,247	24
Guarantees counter-guaranteed by the state	186	129
Guarantees not counter-guaranteed by the state	68	112
Other	6	1
Total	**3,507**	**266**
Fee and commission expense:		
Insurance fees paid to MEHIB	3,279	23
Guarantees	32	31
Other	3	6
Total	**3,314**	**60**
Net income from fees and commissions	**193**	**206**

The functions of the state export credit agency in Hungary are divided 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 to certain of Eximbank's borrowers.

A significant portion of Eximbank's buyer's credit loans are mandated by the Hungarian state to provide buyer's credit through a system of tied-aid credits based on intergovernmental agreements, with the aim of reaching new markets in developing countries. Tied-aid credits must be disbursed to the Hungarian exporter, and the tied aid provided by Eximbank incorporates special interest terms and aid in the form of an insurance premium.

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

Under OECD guidelines, interest charged to borrowers under tied-aid credits must be at least 35% lower than that charged under Eximbank's standard buyer's credit facility.

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

The following table shows main data of fees of insurances provided by MEHIB to Eximbank in connection with tied-aid credits and other loans in 2013.

NOTE 19. NET INCOME FROM FEES AND COMMISSIONS (CONTINUED)

Description	Effect on P&L HUF million	Effect on Balance sheet
MEHIB insurance fee related to tied-aid credits invoiced by MEHIB to the Bank – Fee and commission expense	(2,374)	Out of the total HUF 2,374 million HUF 300 million was settled by the end of 2013, thus liability amounted to HUF 2,074 million as at 31 December 2013. Please refer to Note 14.
MEHIB insurance fee related to tied-aid credits invoiced by the Bank to clients – Fee and commission income	2,342	Net balance is nil as at 31 December 2013.
Donation element of tied aid loans (release of insurance premium) – Net operating expenses	(2,342)	
Donation element receivable from the Hungarian State – Net operating expenses	2,374	Out of the total HUF 2,374 million HUF 300 million was settled by the end of 2013, thus receivable from the Hungarian Sate amounted to HUF 19 million and accrued income amounted to HUF 2,055 million as at 31 December 2013. Please refer to Note 10.
MEHIB insurance fee related to other loans invoiced by MEHIB to the Bank – Fee and commission expense	(460)	Whole amount was settled in 2013.
MEHIB insurance fee related to other loans invoiced by the Bank to clients – Fee and commission income	460	Whole amount was settled in 2013.
MEHIB insurance fee related to syndicated loan invoiced by MEHIB to the Bank– Fee and commission expense	(445)	Whole amount was settled in 2013.
MEHIB insurance fee related to syndicated loan by the Bank to other bank– Fee and commission income	445	Whole amount was settled in 2013.

(All amounts stated in HUF million unless otherwise noted)

NOTE 20. GAINS AND LOSSES FROM TRADING AND INVESTMENT ACTIVITIES, NET

	31.12.2013	31.12.2012
Gain and losses on foreign currency swap deals, net	(2,540)	(493)
Other foreign currency gains and losses, net	1,889	1,337
Foreign currency gains and losses, net *	**(651)**	**844**
Other trading gains and losses, net	(5)	(4)
Total	**(656)**	**840**

* Also includes the revaluation of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss.

NOTE 21. OPERATING EXPENSES

	31.12.2013	31.12.2012
Personnel expenses*	1,620	1,398
Material expenses	714	809
Special tax of credit institution**	663	396
Bank tax***	454	454
Depreciation and amortisation	161	105
Other administration expenses	109	83
Other expenses/ (income), net****	(189)	746
Total	**3,532**	**3,991**

* The average number of employees in 2013 was 128 (2012: 106).

**The Hungarian Parliament introduced a new type of tax effective from 1st January 2007 in the frame of Act LIX of 2006 on the particular tax of the credit institutions and financial enterprises. The credit institutions shall pay this type of tax at the rate of five per cent on their interest and similar income earned during the year from loans which are directly or indirectly affected by any interest subsidy or interest compensation system.

*** The Hungarian Parliament approved a new Act in August 2010 which provided a framework for the levying of a "bank tax" on financial institutions. According to this act each financial institution - that already had a closed financial year and related financial statements on 1 July 2010 - would be subject to assessment and payment of the bank tax for 2010. The basis and the rate of the bank tax that is payable differs depending on the type of financial institutions.
Tax rates are uniformly based on statutory reported financial data of the reporting entity for the period ended 31 December 2009.

NOTE 21. OPERATING EXPENSES (CONTINUED)

For credit institutions the tax base is adjusted total assets for the year ended 31 December 2009. The tax rate is 0.15% up to HUF 50,000 million and 0.53% above HUF 50,000 million. The bank tax is recorded as an expense in the financial period in which it is legally payable. As the bank tax is payable based on non net income measures for the year ended 31 December 2009 it does not meet the definition of income tax under IFRS and is therefore presented as an operating expense in the statement of comprehensive income.
As the tax base and the tax rates remained unchanged since 2010 the Bank tax in 2013 amounts to HUF 454 million similarly to 2010, 2011 and 2012.

**** Other expenses at 31 December 2012 contain the book value of cancelled available for sale securities written off in amount of HUF 736 million.
Under a restructuring program due to financial difficulties, a loan – not insured by MEHIB – and the interest due in the total amount of HUF 3,923 million (EUR 13,906,353) against the same foreign bank was exchanged for debt securities and global depository receipts issued by this bank and cash in the amount of USD 1,948,111 in 2010. Principal amount of the *Senior Notes* at inception date was USD 4,753,250. Principal amount of the *Subordinated Notes* at inception date was USD 1,077,004. Principal amount of the *Recovery Units* at inception date were USD 9,819,745. *Global Depositary Receipts (GDRs)* were issued, for no consideration, to the Restructuring Creditors who are non-Kazakh residents. Each GDR represents 500 shares. GDR holders are entitled to receive an amount of equivalent to any dividends or other proceeds payable on and have voting rights, or with respect to, the deposited shares corresponding to its GDRs. Eximbank received 23,002 units of GDRs. The price of each unit was USD 12.
Due to further payment difficulties the Kazak bank announced the need to organise a new restructuring process.
Under the new restructuring program as at 27 December 2012
- previously issued securities were cancelled excluding GDRs
- Eximbank received cash in amount of USD 3,291,498
- Eximbank received new debt securities and global depository receipts issued by the Kazak bank:

o New Senior Notes: principal amount of the note received by Eximbank is USD 305,108. Senior Notes are interest bearing debt instruments at the rate of 5.5%% p.a. Maturity date is 22 December 2022. Interest is payable on the outstanding principal amount in arrears on 1 January and 1 July in each year.
o GDRs: Eximbank received 26,565 units of further GDRs.
The difference between the fair values at inception date and the current fair value at the end 2012 in amount of HUF 101 million (2011: HUF 1,167 million) was recognised as impairment loss on available-for-sale securities acquired in exchange for loan.
Due to the above restructuring transactions prior year impairment on available-for-sale securities were released in amount of HUF 1,113 million and classified as "Provision for impairment losses, charge (+), release (-) " in the statement of comprehensive income. The gross book value of the cancelled securities was written off in amount of HUF 736 million and was classified as other expense in the statement of comprehensive income.

(All amounts stated in HUF million unless otherwise noted)

NOTE 22. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	31.12.2013	31.12.2012
Available for sale financial assets		
Gains (losses) arising during the year	7	58
Reclassification adjustments for (gains)/losses included in P&L	1	2
Other comprehensive income	**8**	**60**
Income tax relating to components	1	(11)
Other comprehensive income for the year	**9**	**49**

All the components of other comprehensive income for the year ended 31 December 2013 and 2012 stated above are items that may be reclassified subsequently to profit or loss.

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31 December 2013	**Within 12 months**	**After 12 months**	**Total**
Assets			
Cash, due from banks and balances with the National Bank of Hungary	898	-	898
Available-for-sale financial assets, net of impairment loss	2,060	45	2,105
Loans and advances to customers, net of impairment losses	32,716	66,549	99,265
Loans and advances to other banks and insurance companies, net of impairment losses	120,180	155,573	275,753
Financial assets at fair value through profit or loss	43	-	43
Intangibles, property and equipment, net	-	355	355
Deferred tax assets	79	-	79
Other assets, net	3,093	-	3,093
Total Assets	**159,069**	**222,522**	**381,591**
Liabilities			
Loans and deposits from other banks and insurance companies	51,198	92,958	144,156
Financial liabilities at fair value through profit or loss	4,274	-	4,274
Debt securities issued	-	211,967	211,967
Provision for guarantees and contingencies	321	-	321
Other liabilities	2,827	282	3,109
Total Liabilities	**58,620**	**305,207**	**363,827**
Net	**100,449**	**(82,685)**	**17,764**

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2012	**Within 12 months**	**After 12 months**	**Total**
Assets			
Cash, due from banks and balances with the National Bank of Hungary	2,505	-	2,505
Available-for-sale financial assets, net of impairment loss	24,967	873	25,840
Loans and advances to customers, net of impairment losses	28,494	34,788	63,282
Loans and advances to other banks and insurance companies, net of impairment losses	61,182	104,198	165,380
Financial assets at fair value through profit or loss	130	-	130
Intangibles, property and equipment, net	-	214	214
Other assets, net	1,218	-	1,218
Total Assets	**118,496**	**140,073**	**258,569**
Liabilities			
Loans and deposits from other banks and insurance companies	21,963	106,892	128,855
Financial liabilities at fair value through profit or loss	856	-	856
Debt securities issued	-	109,148	109,148
Provision for guarantees and contingencies	246	-	246
Deferred tax liabilities	76	-	76
Other liabilities	560	315	875
Total Liabilities	**23,701**	**216,355**	**240,056**
Net	**94,795**	**(76,282)**	**18,513**

NOTE 24. RELATED PARTY TRANSACTIONS

24.1 Management and employees

Loans to employees of the Bank amounted to HUF 92 million and HUF 59 million as at 31 December 2013 and 31 December 2012, respectively. Out of the total amount HUF 1 million was granted to the management as at 31 December 2013 (2012: HUF 2 million).

The honorarium of the Board of Directors and the Supervisory Board added up to HUF 51 million in 2013 (2012: HUF 25 million). There are no - share-based payments to the Boards or the key management personnel.

The remuneration of the key management personnel amounted to HUF 99 million and HUF 122 million in 2013 and 2012, respectively. The remuneration of the management includes the termination benefits paid to the management, which amounted to HUF 12 million in 2012.

24.2 Companies

On 12 April 2012 the Hungarian Government had announced that the Hungarian State acquired the shares in Eximbank owned by the Hungarian Development Bank Ltd. and all the shareholders' rights exercised by Ministry for National Economy. The relating modification of the Act on Eximbank is effective from 10 May 2012.

All transactions with the Hungarian Development Bank Ltd. ("MFB") as one of the most significant related parties and MFB's subsidiaries, associates and jointly controlled entities and other state-owned companies are conducted at market rates. MEHIB is also solely owned by the Hungarian State like the Bank since May 2012 (it was owned by Hungarian Development Bank Ltd earlier).

Balances with related party companies as at 31 December 2013, representing 13.45 % of total assets (as at 31 December 2012: 18.41 %), 12.82 % of total liabilities (as at 31 December 2012: 26.68 %) and 0.76 % of total commitments and contingent liabilities (as at 31 December 2012: 1.76 %) are presented below:

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

	31.12.2013	31.12.2012
Balances with National Bank of Hungary	7	1,313
Short-term placement to MFB incl. interest receivable	34,633	6,099
Loans to MEHIB and MFB's subsidiaries incl. interest receivable	8,891	10,744
Loans to MFB's associates incl. interest receivable	563	502
Advances to the State from interest compensation systems	2,979	3,148
Total loans and advances to related parties, net of impairment losses	**47,066**	**20,493**
Discounted bonds issued by the National Bank of Hungary	1,232	24,967
Hungarian Government bonds	828	827
Total available for sale financial assets to related parties	**2,060**	**25,794**
Accrued income and receivable from the State in respect of tied-aid credits	2,074	-
Accrued income from MEHIB related to cost sharing	114	-
Total other assets	**2,188**	**-**
Total assets	**51,321**	**47,560**
Loans and deposits from MFB incl. accrued int. payables	29,681	58,714
Loans and deposits from MEHIB incl. accrued int. payables	9,826	-
Loans and deposits from MFB's subsidiaries incl. accrued int. payables	5,028	5,306
Total loans and deposits from related parties	**44,535**	**64,020**
Foreign currency swap with MFB and its subsidiaries	23	27
Total financial liabilities at fair value to related parties	**23**	**27**
Other liabilities to MEHIB	2,074	-
Accrued expense against MEHIB	59	-
Total other liabilities to related parties	**2,133**	**-**
Total liabilities	**46,691**	**64,047**
Guarantees provided on behalf of other state-owned company	49	99
Other commitments and contingent liabilities	1,485	1,456
Total commitments and contingent liabilities	**1,534**	**1,555**

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

	31.12.2013	31.12.2012
Interest income:		
State interest compensations	9,626	5,093
Hungarian discounted treasury bills, discounted bonds issued by the National Bank of Hungary and Hungarian Government bonds	1,436	1,027
Loans to MEHIB and MFB's subsidiaries	509	972
Loans to MFB's associates	30	59
Short-term placements to MFB	14	39
Total	**11,615**	**7,190**
Interest expense:		
Loans and deposits from MFB	773	3,251
Loans and deposits from MFB's subsidiaries	349	352
Loans and deposits from MEHIB	14	-
Securities lending fee paid to the Hungarian State	-	337
Total	**1,136**	**3,940**
Fee and commission expense:		
Insurance fees paid to MEHIB	3,278	23
Total	**3,278**	**23**
Net interest income and net income from fees and commissions	**7,201**	**3,227**
Provision and impairment losses Charge/ (release):		
Loans and credit lines to MFB's associates	-	(5)
Total	**-**	**(5)**
Operating income/(expenses):		
The Hungarian State: refund of insurance fees of tied-aid credits	2,374	-
Net operating income from MEHIB and MFB's subsidiaries	172	22
Net income related to sharing personal type expenditures	34	-
Total	**2,580**	**22**

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

As a result of the closer organizational cooperation between Eximbank and MEHIB (majority of the employees including CEO and deputy CEOs are employed by both Eximbank and MEHIB since 2012) on 4 November 2012 the two companies concluded an agreement in which Eximbank and MEHIB agreed on sharing and accounting of costs incurred in connection with closer organizational cooperation. The agreement was modified in 2013.

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

1) costs related to commonly used fixed assets
2) personal type expenditures of employees employed by both Eximbank and MEHIB
3) other personal type expenditures
4) intermediary services
5) material type expenditures and other administration expenses

Effects of the cost sharing to the Bank's profit and loss in 2013 are the following:

1) Commonly used fixed assets:

Income and (expense) related to commonly used fixed assets		HUF million
a) Asset usage/rental fee invoiced by the Bank to MEHIB	– Other income	37
b) Asset usage fee/ rental invoiced by MEHIB to the Bank	– Other expenses	(26)

2) Personal type expenditures: jointly employed employees

Income and (expense) related to sharing personal type expenditures		HUF million
a) Personal type expenditures invoiced by the Bank to MEHIB	– Personal type expenditures (cost decreasing item)	334
b) Personal type expenditures invoiced by MEHIB to the Bank	– Personal type expenditures	(299)

3) Other personal type expenditures

Income and (expense) related to sharing other personal type expenditures		HUF million
a) Personal type expenditures invoiced by the Bank to MEHIB	– Other income	79
b) Intermediary services invoiced by MEHIB to the Bank	– Other administration expenses	(25)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

4) Intermediary services

Income and (expense) related to sharing intermediary services		HUF million
a) Expenses invoiced by the Bank to MEHIB	– Other income	56
b) Expenses incurred by MEHIB and invoiced to the Bank	– Other expenses	(62)

5) Material type expenditures and other administration expenses

Income and (expense) related to sharing material type expenditures and other administration expenses		HUF million
a) Expenses invoiced by the Bank to MEHIB	– Other income	70
b) Expenses incurred by MEHIB and invoiced to the Bank	– Other expenses	(46)

Total income from cost sharing amounted to HUF 26 million while expense amounted to HUF 5 million in 2012.

NOTE 25. CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2013 and 2012. Trading derivatives are shown at fair value in a separate column.

Repayments which are subject to notice are treated as if notice were to be given immediately. The table also contains the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of them.

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(All amounts stated in HUF million unless otherwise noted)

NOTE 25. CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2013	**Carrying amount**	**Gross nominal inflow / outflow**	**Trading derivatives**	**Up to 1 months**	**1-3 months**	**3 months to 1 year**	**1- 5 years**	**Over 5 years**
Cash, due from banks and balances with National Bank of Hungary	898	898	-	898	-	-	-	-
Available-for sale financial assets	2,105	2,138	-	-	-	2,093	-	45
Loans and advances to customers, net of impairment losses	99,265	109,008	-	9,436	8,062	20,667	60,972	9,871
Loans and advances to other banks and insurance companies, net of impairment losses	275,753	281,245	-	63,243	11,365	47,097	144,678	14,862
Financial assets at fair value through profit or loss	43	43	43	-	-	-	-	-
Financial assets	**378,064**	**393,332**	**43**	**73,577**	**19,427**	**69,857**	**205,650**	**24,778**
Loans and deposits from other banks and insurance companies	144,156	153,260	-	5,456	21,549	26,694	95,843	3,717
Derivative financial liabilities								
Foreign exchange contracts	261	261	261	-	-	-	-	-
Cross currency interest rate swaps	4,013	4,013	4,013	-	-	-	-	-
Issued securities	211,967	265,921	-		4,227	4,227	139,978	117,488
Financial liabilities	**360,397**	**423,455**	**4,274**	**5,456**	**25,777**	**30,922**	**235,821**	**121,205**
Liquidity (deficiency)/excess	**17,667**	**(30,123)**	**(4,231)**	**68,121**	**(6,350)**	**38,935**	**(30,171)**	**(96,427)**
Unutilised loan commitments		184,030	-	184,030	-	-	-	-
Financial guarantee contracts		16,774	-	16,774	-	-	-	-
Letter of credit		1,251	-	1,251	-	-	-	-

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NOTE 25. CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2012	Carrying amount	Gross nominal inflow / (outflow)	Trading derivatives	Up to 1 months	1-3 months	3 months to 1 year	1- 5 years	Over 5 years
Cash, due from banks and balances with National Bank of Hungary	2,505	2,505	-	2,505	-	-	-	-
Available-for sale financial assets	25,840	25,943	-	25,000	-	53	844	46
Loans and advances to customers, net of impairment losses	63,282	67,495	-	2,810	5,635	21,203	29,980	7,867
Loans and advances to other banks and insurance companies, net of impairment losses	165,380	170,322	-	20,022	6,634	36,147	102,442	5,077
Financial assets at fair value through profit or loss	130	130	130	-	-	-	-	-
Financial assets	**257,137**	**266,395**	**130**	**50,337**	**12,269**	**57,403**	**133,266**	**12,990**
Loans and deposits from other banks and insurance companies	128,855	137,389	-	4,133	116	20,310	107,844	4,986
Derivative financial liabilities								
Foreign exchange contracts	253	253	253	-	-	-	-	-
Cross currency interest rate swaps	603	603	603	-	-	-	-	-
Debt securities issued	109,148	141,856	-	-	-	4,051	24,302	113,503
Financial liabilities	**238,859**	**280,101**	**856**	**4,133**	**116**	**24,361**	**132,146**	**118,489**
Liquidity (deficiency)/excess	**18,278**	**(13,706)**	**(726)**	**46,204**	**12,153**	**33,042**	**1,120**	**(105,499)**
Unutilised loan commitments		59,938	-	59,938	-	-	-	-
Financial guarantee contracts		28,339	-	28,339	-	-	-	-
Letter of credit		16	-	16	-	-	-	-

NOTE 26. FINANCIAL RISK MANAGEMENT

Risk management activity of Eximbank is determined by its specific role and position in the Hungarian economy. The Bank's ultimate owner is the state with a 100% direct shareholding and it operates under the governance of the Ministry for National Economy. The Bank is a credit institution and its primary task is to promote Hungarian exporters on external markets.

In order to diminish the risk of open bond positions the Bank holds bonds with low credit risk exclusively and does not deal with futures or options. The security portfolio consists primarily of zero-coupon bonds issued by the National Bank of Hungary and Hungarian government bonds held for the purposes of liquidity management and maintaining a liquidity reserve. Eximbank neither speculates on the stock exchange nor buys derivatives for speculative reasons. Eximbank enters into currency swap transactions intended to hedge foreign exchange risks.
The Bank's policies for managing interest rate, credit, foreign currency exchange risk and liquidity risk are reviewed regularly by the Asset and Liability Committee (ALCO), Credit Committee and the Board of Directors. The policies are summarised as follows:

Risk management policies

The Bank is exposed to interest rate, liquidity and foreign currency exchange risk, while the most significant risk is the credit risk. Risk management is carried out by the Risk Management Department under policies approved by ALCO, the Credit Committee and the Board of Directors. These principles are determined within the prescriptions established by the National Bank of Hungary and the Hungarian Financial Institutions Supervision. The Asset and Liability Committee, the Credit Committee and the Board of Directors are responsible for review of risk management and control environment. The risk profile is assessed before concluding a transaction, which is authorised by the appropriate level of seniority within the Bank. The service pattern reflects the entire process of exporting, and the risk is shared with commercial banks. The specific character of the credit risk can mostly be detected by differentiating by product and consumer categories.

Risk strategy and risk profile

The Bank's risk strategy includes the exploration, identification and separation of risks, furthermore the assessment of the risk level and weight of them. The risk identification process gives a detailed specification of risk categories concerning the Bank's regular course of business and economic environment. The first dimension of the risks is the type (according to the ICAAP guide book) and the second one is the bank-specific aspect of the services and products. Each of the relevant risk factors is evaluated by the Risk Management Department in cooperation with the Controlling Department. The overall risk level of an individual risk category is determined by the risk assessment of the appropriate risk type weighted by its significance in line with Eximbank's operational characteristics. Most of the weighted rates point to the fact that the majority of the risks are low or represent moderate risk level. The risk profile report takes into consideration the extent of the exposure and the seriousness of the risk. This method gives us a general overview about the Bank's risk profile and an opportunity to perform continuous monitoring activity. The level of credit risk is moderate, since the credit portfolio consists of products with lower risk level: products carrying risk exposure to domestic banks, counter-guarantees of state. The aggregated country risk components seem to be at a very low risk level at first sight, which can be explained by the excess weight of domestic risk taking. Furthermore, the foreign positions tend to be oriented towards countries with improving risk level and they are also backed with insurance.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk

Management of credit risk, credit rating systems

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for clients, counterparties and for country concentrations, and by monitoring exposures in relation to such limits. The exposure to any one borrower is further restricted by sub-limits for different maturity and transaction type. The credit risk management is based on a client rating system, which applies different essentials for financial institutions and for corporate clients. The scoring system takes into account the business activity, financial position, probability of default of domestic corporartes, market position, management, organisation and its role in the given business sector. Both the on- and off-balance sheet items (loans, guarantees) are subject to quarterly classification requirements. The key factors of the rating are:

1. Consumer/counterparty rating
2. Country risk
3. Collateral
4. Number of past due days

Due to Hungarian legal regulations it is not allowed to derive risk assessment directly from international ratings under BBB- Baa3 level. As Eximbank's business focus is on emerging market countries, it is usual to make risk assessment based on the Bank's own internal rating model. Eximbank also builds up business partnerships with some local emerging market banks that are not essentially rated by international rating agencies. Eximbank uses a 5 scale internal rating system for banks. The table below contains credit exposures to banks grouped by our internal rating categories by nominal amount as at 31 December 2013 and 31 December 2012:

Internal rating	Rating definition	31/12/2013	31/12/2012
1	Banks with extremely good financial conditions, and/or high possibility of efficient external support.	7,254	6,099
2	Banks with good financial conditions, and/or possibility of appropriate external support.	165,006	94,190
3	Banks with medium grade financial performance, and/or limited access to external support.	95,783	54,982
4	Banks with bellow average financial performance without any possible external support.	-	-
5	Banks with very weak financial performance and/or that are effectively in default.	403	407
Total		**268,446**	**155,678**

Note: As described in Note 7 a loan originally granted to a foreign bank insured by MEHIB was assigned to MEHIB due to default in 2010. This amount is not included in the table above.

Global limits for banks are divided into sub limits:

- credit and guarantee sublimit
- money market sublimit and
- trading sublimit

Trading sublimit is used for derivative transactions with a 20% weight on face value. As a result derivative positions affect 20% of global limit.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Regarding customers Eximbank uses a 7 grade scale classification system for corporates, where 1 represents the lowest risk and 7 represents the highest risk. Beyond client risk classification loan quality analysis takes collaterals into consideration as well as it is shown below by nominal amount as at 31 December 2013.

Customer's internal rating	Level of collaterals behind claims			
	less than 50%	50%-70%	more than 70%	Total
1	59	-	1,039	**1,098**
2	-	-	26,930	**26,930**
3	10,062	1,478	6,527	**18,067**
4	7,035	356	8,235	**15,626**
5	5,029	83	15,268	**20,380**
6	2,161	3,746	6,855	**12,762**
7	5,412	-	2,092	**7,504**
Total	**29,758**	**5,663**	**66,946**	**102,367**

According to the Bank internal policy all classified outstanding and off-balance sheet items have to be categorised into 5 categories.
Eximbank does not apply credit risk assessment process on an aggregated basis, as a consequence all of the items affected by credit risk are evaluated individually. Impairment rate for each item is derived from the estimated value of loss offset by the estimated recoveries with reference to the value of the credit risk exposure (using a discounted cash-flow model). The risk categories of the relevant items are as follows:

Risk category	Definition
Low-fair risk	Probability of loss is extremely low
Watch list	Probability of loss is low but possible in the medium term
Substandard	Non payment risk is above average but net estimated loss is under 30%
Doubtful	Past due obligations with more than 90 days default, with a collateral coverage between 30%-70%
Loss	Non performing items with extremely low recovery expectations (under 30% collateral rate)

The above method meets the requirements of Hungarian accounting standards and regulations as well. There is also credit risk in off-balance sheet financial instruments, such as non-government backed guarantees. These risks are mitigated by the same control processes and policies as loans and the state-backed guarantees are also evaluated by the same method as the ones issued on theown risk of the Bank.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Exposure to credit risk

The Bank's exposure to credit risk at the reporting date is shown below:

	Loans and advances to banks and insurance companies		**Loans and advances to customers**	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Individually impaired:				
Watch list	-	-	10,028	7,363
Substandard	-	49	2,684	-
Doubtful	-	-	252	693
Loss	150	131	1,848	1,352
Gross amount	150	180	14,812	9,408
Allowance for impairment	(150)	(146)	(2,578)	(1,812)
Carrying amount	-	34	12,234	7,596
Collectively impaired:	-	-	-	-
Past due but not impaired:	-	-	1,231	60
Neither past due nor impaired:	275,753	165,346	81,855	42,993
Accounts with renegotiated terms:				
Gross amount	269	276	6,752	15,358
Allowance for impairment	(269)	(276)	(2,807)	(2,725)
Carrying amount	-	-	3,945	12,633
Total carrying amount	**275,753**	**165,380**	**99,265**	**63,282**

At 31 December 2013 *Financial assets at fair value through profit or loss* with a carrying value of HUF 43 million (as at 31 December 2012: 130 million), *Cash, due from banks and balances with National Bank of Hungary*" with a carrying value of HUF 898 million (as at 31 December 2012: HUF 2,505 million) and *Available-for-sale financial assets* with a carrying value of HUF 2,072 million (as at 31 December 2012: HUF 25,806 million) are neither past due nor impaired, however the securities acquired in exchange for a loan with a carrying value of HUF 33 million (as at 31 December 2012: HUF 34 million) presented among available-for-sale financial assets are individually impaired in both 2013 and 2012 (Note 5).

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Loans with renegotiated terms

A loan is labelled as renegotiated when restructuring activities, including extended payment agreements, modification and deferral of payments are applied.

Write-off policy

Loan together with the associated allowance are written off, either partially or in full, when there is no realistic prospect of future recovery of the principal amount and all collaterals has been realised or has been transferred to the Bank.

Collaterals

The Bank actively uses collateral and guarantee to reduce its credit risk. In order to minimise the credit loss, the Bank seeks additional collateral from the consumer, like for instance charges over accounts receivable. Most of the guarantees issued by the Eximbank are state-backed instruments.

The functions of the state export credit agency in Hungary are divided between Eximbank and Hungarian Export Credit Insurance Ltd. (MEHIB) which were both established by the Eximbank Act. MEHIB provides export credit insurance to exporters or their banks, including to certain of Eximbank's borrowers. Eximbank and MEHIB currently share the same management.

Eximbank benefits from export credit insurance policies sold to its customers by MEHIB with respect to its buyer's credit and discounting portfolios
The majority of Eximbank's loans granted to entities resident outside are insured by MEHIB, and these insurances are also state-backed.

Where a MEHIB-insured loan is non-performing, MEHIB continues to make interest and principal payments including delinquent payments according to the terms agreed by the original borrower up to its coverage amount. Under the 2013 Budget Act, MEHIB can underwrite export credit insurance up to a limit of HUF 500 billion with a direct state guarantee.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

An estimate of fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans and advances to banks and insurance companies		Loans and advances to customers	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Against individually impaired:				
Insured by MEHIB	-	-	6,113	5,521
Cash Collateral	-	-	1	3
Bank guarantees	-	-	1,337	1,397
Property	-	-	838	373
Other	-	-	1,599	9
Against past due but not impaired:				
Insured by MEHIB	-	-	568	-
Cash Collateral	-	-	30	-
Bank guarantees	-	-	37	93
Property	-	-	304	-
Other	-	-	417	-
Against neither past due nor impaired:				
Insured by MEHIB	6,988	435	20,524	21,900
Cash Collateral	5	8	494	418
Bank guarantees	-	-	26,722	8,905
Property	-	-	8,086	1,398
Other	-	-	7,984	9,895
Against accounts with renegotiated terms:				
Insured by MEHIB	-	-	540	8,953
Cash Collateral	-	-	23	32
Bank guarantees	-	-	-	-
Property	-	-	1,062	1,039
Other	-	-	523	758
Total	**6,993**	**443**	**77,202**	**60,694**

As described in Note 7 a loan originally granted to a foreign bank insured by MEHIB was assigned to MEHIB due to default in 2010. The carrying value of the loan amounted to HUF 7,412 million as at 31 December 2013 (as at 31 December 2012: HUF 9,695 million). The total amount of the loan is guaranteed by the Hungarian State. This amount is not included in the table above.

As Eximbank business focus is mainly on promoting export activity of Hungarian enterprises with different kinds of credit facilities and guarantees, many functions of the usual commercial banking treasury activity remains in the background. As a consequence Eximbank's treasury does not make derivative transactions with speculative intentions, but operates only on the FX swap market so as to cover open FX positions between assets and liabilities. The main risk mitigation technique for eliminating the inherent credit risk in FX swaps is the use of FX trading limits, that should be allocated only for the highest quality western banks.

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The liquidity management process is carried out and monitored by the Treasury Department, and it is also responsible for calculating the liquidity reserve. The Treasury monitors balance sheet liquidity ratios against internal and regulatory requirements and reports unmatched items in the maturity structure to the Asset and Liability Committee (ALCO). The ALCO sets limits on the maximum amount of liquidity gap in the percentage of the balance-sheet footing, which are controlled by the Risk Management and Controlling Department.

The maturity analysis table set out in Note 25 shows the undiscounted, gross nominal cash in- and outflows on the Bank's non-derivative financial liabilities, the related total expected undiscounted interest cash flows up to the date of maturity when they are due and the issued financial guarantee contracts on the basis of their earliest possible maturity. Trading derivatives are shown at fair value in a separate column. The gross nominal inflow / (outflow) disclosed in the table is the remaining contractual, undiscounted cash flow on the non-derivative financial liability and the issued financial guarantees.

The maturity analysis table shows gross nominal in- and out-cash flows of both the financial assets and the financial liabilities.
The Bank considers maturity gap significant if the cash outflow becomes due 180 days earlier than it is defined in the given loan agreement irrespectively of the extent of the amount. During year 2013 and also 2012 there were not any significant maturity gaps.

As a specialized governmental credit institution Eximbank does not collect deposits either from corporate clients or from individuals. Loans borrowed from domestic and foreign banks and the global medium-term notes issued in December 2012 and in October 2013 are secured by the general guarantee of the Government of Hungary as defined in the Act on the Budget of Hungary with respect to the maximum amount of guarantee. Some loan agreements define maturity extension option in favor of the Bank. Eximbank occasionally turns to interbank market for medium term funding. Except for the termination notices of the standard agreement forms and for the negative changes regarding the State Guarantee there is no option for the lenders to terminate the loan agreements. Termination of short term money market deals is not possible due to its market characteristic. Based on the legal background of the Bank and its experiences, Eximbank reckons the probability of the premature termination of funds as extremely low. There is a minimal liquidity risk regarding the state backed bank guarantees issued by the Bank, which are 90 % of the total guarantee portfolio of the Bank, as state backed bank guarantees can be paid after the total amount received from the State Budget. It is possible to terminate the unutilized loan commitments based on the 'Material Adverse Changes Clause' defined in all loan agreements, which can mitigate the liquidity risk if necessary.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3. Market risk

Eximbank does not undertake speculative positions. The Bank has not kept positions in the trading book since 1 January 2008.

The Bank's open foreign currency position was less than 2 % of solvency margin, thus - in accordance with Sections 39-41 of the Government Decree 244/2000 - it posed no capital requirement.

The following table shows the capital requirement covering risks from the trading book as at 31 December 2013 and 2012:

	31.12.2013	**31.12.2012**
Capital requirement of the trading book	-	-
Solvency margin	47,780	47,162
Capital requirement of the trading book as a percentage of solvency margin	-	-

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.1. 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 the banking book under re-pricing of the loans, furthermore using gap analysis shows 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 Eximbank is the interest equalisation system that largely reduces interest rate risk occurs in Eximbank's operation. That kind of 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 budgetary law.

Where Eximbank provides loans based on OECD criteria in the form of medium- to long-term credit at favourable fixed interest rates, the Hungarian state provides Eximbank with periodic interest equalisation payments.

Under the 2013 Budget Act, interest equalisation payments are budgeted at HUF 7 billion; however, the actual amounts paid could be higher than the budgeted amount due to the fact that this budget item is considered to be an ''open-ended appropriation'' in the sense that additional amounts may be provided if interest equalisation requirements total more HUF 7 billion in a given year.

The Hungarian state will also provide interest equalisation payments to Eximbank for loans with a maturity below two years, based on EU rules for setting the reference and discount rates.

Under the interest equalisation programme, 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 Eximbank's funding costs, operating expenses and the applicable risk premium, as agreed with the representative of the Ministry for National Economy.
Eximbank receives the interest equalisation payment after applying to the Hungarian state within 15 days of the close of each quarter, and the payment for that quarter is received by Eximbank within 30 days of the application.

In addition to receiving payments from the Hungarian state under the interest equalisation programme, Eximbank 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 equalisation programme.
All other loans provided by Eximbank (i.e., loans that are not covered by the interest equalisation and interest support programmes) are variable rate and are priced by reference to LIBOR/EURIBOR/Budapest Interbank Offering Rate (''BUBOR'') according to Eximbank's average costs. Interest equalisation and support are intended to promote stability and sustainability for Eximbank, and contribute to interest risk. However, the level of interest equalisation and support provided by the Hungarian state is also intended to hold Eximbank's profit at or near zero for loans covered by these programmes, reflecting Eximbank's role as an instrument of economic policy for the Hungarian state rather than as a traditional profit-oriented bank.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.1. Interest rate risk (continued)

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

	31.12.2013	31.12.2012
Fixed rate financial instruments		
Financial assets	72,590	58,435
Financial liabilities	226,096	142,501
Total fixed rate instruments	**298,686**	**200,936**
Variable rate financial instruments		
Financial assets	10,208	6,756
Financial liabilities	134,300	96,358
Total variable rate instruments	**144,508**	**103,114**
Financial assets under interest compensation system	**282,138**	**179,877**
Tied-aid credits	**9,180**	**6,352**

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

Net interest rate risk is assessed using a static gap model regarding parallel shift for the entire statement of financial position calculated by VAR based estimation of changes of interest rates of different currencies in a three month term. The VAR based estimation of decrease in the market interest rates using a confidence level of 99 % would affect negatively the net interest income for the next twelve months by HUF 117 million (235 in previous year). The calculation assumes that other conditions (including foreign exchange rates) are unchanged during the period. The magnitude of changes in interest rates are: EUR: 0.084%; USD: 0.064%; HUF: 0.374 %). Needs of capital requirement in respect of interest rate risk are calculated with duration gap methodology based on a basis point value model regarding VAR of changes in interest rates. Stress test is used for monitoring interest rate risks monthly.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. 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 by currency and in aggregate both for overnight and 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's overall open foreign currency position cannot exceed HUF 1,100 million. Eximbank does not speculate on the FX market and opens FX positions within the frameworks of highly restricted rules. Foreign currency positions are subject to stress test to ensure that the Bank would withstand an extreme market event.

Foreign currency exposure and foreign currency risk (including HUF exposures) as at 31 December 2013 are as follows:

	EUR	USD	GBP	HUF	Total
Foreign currency assets:					
Loans and advances to customers, net of impairment losses	92,605	3,262	-	3,398	99,265
Loans and advances to other banks and insurance companies, net of impairment losses	210,289	27,329	-	38,135	275,753
Other	885	49	3	5,636	6,573
Total foreign currency assets	303,779	30,640	3	47,169	381,591
Total foreign currency liabilities	219,272	109,082	-	35,473	363,827
Foreign currency assets and liabilities, net	**84,507**	**(78,442)**	**3**	**11,696**	**17,764**
Effect of derivatives (net nominal values)	(83,984)	77,266	-	3,512	(3,205)
Net exposure	**523**	**(1,176)**	**3**	**15,208**	**14,559**

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk (continued)

Foreign currency exposure and foreign currency risk (including HUF exposures) as at 31 December 2012 are as follows:

	EUR	USD	GBP	HUF	Total
Foreign currency assets:					
Loans and advances to customers, net of impairment losses	54,265	5,263	-	3,754	63,282
Loans and advances to other banks and insurance companies, net of impairment losses	140,996	12,576	-	11,808	165,380
Other	1,195	766	3	27,943	29,907
Total foreign currency assets	196,456	18,605	3	43,505	258,569
Total foreign currency liabilities	108,910	109,505	4	21,637	240,056
Foreign currency assets and liabilities, net	**87,546**	**(90,900)**	**(1)**	**21,868**	**18,513**
Effect of derivatives	(87,492)	91,642	-	(4,869)	(719)
Net exposure	**54**	**742**	**(1)**	**16,999**	**17,794**

The Bank's net currency exposure was subject to a stress test examining how it would react to extreme exchange rates. The following tables show the change in the Bank's net foreign currency exposure at the extreme currency situations explained above compared with the actual exposure as at 31 December 2013 and as at 31 December 2012 resulting in profit or loss. In equity there is no foreign currency position, therefore the effect of an extreme change in exchange rates on equity cannot be examined. The calculation assumes that other conditions are unchanged during the period.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk (continued)

Extreme foreign currency risk calculation as at 31 December 2013

	EUR	USD	Total
Foreign currency exchange rate as at 31 December 2013	296.91	215.67	
Exchange rates at strong HUF (minimum of historical rates in 2013)	288.15	211.62	
Effect on profit or (loss)	**313**	**(168)**	**145**
Exchange rates at weak HUF (maximum of historical rates in 2013)	307.85	238.48	
Effect on profit or (loss)	**(391)**	**945**	**554**

Extreme foreign currency risk calculation as at 31 December 2012

	EUR	USD	Total
Foreign currency exchange rate as at 31 December 2012	291.29	220.93	
Exchange rates at strong HUF (minimum of historical rates in 2012)	276.07	211.36	
Effect on profit or (loss)	**676**	**(595)**	**81**
Exchange rates at weak HUF (maximum of historical rates in 2012)	321.93	250.28	
Effect on profit or (loss)	**(1,362)**	**1,824**	**462**

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4. Capital management

Concerning the policy and the methods for capital handling the Bank follows the provisions of Hungarian Banking Act, the provisions of the Act on the Eximbank as well as of the Government Decree No. 196/2007 on the calculation of capital requirement.
According to the provisions of the Act CXII of 1996 on Credit Institutions and Financial Enterprises the financial institutions should dispose of a solvency margin ensuring the cover of the actual risks of its activity in order to maintain the actual financial solvency and to fulfil its liabilities, and the Bank should permanently maintain a minimum capital adequacy ratio of 8 percent.
The solvency margin is defined according to the Schedule No. 5 of the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the capital adequacy ratio is defined according to the Decree.
The provision of capital handling is controlled by the Hungarian Financial Supervisory Authority and - as of 1 October 2013 - by the National Bank of Hungary.
In 2007 according to provisions of Article 20 of Act on Eximbank (Solvency margin and capital adequacy) and Schedule No 5 of Act CXII of 1996 on Credit Institutions and Financial Enterprises, MFB has provided to the Bank a subordinated loan capital in the amount of EUR 100 million. The maturity of this particular loan is 12th of September 2017.
In line with the referred provisions, the amount of the subordinated loan capital is to be considered as a positive component of the guarantee capital of Eximbank. On the 31st of December 2013 and as at 31 December 2012 the amount of the long-term liability arising from the loan agreement is HUF 29,691 million and HUF 29,129 million, respectively.

The Bank fulfilled the legal and prudential requirements in 2013 and in 2012, permanently complied with the limits of the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the capital adequacy ratio has always significantly exceed the 8 percent required by the law as stated above.

	31.12.2013	31.12.2012
Core capital	18,089	18,033
Supplementary capital	29,691	29,129
Solvency capital	47,780	47,162
Total risk-weighted exposure to credit risk	324,556	201,707
Solvency ratio	14.29%	22.39 %

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION

Concentration of assets and liabilities by geographical areas as at 31 December 2013

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with National Bank of Hungary	633	240	15	10	898
Available-for-sale financial assets	2,072	-	-	33	2,105
Loans and advances to customers, net of impairment losses	70,320	-	21,726	7,219	99,265
Loans and advances to other banks and insurance companies net of impairment losses	268,325	-	7,323	105	275,753
Financial assets at fair value through profit or loss	37	6	-	-	43
Intangibles, property and equipment, net	355	-	-	-	355
Deferred tax assets	79	-	-	-	79
Other assets, net	3,093	-	-	-	3,093
Total Assets	**344,914**	**246**	**29,064**	**7,367**	**381,591**
Loans and deposits from other banks and insurance companies	114,299	-	-	29,857	144,156
Financial liabilities at fair value through profit or loss	40	4,234	-	-	4,274
Debt securities issued*	-	103,150	-	108,817	211,967
Other liabilities incl. provision	2,768	69	261	332	3,430
Total Liabilities	**117,107**	**107,453**	**261**	**139,006**	**363,827**
Share capital	10,100	-	-	-	10,100
Reserves	7,664	-	-	-	7,664
Total Shareholder's Equity	**17,764**	**-**	**-**	**-**	**17,764**
Total Liabilities and Equity	**134,871**	**107,453**	**261**	**139,006**	**381,591**
Off-balance sheet financial instruments					
Guarantees insured by the state	7,849	705	5,532	-	14,086
Unutilised part of credit lines	151,472	10,243	9,543	12,772	184,030
Letter of Credit	78	-	-	1,173	1,251
Guarantees not counter-guaranteed by the State	2,455	37	196	-	2,688
Total	**161,854**	**10,985**	**15,271**	**13,945**	**202,055**

* Bonds issued in December 2012 are actively traded on London Stock Exchange and on OTC markets. The Bank has no detailed information about the breakdown of investors by geographical segments as at 31 December 2013. As a result the Bank classified debt securities issued into Other Countries segment. Bonds issued in October 2013 were wholly subscribed by MAEXIM Ltd incorporated in Ireland.

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION (CONTINUED)

Concentration of assets and liabilities by geographical areas as at 31 December 2012

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with National Bank of Hungary	1,811	661	15	18	2,505
vailable-for-sale financial assets	25,806	-	-	34	25,840
Loans and advances to customers, net of impairment losses	25,645	-	33,567	4,070	63,282
Loans and advances to other banks and insurance companies net of impairment losses	164,650	-	558	172	165,380
Financial assets at fair value through profit or loss	130	-	-	-	130
Intangibles, property and equipment, net	214	-	-		214
Other assets, including deferred tax assets	1,189	2	27	-	1,218
Total Assets	**219,445**	**663**	**34,167**	**4,294**	**258,569**
Loans and deposits from other banks and insurance companies	117,203	11,652	-	-	128,855
Financial liabilities at fair value through profit or loss	253	603	-	-	856
Debt securities issued *	-	-	-	109,148	109,148
Other liabilities incl. provision and deferred tax liabilities	630	182	333	52	1,197
Total Liabilities	**118,086**	**12,437**	**333**	**109,200**	**240,056**
Share capital	10,100	-	-	-	10,100
Reserves	8,413	-	-	-	8,413
Total Shareholder's Equity	**18,513**	-	-	-	**18,513**
Total Liabilities and Equity	**136,599**	**12,437**	**333**	**109,200**	**258,569**
Off-balance sheet financial instruments					
Guarantees counter-guaranteed by the state	18,599	722	6,085	-	25,407
Unutilised part of credit lines	55,470	-	4,388	81	59,939
Guarantees not counter-guaranteed by the State	2,694	38	200	-	2,932
Total	**76,763**	**760**	**10,674**	**81**	**88,278**

* Bonds issued in December 2012 are actively traded on London Stock Exchange and on OTC markets. The Bank has no detailed information about the breakdown of investors by geographical segments as at 31 December 2012. As a result the Bank classified debt securities issued into Other Countries segment.

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION (CONTINUED)

Segmented revenue by geographical for the year ended 31 December 2013

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans to customers	1,217	117	1,049	107	2,490
Loans and advances to other banks and insurance companies	2,259	-	240	23	2,522
Interest compensation system	9,626	-	-	-	9,626
Securities	1,436	-	-	4	1,440
Total interest income	**14,538**	**117**	**1,289**	**134**	**16,078**
Income from fees and commissions:					
Guarantees counter-guaranteed by the state	137	2	47	-	186
Insurance fees devolved by MEHIB	445	-	-	2,802	3,247
Guarantees not counter-guaranteed by the state	67	-	1	-	68
Other	-	-	-	6	6
Total income from fees and commissions	**649**	**2**	**48**	**2,808**	**3,507**
Total income	**15,187**	**119**	**1,337**	**2,942**	**19,585**

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION (CONTINUED)

Segmented revenue by geographical segments for the year ended 31 December 2012

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans to customers	1,131	75	519	97	1,822
Loans and advances to other banks and insurance companies	2,407	-	34	9	2,450
Interest compensation system	5,093	-	-	-	5,093
Securities	1,027	-	-	7	1,034
Total interest income	**9,658**	**75**	**553**	**113**	**10,399**
Income from fees and commissions:					
Guarantees counter-guaranteed by the state	109	-	-	20	129
Insurance fees devolved by MEHIB	-	-	4	20	24
Guarantees not counter-guaranteed by the state	111	-	-	1	112
Other	-	-	1	-	1
Total income from fees and commissions	**220**	**-**	**5**	**41**	**266**
Total income	**9,878**	**75**	**558**	**154**	**10,665**

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2013 or 2012 excluding the Hungarian State. For details please refer to Note 24.

NOTE 28. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date, that would have a significant effect on figures in the financial statements for year 2013.

NOTE 29. 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 supplement the commentary on financial risk management (see Note 26.).

<u>Key sources of estimation uncertainty</u>

Allowances for credit losses

Assets measured at amortised cost are tested for impairment on a regular basis according to the accounting policy of the Bank.

The specific counterparty component of the total allowances for impairment applies to financial assets tested individually for impairment and is based upon management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Impairment of available-for-sale financial assets

Investments in available-for-sale securities are considered to be impaired if their carrying amount is greater than the estimated recoverable amount assessed at each balance sheet date on the basis of objective evidence such as significant financial difficulty of the issuer, actual breaches of contracts, high probability of bankruptcy or other financial reorganization of the issuer. Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity instrument is recognised in other comprehensive income.

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in 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 "Valuation of financial instruments" below.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of financial instruments, fair value hierarchy

The Bank's accounting policy on fair value measurements is discussed in Note 3.3.

The Bank measures fair value using the following hierarchy of methods:

- Level 1: unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank has no such financial instruments of which fair value is determined using significant unobservable inputs (Level 3).

(All amounts stated in HUF million unless otherwise noted)

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method:

31 December 2013	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through profit or loss			
Derivative instruments	-	43	43
Available-for-sale financial assets	873	1,232	2,105
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	4,274	4,274
31 December 2012			
Financial assets at fair value through profit or loss			
Derivative instruments	-	130	130
Available-for-sale financial assets	873	24,967	25,840
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	856	856

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy.

Valuation techniques

Level 1:

- Fair value of Hungarian Government bonds are determined based on observable market prices published by Government Debt Management Agency Private Ltd (ÁKK Zrt.).

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.
- 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.

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The estimated fair values disclosed below are designated to 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 of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of the estimated future cash flows and discount rates, which reflect varying degrees of risk. 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.

As at 31 December 2013, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available-for-sale	Other amortised cost	Carrying amount	Fair value including CF from interest compensation	Fair value without CF from interest compensation
Cash due from banks and balances with National Bank of Hungary	-	898	-	-	898	898	898
Available-for-sale financial assets	-	-	2,105	-	2,105	2,105	2,105
Loans and advances to customers	-	99,265	-	-	99,265	96,889	91,201
Loans and advances to other banks and insurance companies	-	275,753	-	-	275,753	279,624	254,044
Financial assets at fair value through profit or loss	43	-	-	-	43	43	43
Total	43	375,916	2,105	-	378,064	379,559	348,291
Loans and deposits from other banks and insurance companies	-	-	-	144,156	144,156	143,518	143,518
Financial liabilities at fair value through profit or loss	4,274	-	-	-	4,274	4,274	4,274
Debt securities issued	-	-	-	211,967	211,967	219,406	219,406
Total	4,274	-	-	356,123	360,397	367,197	367,197

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

As at 31 December 2012, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available-for-sale	Other amortised cost	Carrying amount	Fair value including CFs from interest compensation	Fair value without CFs from interest compensation
Cash due from banks and balances with National Bank of Hungary	-	2,505	-	-	2,505	2,505	2,505
Available-for-sale financial assets	-		25,840	-	25,840	25,840	25,840
Loans and advances to customers	-	63,282	-	-	63,282	61,654	60,532
Loans and advances to other banks and insurance companies	-	165,380	-	-	165,380	168,168	154,344
Financial assets at fair value through profit or loss	130	-	-	-	130	130	130
Total	**130**	**231,167**	**25,840**	**-**	**257,137**	**258,297**	**243,351**
Loans and deposits from other banks and insurance companies	-	-	-	128,855	128,855	123,913	123,913
Financial liabilities at fair value through profit or loss	856	-	-	-	856	856	856
Debt securities issued	-	-	-	109,148	109,148	112,168	112,168
Total	**856**	**-**	**-**	**238,003**	**238,859**	**236,937**	**236,937**

Cash, due from banks and balances with National Bank of Hungary

Due to their short term nature, the fair value of cash, amounts due from banks and balances with the National Bank of Hungary is assumed to approximate the historical cost carrying amount.

Available-for-sale financial assets

The carrying values of equity investments and other available-for-sale financial assets are provided in Note 5 to the financial statements. These are based on quoted market prices, when available. In that case when equity instruments do not have quoted market price in an active market and the variability in the range of the reasonable fair value estimates is so great and the probabilities of the various outcomes are so difficult to assess that the usefulness of a single estimate of fair value is negated, financial instruments are stated at cost.

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

Loans and advances to other banks and insurance companies and Loans and advances to customers
Where available fair value of loans and advances 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.
To improve the accuracy of the valuation estimate homogeneous loans are grouped into portfolios with similar characteristics such as maturity, quality of collaterals, product and borrower type.

The table above contains two fair value measures for "Loans and advances to other banks and insurance companies" and for "Loans and advances to customers".

- In the first column the Bank calculated fair value as net present value of future cash-flows that contain future cash-flows from interest compensation system.
- In the second column the Bank calculated net present value of future cash-flows that do not contain future cash-flows from interest compensation system.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss (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.

Other assets/liabilities
The carrying amounts of other financial assets and other financial liabilities approximate their fair values.

Financial liabilities valued at amortised cost

The fair value of Loans and deposits from other banks and insurance companies is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

Debt securities issued
The bonds issued by the Bank in December 2012 are actively traded on London Stock Exchange and on OTC markets. Fair value of these bonds as at 31 December 2013 and 31 December 2012 are determined based on the observable market prices.
The bonds issued by the Bank in October 2013 are not actively traded. The fair value of these bonds is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

The following tables set out below values of financial instruments not measures at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2013	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash due from banks and balances with National Bank of Hungary	-	898	-	898	898
Loans and advances to customers	-	96,889	-	96,889	99,265
Loans and advances to other banks and insurance companies	-	62,001	217,623	279,624	275,753
Total	**-**	**159,789**	**217,623**	**377,411**	**375,916**
Loans and deposits from other banks	-	143,518	-	143,518	144,156
Debt securities issued	-	219,406	-	219,406	211,967
Total	**-**	**362,923**	**-**	**362,923**	**356,123**

As at 31 December 2012	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash due from banks and balances with National Bank of Hungary	-	2,505	-	2,505	2,505
Loans and advances to customers	-	61,654	-	61,654	63,282
Loans and advances to other banks and insurance companies	-	13,906	154,262	168,168	165,380
Total	**-**	**78,065**	**154,262**	**232,327**	**231,167**
Loans and deposits from other banks	-	123,913	-	123,913	128,855
Debt securities issued	-	112,168	-	112,168	109,148
Total	**-**	**236,081**	**-**	**236,081**	**238,003**