Hungarian Export-Import Bank Private Limited Company

Separate financial statements:

based on IFRS standards adopted by the EU

31 December 2021

Contents

Statement of financial position
31 December 2021
(All amounts in millions of HUF, unless otherwise indicated)

	Note	31.12.2021	31.12.2020
Cash and cash equivalents	4	1,543	2,529
Securities measured at amortised cost	5	102,976	105,261
Receivables from credit institutions and insurance companies	6	983,793	762,366
Receivables from other customers	7	407,265	323,538
Derivative transactions - Held for trading, measured at fair value through profit or loss	8	26	0
Investments measured at fair value through profit or loss	9	39,578	28,198
Investments accounted for using the equity method	10	69,856	61,121
Intangible assets	11	2,292	2,165
Property, plant and equipment	12	2,048	2,394
Actual income tax receivables	13	436	649
Other tax receivables	13	557	673
Deferred tax receivables	13	1,985	374
Other assets	14	5,589	4,067
Total assets		**1,617,944**	**1,293,335**
Liabilities to credit institutions and insurance companies	16	944,974	850,323
Liabilities to other customers	17	1,009	3,675
Derivative transactions - Held for trading, measured at fair value through profit or loss	8	4,304	1,545
Derivatives held for hedging purposes	8	19,029	
Securities issued	18	383,788	201,400
Provisions	15	144	243
Tax liabilities	13	187	105
Deferred tax liabilities	13	200	84
Other liabilities	19	8,737	8,794
Total liabilities		**1,362,372**	**1,066,169**
Subscribed capital	20	253,230	213,230
Retained earnings	20	4,920	3,595
Other reserves	20	-2,578	10,341
Total equity		**255,572**	**227,166**
Total equity and liabilities		**1,617,944**	**1,293,335**

25 March 2022

Authorised for issue by

Gergely Jákli
Chairman and Chief Executive Officer

Dr. József Dancsó
Deputy Chief Financial Officer

The accompanying notes on pages 10-152 form an integral part of these separate financial statements.

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of Comprehensive Income
31 December 2021
(All amounts in millions of HUF, unless otherwise indicated)

	Note	2021	2020
Interest income recognised using the effective interest method	22	31,660	26,677
Other interest income	22	2,015	481
Interest expense	22	-15,188	-12,698
Net interest income/loss		**18,487**	**14,460**
Fee and commission income	23	747	260
Fee and commission expense	23	-239	-179
Net income from fees and commissions		**508**	**81**
Gains or losses on derecognition of financial assets measured at amortised cost	24	666	-50
Gains or losses on modifications in financial assets	33.5	-26	-884
Gain or loss on modification of financial liabilities	33.5	0	-7
Impairment losses on financial instruments and (creation)/reversal of provisions	15	-8,945	-7,090
Impairment (losses) or reversal of impairment on non-financial assets	15	5	2
Gains or losses from trading and investment activities	25	2,001	-2,147
Other operating income	26	375	1,165
Other operating expenses	26	-3,722	-4,138
Personnel-type expenditures	26	-4,348	-4,086
Depreciation	26	-1,009	-1,051
Share of profit/(loss) of investments accounted for using the equity method	10	-1,616	-6,465
Profit or loss before tax		**2,376**	**-10,210**
Income taxes	13	-904	-104
Profit for the year		**1,472**	**-10,314**
Other comprehensive income to be reclassified to profit or loss		**-13,066**	**168**
Exchange differences arising on the translation of foreign currency transactions	10	100	168
Change in value of cash flow hedges recognised in other comprehensive income	8	-19,438	0
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges	8	4,970	0
Related deferred tax		1,302	-
Other comprehensive income for the period (net)		**-13,066**	**168**
Total comprehensive income for the period		**-11,594**	**-10,146**

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HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

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

	Subscribed capital	Capital reserve	Retained earnings	General reserve	Hedging reserves	Foreign currency translation reserves	Total
Balance as at 31 December 2020	**213,230**	**400**	**3,595**	**9,773**	**0**	**168**	**227,166**
Comprehensive income for the year							
Profit/loss for the year			1,472				**1,472**
Other comprehensive income							
Exchange differences arising on the translation of foreign currency transactions						100	**100**
Unrealised gains/losses on cash flow hedges					-19,438		**-19,438**
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges					4,970		**4,970**
Related deferred tax					1,302		**1,302**
Total comprehensive income for the year			***1,472***		***-13,166***	***100***	***-11,594***
Other transactions recognised directly in equity							
Subscribed capital increase	40,000						**40,000**
Reclassification of retained earnings to general reserve			-147	147			-
Total other transactions	***40,000***	***-***	***-147***	***147***	***-***		***40,000***
Balance as at 31 December 2021	**253,230**	**400**	**4,920**	**9,920**	**-13,166**	**268**	**255,572**

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HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

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

	Subscribed capital	Capital reserve	Retained earnings	General reserve	Hedging reserves	Foreign currency translation reserves	Total
Balance as at 31 December 2019	**158,930**	**400**	**3,595**	**20,087**	**0**	**-**	**183,012**
Comprehensive income for the year							
Profit/loss for the year			-10,314				**-10,314**
Other comprehensive income							
Exchange differences arising on the translation of foreign currency transactions						168	**168**
Total comprehensive income for the year			***-10,314***		**0**	***168***	***-10,146***
Other transactions recognised directly in equity							
Subscribed capital increase	54,300						**54,300**
Reclassification from general reserve to retained earnings			10,314	-10,314			-
Total other transactions	***54,300***	***-***	***10,314***	***-10,314***	**0**	***-***	***54,300***
Balance as at 31 December 2020	**213,230**	**400**	**3,595**	**9,773**	**0**	**168**	**227,166**

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Statement of cash flows
31 December 2021

(All amounts in millions of HUF, unless otherwise indicated)

	Note	31.12.2021	31.12.2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		1,472	-10,314
Changes resulting from operating activities:			
Depreciation	26	1,009	1,051
Impairment losses on assets	15	5,645	8,505
(Profit)/loss from revaluation to fair value		-1,813	16,225
Share of the profit or loss of investments accounted for using the equity method (profit + / loss -)	10	1,516	6,298
Reclassification to profit or loss (profit + /loss -) of unrealised gains/losses on cash flow hedges	8	4,970	0
Foreign exchange gain/(loss) on non-operating cash flows	18	362	6,027
Other items without cash flow		38	188
Net interest income	22	-18,487	-14,460
Income tax expense	13	904	104
Changes in operating assets and liabilities:			
Net change in Liabilities to credit institutions and insurance companies (excluding impairment)		-222,296	-236,061
Net change in receivables from other customers (excluding impairment)		-86,965	-79,719
Net change in other assets		-1,430	-913
Net change in liabilities from credit institutions and insurance companies		93,267	276,808
Net change in liabilities to other customers		-2,665	-2,974
Net change in other liabilities and provisions		380	-496
Interest received		31,620	23,999
Interest paid		-13,963	-13,746
Income taxes paid		-884	-797
Net cash flow from operating activities		**-207,320**	**-20,275**
INVESTMENT ACTIVITIES			
Acquisition of government bonds		-17,466	-62,148
Disposal/maturity of government bonds		20,257	0
Acquisition of investments accounted for using the equity method	10	-11,651	-7,021

(All amounts in millions of HUF, unless otherwise indicated)

Investment yield/repayment accounted for using the equity method		1,400	600
Investment acquisition measured at fair value through profit or loss	9	-11,226	-3,602
Investment repayment measured at fair value through profit or loss		4,460	717
Acquisition of intangible and tangible assets	11-12	-694	-856
Disposal/(derecognition) of intangible and tangible assets	11-12	0	0
Net cash flows from investing activities		**-14,920**	**-72,310**
FINANCIAL ACTIVITIES:			
Proceeds from share capital increase	20	40,000	54,300
Lease payments	12	-475	-374
Proceeds from the issue of bonds	18	256,852	138,431
Repayment of bonds issued	18	-75,146	-160,860
Net cash flow from financial activities		**221,231**	**31,497**
Net increase/decrease in cash and cash equivalents		**-1,009**	**-61,088**
Net foreign exchange difference		23	33
Cash and cash equivalents at the beginning of the year	4	2,529	63,584
Cash and cash equivalents at the end of the year	4	**1,543**	**2,529**

25 March 2022

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NOTE 1 GENERAL INFORMATION

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

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

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

The Minister of Foreign Affairs and Trade exercises shareholder rights on behalf of the Hungarian State.

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

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

In line with its mission, Eximbank can lend directly to exporters of Hungarian goods and services, as well as to their suppliers or foreign buyers, and, more commonly, indirectly through refinancing facilities to domestic commercial banks (and to a lesser extent foreign commercial banks) that provide financing for transactions related to Hungarian exports. In line with OECD rules, Eximbank provides most of its loans in the form of medium and long-term loans at favourable fixed interest rates. These interest rates are based on the Commercial Interest Reference Rate ("CIRR"), which is the minimum interest rate for export financing officially supported by the OECD, effective on the date the loan agreement enters into force.

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

In addition, under the Exim Act, Eximbank may establish or as an investor join venture capital and/or private equity funds.

Eximbank, as an export credit agency in the traditional sense, offers products and services that provide alternative or complementary financial instruments to fill the gaps of trade financing that exist due to the lack of capacity or willingness of commercial banks, moreover it can provide loans to Hungarian exporters at attractive interest rates, and can provide a more level playing field for Hungarian exporters in terms of access to finance compared to exporters in other countries.

The majority of Eximbank's direct clients are small and medium-sized enterprises that plan to export to geographic markets where financing offered by Eximbank can provide a significant competitive advantage to exporters. Eximbank provides the majority of its loans indirectly to commercial banks. While Eximbank does not seek to compete directly with commercial banks, it does provide direct loans to customers on demand or in cases where commercial banks are unable or unwilling to provide loans directly to customers. In addition, Eximbank provides buyer credit to foreign buyers of Hungarian export products and plays the role of lender in tied-aid agreements concluded between the Hungarian government and governments of countries eligible for aid loans.

The functions of the state's export credit agency in Hungary are divided between Eximbank and Magyar Exporthitel Biztosító Zrt. (Hungarian Export Credit Insurance Ltd., "MEHIB."). While Eximbank is engaged in the provision of export and export-related financing – directly through lending or indirectly through venture capital and/or private equity funds – and offers export guarantees, MEHIB provides export credit insurance to exporters or their banks, including Eximbank's borrowers as well.

Other disclosures required by the Accounting Act:

- The home address of Gergely Jákli, Chairman & CEO: Üröm, Hungary
- The home address of Dr. József Dancsó, Deputy Chief Financial Officer: Orosháza, Hungary
- details of the person responsible for controlling and managing accounting tasks:
    - Name: Szocska Györgyi; mother's name: Tompa Valéria, ID number: 015671; registration number: MK181626; specialisation: IFRS for enterprises
- Eximbank website:https://exim.hu

There is a statutory obligation for Eximbank's financial statements to be audited. The audit fee for the current financial year was HUF 32 million, and other non-audit related fees charged by KPMG Tanácsadó Kft. amounted to HUF 1 million.

NOTE 2 PRINCIPLES OF COMPILATION

2.1 IFRS compliance

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the EU as well as the provisions of Act C of 2000 on Accounting, in force in Hungary, applicable to entities preparing their financial statements in accordance with IFRS.
IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body, as adopted by the EU.
The Bank has prepared separate financial statements in accordance with IFRS since 2019.

No consolidated statements are made by Eximbank, given that Eximbank has no subsidiaries.
The Bank does not present separate financial statements under the IFRSs adopted by the EU, as there is no legal requirement to do so.

Pursuant to Section 177 (67) of Act C of 2000 on Accounting, effective from 24 November 2017, Eximbank is required to mandatorily adopt EU IFRSs in its separate statutory financial statements for annual periods beginning after 1 January 2019.

2.2 Valuation principles

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

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

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

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

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

On account of the coronavirus pandemic, the Bank's management continuously assesses the exposure and involvement of the Bank's portfolio and the adequacy of the accounting considerations, estimates and assumptions used, taking into account the macroeconomic impact of the epidemic and the government measures taken to mitigate it (loan payment moratorium).
For detailed disclosures on the coronavirus pandemic, see note 33.4 Coronavirus-related disclosures.

2.3 Functional and presentation currency

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Financial instruments

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

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

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

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

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

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

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

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

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

The following table shows the result of the SPPI test:

Financial asset type	**Result of SPPI test**
Loans eligible for interest equalisation	SPPI-type cash-flow characteristics

NHP loans	SPPI-type cash-flow characteristics
Aid loans	SPPI-type cash-flow characteristics
Loans to employees	SPPI-type cash-flow characteristics
Other (market rate) loans	SPPI-type cash-flow characteristics
Government bonds	SPPI-type cash-flow characteristics

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

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

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

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

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

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

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

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

As regards financial instruments that meet the criteria for measurement at amortised cost, the Bank has elected not to measure such at fair value through profit or loss.

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

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

The Bank derecognises a financial asset when

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

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

Modification of contractual terms of financial assets and liabilities

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

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

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

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

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

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

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

In particular, a contract modification is considered substantial in the following cases:
- – change in currency
- – fundamental change in the nature (type) of the asset or liability
- – change if interest rate from fixed to variable or vice versa
- – change in the result of the SPPI test in case of the new instrument

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

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

For transactions subject to an optional interest rate or principal repayment moratorium under Government Decrees 47/2020 (III.18.), 62/2020 (III.24.) and 637/2020 (XII.22.), which are valid until 30 June 2021, the Bank has carried out a calculation of the change in the cash flows for the relevant range of transactions and, on the basis of these, has not identified any cases where derecognition is necessary, either on the basis of qualitative or quantitative factors. Accordingly, for these transactions, the gross carrying amount is recalculated at the original effective interest rate, taking into account future cash flows. The difference between the amortised cost before and after the adjustment is recognised by the Bank in profit or loss.

For detailed disclosures related to the coronavirus pandemic, see note 33.4 Coronavirus-related disclosures; for disclosures on modification differences, see note 33.5.

3.2 Financial instruments measured at fair value (derivatives)

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

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

3.3 Investments measured at fair value

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

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

3.4 Financial instruments measured at amortised cost

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

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

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

3.4.1 Cash and cash equivalents

Cash and cash equivalents include banknotes and coins, balances held with central banks without maturity and highly liquid financial assets with a maturity of less than three months, which are subject to insignificant risk of changes in their fair value, and are held by the Bank in order to settle short-term commitments. After initial recognition the Bank measures these instruments at amortised cost in the statement of financial position.

3.4.2 Government securities measured at amortised cost

After initial recognition the Bank measures debt securities that meet the SPPI criteria at amortised cost in the statement of financial position.

3.4.3 Liabilities to credit institutions and insurance companies and Liabilities to other customers

Loans and advances to banks, insurance companies and other customers that meet the SPPI criteria are carried after the initial recognition at amortised cost in the statement of financial position.

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

Loans and deposits provided by banks and insurance companies, liabilities to other customers, as well as debt securities issued are measured, after the initial recognition, at amortised cost.

3.5 Financial guarantees and loan commitments (credit lines)

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

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

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

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

The premium received is recognised on a straight-line basis over the life of the guarantee in the profit and loss account under "Fee and commission income".

The provision for losses on financial guarantees and loan commitments is presented in the statement of financial position under "Provisions" while in the statement of comprehensive income it is recognised under in "Impairment losses on financial instruments and (creation)/reversal of provisions".

3.6 Determination of fair values

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

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

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

The fair value of financial instruments quoted in active markets is measured at the (unadjusted) prices quoted in active markets, on the basis of bid prices for assets and ask prices for liabilities (level 1).

If no directly or indirectly observable prices quoted in an active market are available, fair value is determined using valuation techniques that use inputs other than observable market prices. These include the use of quoted prices of similar instruments in active markets, quoted prices of identical or similar instruments in markets that are not active, or the use of other valuation techniques in which all significant inputs are observable directly or indirectly from market data. (Level 2).

In all other cases, financial instruments are measured using valuation techniques that use unobservable inputs, and these have a significant effect on the valuation of the instrument (level 3). This includes valuations based on quoted prices for similar instruments that require significant unobservable adjustments or assumptions in order to reflect differences between the instruments. See Note 34 for further details of fair value determination.

3.7 Impairment on financial assets

Impairment on loans and advances to banks, insurance companies and other customers measured at amortised cost, cash and cash deposits with the National Bank of Hungary, securities measured at amortised cost, and other assets

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

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

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

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

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

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

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

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

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

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

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

- Stage 2 classification is applied to financial instruments where a significant deterioration of credit risk can be observed since initial recognition, however, the criteria for non-performing (default)/credit impaired exposure are not met. Lifetime expected losses are calculated for instruments included in Stage2 using future exposures derived from contractual cash flows, the corresponding lifetime PD models, LGDs, as well as CCFs for off-balance sheet exposures.

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

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

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

The Bank has developed its lifetime expected probability of default (lifetime PD) models by analysing and forecasting historical empirical default rate timelines from external sources, as a function of time from initial recognition (vintage approach), using default rates published by Standard&Poor's and Weibull curves. All lifetime PD curves of all segments, developed along international ratings, have been mapped to the Bank's internal 7-grade rating classes.

The Bank carries out PD correction on its corporate lifetime PD model applying the ARMA (Auto Regressive Moving Average) forward-looking macroeconomic model in line with the expectations of the MNB. When estimating corporate PDs in a forward-looking manner, the Bank uses the macroeconomic forecasts published in the MNB Inflation Report and the corporate default rate time series published in the MNB Stability Report. The Bank has developed its macroeconomic for PD correction taking into account the autoregressive variable expressing the previous value of the time series, the moving average expressing the model's error in the previous period, the four-quarter lag of the inflation rate in the MNB's Inflation Report and the four-quarter lag of the change in the unemployment rate in the MNB's Inflation Report. In view of the fact that IFRS 9 requires the Bank to take into account its expectations of the macroeconomic environment in an unbiased manner in the expected loss calculation, and given that the relationship between macroeconomic indicators and the development of expected loss is not linear in practice (a certain amount of macroeconomic shock may have a larger impact on loss than an equal positive shock), the Bank has based its unbiased estimate used as a basis for forward-looking expectations on a probability-weighted average of three scenarios. The weights of the scenarios have been developed by the Bank in accordance with the MNB's Executive Circular on the use of macroeconomic information and factors indicating a significant increase in credit risk for the purposes of IFRS 9. The baseline scenario had a weight of 80%, the optimistic and pessimistic scenarios figured in the estimate with a weight of 10% each.

The Bank used the macro model updated in Q4 2021 to forecast the corporate default rate for one year, at a quarterly frequency. The Bank has not changed the set of model variables used previously, but has incorporated the latest available macroeconomic data, and used them to reassess the parameters of the model. Since the model uses a four-period lag in the changes of both the inflation and the unemployment rate, the Bank used the actual data published in MNB's Inflation Report to prepare the four-period baseline forecast. For the pessimistic forecast scenario, the Bank stressed the explanatory variables and first assumed that they would reach the 4.85% unemployment rate and the 3.21% inflation rate published in the annex to the latest MNB IFRS-9 Executive Circular. Given that the resulting macro-multiplier proved to be more favourable than the baseline scenario, the Bank implemented an expert adjustment for the worst-case scenario over the historical period, applying conservative stress-testing to ensure an economically interpretable result. In making the optimistic forecast, the Bank took into account the 2.44% unemployment rate and the 3.92% inflation rate published in the annex to the MNB IFRS-9 Executive Circular, applying an expert adjustment to interpolate the forecast to a 2.5% unemployment rate and a 3.0% inflation rate, to ensure an economically interpretable result.

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

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

In 2021, the Bank continuously applied management overlay impairment, which is a lump sum expected loss determined by the Bank on the basis of risk factors that are not or are not fully covered by the risk models it uses, making the impact of these risks not adequately quantifiable by running the models on a bottom-up basis.
Given that in the economic environment of the pandemic there is an insufficient information base to assess credit risk growth on a bottom-up basis or to recalibrate models in the traditional way, the Bank applies a top-down model with a management overlay adjustment differentiated by sector groups to determine the expected loss for the corporate segment. The Bank considers the level of risk of the corporate portfolio involved in the management overlay adjustment to be significant.

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

For all instruments, the Bank considers the following indicators to be significant deterioration in credit risk and accordingly classifies the transactions concerned as Stage2:

- 30+ days past due, unless the delay is proven to be due to a technical error.
- A significant deterioration of the rating compared to the initial rating class. On its 7-point customer rating scale, the Bank considers a deterioration of 2 categories for rating categories 1 to 3 and 1 category for rating categories 4, 5 and 6 to be significant. Based on the option provided for in Section 5.5.10 of IFRS-9, the Bank makes use of the low credit risk rating option in the sovereign and financial institution segments, according to which a deterioration from initial category 1 to category 3 does not entail a Stage 2 reclassification.
- Loans placed in performing, restructured status, including restructured status due to a moratorium period of more than 9 months. The latter Stage 2 indicator will be applied by the Bank from 2021, in line with the requirements of the MNB’s IFRS-9 Executive Circular.

Domestic direct corporate exposures that have been subject to a statutory moratorium on payments for more than 9 months have been classified by the Bank as restructured, as a general rule, and consequently reclassified to Stage 2, since, pursuant to the MNB’s IFRS-9 Executive Circular it is reasonable to assume that the obligor is experiencing or is likely to experience financial difficulties in meeting its financial obligations.

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

In addition, the Bank also uses the following EWIs (Early Warning Indicators) for real estate project loans and domestic corporate exposures to determine significant credit risk deterioration:

- Regular order of collection against the client’s current account with the financing bank.
- Based on a Central Credit Information System (CCIS) query, a new commitment or event of default jeopardizing the operation of the company.
- Negative changes in the client’s business details that are subject to a disclosure obligation (owners, registered office, company registration number, tax number, scope of activity).
- Unfavorable decline of account turnover and/or customer base negatively affecting debt service.
- A significant decline in the debtor’s equity.
- A significant change, decline in the number of the debtor’s employees.
- The project is not or not fully implemented or it fails to yield enough to cover the debt.
- Non-payment of the insurance premium (30+ days of delay or the contract becoming inactive).
- Significant distraint action initiated against the company (e.g. by the Tax Authority).
- Significant negative change in collateral coverage ratio.
- Breaches of contractual commitments, covenants that jeopardise recovery.

- Deterioration in data reporting discipline.
- A change in legislation that negatively affects the business of the client.
- Negative information in media affecting the client, client group, their partners or industry.
- A deterioration in regularly monitored financial indicators that jeopardizes the financial stability of the client.
- A significant adverse change in the sectoral outlook that threatens the financial stability of the client.
- In case of a real estate financing project loan, the LTV (Loan To Value) ratio exceeds 1 (except for: development phase).
- In case of a real estate financing project loan, the PDSCR (Projected Debt Service Coverage Ratio) falls below 1.05.
- In case of a real estate financing project loan, more than 1-year delay in the development phase.
- In case of a real estate financing project loan, the occurrence of a change of condition that leads to an increase in risk.

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

Pursuant to Article 178 of the CRR, the provisions of MNB Decree 39/2016 and the MNB Recommendation 13/2019, transactions are considered non-performing (default) or of impaired creditworthiness, and are classified in Stage 3, where:

- The duration of the delay shall be a continuous delay of at least 90 consecutive days, if the delayed portion is significant. This condition cannot be disregarded even on the basis of an expert assessment. The Bank has set the materiality threshold at EUR 500.
- Based on an assessment of the debtor's financial situation, it can be assumed that without recourse to the collateral, the debtor will not be able to repay the full amount of its obligations (regardless of whether the claim is past due).
  Risk-of-default factors:
    - there are well-founded concerns regarding the debtor's ability to generate stable and satisfactory cash flows in the future,
    - in the case of working capital loans, it is unable to pay the interest from its EBITDA,
    - in the case of investment loans, the client is unable to pay even the annual principal and interest repayments from its EBITDA less the amount of the estimated tax,
    - the debtor no longer has regular sources of income to meet its repayments,
    - the debtor's overall leverage has increased significantly, or there are reasonable grounds to believe that such a change in leverage will occur,
    - the debtor has breached its contractual obligations,
    - fraud committed in connection with the contract,
    - the Bank has drawn on any of the collateral, including exercising a guarantee,
    - in the case of exposures to a private individual: the non-performance of a company 100% owned by a single individual, where that individual has given a personal guarantee to the Bank in respect of all the obligations of the company,
    - a crisis affecting the sector in which the debtor operates, combined with a weak position on the part of the debtor in that sector,
    - the disappearance of an active market for a financial instrument due to the financial difficulties of the client,
    - the Bank has information that a third party – especially another institution – has initiated the liquidation of the debtor or a similar measure (e.g. enforcement, compulsory strike-off, order for the criminal attachment of the debtor's assets).

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

The new definition of default, which came into force on 1 January 2021 as a follow-up to MNB Recommendation 13/2019, represents a change as compared to the definition of default applied in 2020 in respect of reorganisation procedures, risk-of-default factors and significant delay in payment of at least 90 consecutive days.

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

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

Reversal of loss allowance

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

Write-off of loans and advances

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

Restructured loans

The Bank first attempts to restructure loans in cooperation with the debtors, rather than taking legal action to recover the debt. This may include extending the term, changing the payment schedule or revising the terms of the loan. In the event of restructuring, the Bank examines whether the contract amendment is significant in accordance with Note 3.1 and, as a result, shall determine a restructured rating of "performing" or "non-performing" and shall apply the 10% rule to determine the derecognition criterion. Following a restructuring, the Bank determines the impairment using the original EIR as it was the case before the terms were modified, regardless of the fact that the loan is no longer past due. Management monitors the fulfilment of the conditions of restructured loans on an ongoing basis to ensure that the required criteria are met, that future payments are made and that the criteria for derecognition are fulfilled. The Bank classifies non-performing restructured loans in all cases into Stage3, and calculates the impairment by discounting the cash flows by the original EIR.

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

3.8 General reserve

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

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

3.9 Foreign currency translation

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

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

3.10 Intangible and tangible assets

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

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

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

Renovation of leased property	on the basis of the lease term
Softwares	3 years
Furniture, fixtures & office equipment	3-7 years

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

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

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

3.11 Leases

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

On initial application of IFRS 16, the Bank may opt to:

- – Apply the definition of a lease in IFRS 16 to all its contracts; or
- – Apply a practical expedient and not reassess whether existing contracts contain a lease.

The Bank uses the above-mentioned practical expedient.

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

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

The initial value of the lease liability is the present value of the unpaid lease fees at the start of the lease term. For discounting purposes, the Bank uses an implicit interest rate at the time of the first application, with this discount the present value of the lease payments and the unguaranteed residual value being equal to the sum of the fair value of the leased asset and the lessor’s initial direct costs.
The Bank recognises new assets and liabilities primarily related to operating leases of office spaces. The nature of the costs associated with these leases will now change as IFRS 16 requires the depreciation of the right-of-use assets and the interest cost of the lease liabilities to be recognised instead of the operating lease costs recognised on a straight-line basis.
Previously, the Bank recognised the costs associated with operating leases on a straight-line basis over the term of the lease, separating assets and liabilities only to the extent necessary to reflect the time difference between the actual lease payments and the costs recognised.

The Bank applies the following practical expedients:

– It applies a single discount rate to a portfolio of leases with similar characteristics.

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

3.12 Income taxes

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

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

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

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

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

3.13 Interest income and expense

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

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

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

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

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

For purchased or originated credit-impaired financial assets (POCIs) the Bank applies the effective interest rate adjusted for credit risk to the amortised cost of the financial asset from initial recognition until the derecognition of the asset.

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

Under the Bank's interest equalisation programme, the amount of interest compensation provided by the Hungarian State is determined by the difference between the interest rate paid by the borrower and the sum of Eximbank's funding costs, operating expenses and the applicable risk premium, in accordance with the provisions of the agreement concluded with the Ministry of Finance.

Eximbank submits its claim for interest equalisation to the Hungarian State within 15 days of the end of the quarter. The quarterly payment is made to Eximbank by the 20th day following the end of the quarter.

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

Eximbank also receives interest rate subsidies for tied-aid loans (Eximbank plays the role of lender in tied-aid agreements) in agreements between the Hungarian government and countries eligible for tied-aid loans.

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

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

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

3.14 Fee and commission income and expense

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

For more detailed information see Note 23.

3.15 Provisions and contingent liabilities (IAS 37)

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

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

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

Special taxes payable by the Bank which cannot be considered as income taxes are recognised when the condition for the payment of the tax is met. This includes the special tax imposed on financial institutions ("bank tax") under Act LIX of 2006, calculated on the basis of the balance sheet total of the second tax year preceding the tax year concerned. The Bank recognises the obligation to pay the bank tax on the first day of the financial year in which it becomes due.

3.16 Segments

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

3.17 Investments in subsidiaries, associates and joint ventures

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

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

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

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

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

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

The financial statements of the investee used for the application of the equity method are prepared for the same reporting period as the Bank's financial statements, and are in line with the Bank's accounting policy.
Following the application of the equity method, the Bank determines whether it is necessary to recognise impairment on its investment in the investee. The Bank assesses at each reporting date whether there is objective evidence that an investment in an investee is impaired. The Bank calculates the amount of impairment as the difference between the recoverable value and the carrying amount of the investment in the investee. The impairment or reversal thereof is then recognised by the Bank as "Impairment or reversal of impairment on non-financial assets" in the statement of comprehensive income.
For investments accounted for under the equity method, the determination of whether a venture capital or private equity fund that has subsidiaries meets the definition of an investment entity can have a significant effect on the carrying amount of the investment.
IFRS 10 defines the concept of an investment entity and requires parent companies that are classed as an investment entity to measure their subsidiaries at fair value through profit or loss in accordance with IFRS 9. Whether the definition of an investment entity applies must be considered in respect of every Fund.

An investment entity is an entity that:

a) collects funds from one or more investors for the purpose of providing investment management services to such investor(s);

b) agrees, vis-a-vis the investor(s), that its business objective in investing the funds shall solely be to obtain a return from capital appreciation, investment income or both; and

c) measures and analyses the performance of substantially all of its investments at fair value.

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

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

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

3.18 Hedge accounting

The Bank may, for business reasons, choose to apply hedge accounting. The requirements related to hedge accounting under IFRS 9 apply to all micro hedge relationships.

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

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

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

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

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

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

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

Cash flow hedge relationships

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

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

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

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

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

3.19 Changes in accounting policies

The Bank has applied the accounting policies defined in Note 3 consistently to all periods presented in these separate financial statements, except that it applies hedge accounting only from the financial year starting 1 January 2021.

The Bank has applied the following standard changes for the reporting period beginning 1 January 2021:

- Amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards – Interest rate benchmark reform phase 2 – adopted by the EU on 13 January 2021 (effective for reporting periods beginning on or after 1 January 2021).

    One focus of the amendments to the standards resulting from Phase 2 of the IBOR reform, which addresses issues of potential relevance to the Bank, is the introduction of a practical solution for contract amendments:

    Pursuant to the detailed requirements of IFRS 9 *Financial Instruments*, an amendment to a financial contract may necessitate a significant gain or loss to be recognised in profit or loss. However, amendments to the standards resulting from Phase 2 of the IBOR reform introduce a practical solution for cases where the contract amendment is implemented directly as a consequence of the IBOR reform and is made on an "economically equivalent" basis. In these cases, the amendment is recognised by updating the effective interest rate.

    A similar practical solution can be applied under IFRS 16 *Leases* for the recognition by a lessee of lease amendments resulting from the IBOR reform.

These amendments have no material impact on the financial statements (see Note 30.3.1).

3.20 New IFRS standards, amendments and new interpretations effective from 1 January 2021 onward

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

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

- IFRS 17 Insurance Contracts, effective for annual reporting periods beginning on or after 1 January 2023, earlier application is permitted;
- Amendments to IFRS 16 *Leases* – Lease discounts due to the COVID-19 pandemic after 30 June 2021, effective for annual periods beginning on or after 1 April 2021, earlier application is permitted, including financial statements that were not yet authorised for disclosure on 31 March 2021
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16), effective for annual reporting periods beginning on or after 1 January 2022, earlier application is permitted;
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37), effective for annual reporting periods beginning on or after 1 January 2022, earlier application permitted;
- Annual Improvements to IFRS Standards, 2018-2020 Cycle, effective for annual reporting periods beginning on or after 1 January 2022, earlier application is permitted.

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

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

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

- Classification of liabilities as current/non-current (amendments to IAS 1), effective for annual reporting periods beginning on or after 1 January 2023, earlier application is permitted.
- Disclosure of Accounting Policies (Amendments to IAS 1), effective for annual reporting periods beginning on or after 1 January 2023, earlier application is permitted.
- Definition of Accounting Estimates (Amendments to IAS 8), effective for annual reporting periods beginning on or after 1 January 2023, earlier application is permitted.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), effective for annual reporting periods beginning on or after 1 January 2023, earlier application is permitted.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17), effective for annual reporting periods beginning on or after 1 January 2023, earlier application is permitted.

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 4 CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020
Deposit and settlement accounts with the National Bank of Hungary	1,152	1,492
Nostro accounts in HUF	4	6
Nostro accounts in foreign currency	378	1,032
Petty cash in foreign currency	2	2
Other	9	1
Impairment	-2	-4
Total	**1,543**	**2,529**

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the amount of compulsory reserves maintained by the Bank and included in the balance above amounted to HUF 1,152 million as at 31 December 2021, and HUF 1,492 million as at 31 December 2020 (reserve requirement: the maintenance of an average balance corresponding to the reserve requirement on a settlement account with the central bank over a reserve period of 1 month).

NOTE 5 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

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

	31.12.2021	31.12.2020
Gross value of government bonds	103,070	105,354
Expected loss	-94	-93
Total	**102,976**	**105,261**

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

	31.12.2021	31.12.2020
3 months to 1 year	0	20,200
1 to 5 years	82,590	70,335
Over 5 years	20,480	14,819
Total	**103,070**	**105,354**

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 6 RECEIVABLES FROM CREDIT INSTITUTIONS AND INSURANCE COMPANIES

	31.12.2021	31.12.2020
Short-term (up to 1 year)		
– in foreign currency	173,052	172,220
- in HUF	110,569	53,628
Sub-total	**283,621**	**225,848**
Long-term (over 1 year)		
– in foreign currency	370,687	300,790
- in HUF	330,897	236,678
Sub-total	**701,584**	**537,468**
Total	**985,205**	**763,316**
Less: accumulated impairment losses (see Note 15)	-1,412	-950
Total	**983,793**	**762,366**

As at 31 December 2021, 97.96% of loans and advances to credit institutions and insurance companies qualified for interest compensation from the Hungarian State (as at 31 December 2020: 99.8%). For a detailed description of the interest rate equalisation programme, see Note 3.13. The moratorium on repayments introduced as a result of the coronavirus applied to receivables from credit institutions and insurance companies, which are presented in Note 33.5.

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

	31.12.2021	31.12.2020
Remaining maturity	Gross value	Gross value
Placements in foreign currency		
Up to 1 month	21,197	2,435
1 to 3 months	3,376	2,281
3 months to 1 year	48,943	66,468
1 to 5 years	346,721	302,164
Over 5 years	123,501	99,662
Sub-total	**543,738**	**473,010**
Placements in HUF		
Up to 1 month	211	1,682
1 to 3 months	1,613	1,217

(All amounts in millions of HUF, unless otherwise indicated)

3 months to 1 year	34,422	17,944
1 to 5 years	267,584	133,483
Over 5 years	137,637	135,980
Sub-total	**441,467**	**290,306**
Total	**985,205**	**763,316**

96.83% of liabilities to credit institutions and insurance companies were refinancing loans (as at 31 December 2020: 98.7%). 99.99% of refinanced loans is eligible for interest compensation. For details about the interest equalisation programme, please refer to Note 3.13.

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

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

NOTE 7 RECEIVABLES FROM OTHER CUSTOMERS

	31.12.2021	31.12.2020
Short-term maturity (up to 1 year):		
– in foreign currency	52,231	57,261
- in HUF	18,881	18,732
Sub-total	**71,112**	**75,993**
Long-term maturity (over 1 year):		
– in foreign currency	335,907	244,033
- in HUF	30,495	28,568
Sub-total	**366,402**	**272,601**
Total	**437,514**	**348,594**
Less: accumulated impairment losses (see Note 15)	-30,249	-25,056
Total	**407,265**	**323,538**

At 31 December 2021, 70% of liabilities to other customers were subject to interest compensation from the Hungarian State (31 December 2020: 68% (see Note 3.13 for a description of the interest equalisation programme) and 19% of the receivables were aid loans (31 December 2020: 19%).

(All amounts in millions of HUF, unless otherwise indicated)

The table below shows the gross value of claims on other clients by maturity of contract, also taking into account the payment moratorium (i.e. a transaction is included exclusively in one range based on the maturity of the contract) as at 31 December 2021 and 31 December 2020.

Remaining maturity	31.12.2021 Gross value	31.12.2020 Gross value
In foreign currency:		
Up to 1 month	7,932	12,382
1 to 3 months	651	2,663
3 months to 1 year	20,834	23,266
1 to 5 years	20,296	24,752
Over 5 years	338,424	238,231
Sub-total	**388,137**	**301,294**
In HUF		
Up to 1 month	11,595	8,118
1 to 3 months	4	504
3 months to 1 year	241	1,778
1 to 5 years	24,345	23,028
Over 5 years	13,192	13,872
Sub-total	**49,377**	**47,300**
Total	**437,514**	**348,594**

The moratorium on repayment introduced as a result of the coronavirus applied to claims on other clients, which are presented in Note 33.5.

NOTE 8 DERIVATIVES

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

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

	31.12.2021		31.12.2020	
	Asset	Liability	Asset	Liability
Foreign exchange swaps	26	4,304	0	1,245
Cross-currency interest rate swaps held for trading purposes	0	0	0	300
Cross-currency interest rate swaps held for hedging purposes	0	19,029	0	0
Total	**26**	**23,333**	**0**	**1,545**

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

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

(All amounts in millions of HUF, unless otherwise indicated)

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

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

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

The details of cross-currency interest rate swaps by maturity as at 31 December 2020 are presented in the following table:

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable in foreign currency	Foreign currency	Payable amount in HUF million*
Over 5 years	1,774,830,958	HUF	1,775	5,697,143	EUR	2,191
Total			**1,775**			**2,191**

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

8.a Cash flow hedges

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

Micro cash flow hedge relationships

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

31 December 2021 *(data in millions of HUF)*

	Carrying amount Derivatives held for hedging purposes)		Change in fair value used in the calculation of hedge ineffectiveness: Total	Of which: Effective portion (Unrealised losses on cash flow hedges)	Of which: Ineffective portion	Reclassified to profit and loss account (Gains or losses from trading and investment activities)	
	Asset	Liability		Recognised in other comprehensive income (OCI)	Recognised in the profit and loss account, under Trading profit or loss	Amortisation of hedging costs to profit (Unrealised losses on cash flow hedges)	Foreign currency revaluation
Cross-currency interest rate swap (CCIRS) transactions	**0**	**19,029**	**19,507**	17,165	2,342	2,273	-4,970
of which: clean fair value		19,507					
of which: accrued interest		-478					

The Bank has reclassified some of the effective amounts recognised in other comprehensive income into the profit and loss account in the reporting period, to the extent that the hedged cash flows affected profit or loss. No hedge relationship was terminated during the reporting period. The principal amounts of the CCIRS transactions are not amortised (there is only one principal swap on the forward leg of the transactions, at maturity) and interest is recognised annually.
Of the HUF 19,507 million change in clean fair value (i.e. fair value without the interest component) of the CCIRS transactions, the Bank recognised the effective portion of the hedge relationship under Other comprehensive income (*"Unrealised gains/losses on cash flow hedges"* balance sheet line), in the amount of HUF 17,165 million. The ineffective portion was HUF 2,342 million at 31 December 2021, which the Bank recognised in the profit and loss account under "*Gains or losses from trading and investment activities*". Applying the concept of cost of hedging under IFRS 9, the Bank recognised a gain of HUF 2,273 million from the amortisation of the forward component of a hedging instrument in the profit and loss account under *"Gains or losses from trading and investment activities",* and in Other comprehensive income under "*Unrealised gains/losses on cash flow hedges*". The amount recognised in Other comprehensive income is thus HUF 19,438 million, consisting of the amount attributable to the effective portion and the amortisation of the cost of hedging.

Hedging strategy behind cash-flow hedging relationships

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

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

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

Items designated as hedged items

(All amounts in millions of HUF, unless otherwise indicated)

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

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

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

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

Hedge ineffectiveness may be caused by prepayments and final repayments of designated loans, and to avoid this, cash flows from loans included in the financing plan for future years may also be included in the hedging relationship. Hedge ineffectiveness may also arise if the expected credit loss on loans included in the hedged item group increases, while on the other hand the Bank has only included loans classified in the performing (stage 1 and stage 2) categories in the hedged item group, when designating hedging relationships.

Transactions designated as hedging instruments

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

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

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

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

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

Assessment of hedging efficiency

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

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

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

Due dates for cash flows of hedging instruments

The table below shows the due dates for principal and interest payments, in undiscounted (nominal) amounts, of CCIRS transactions designated as hedging instruments with fixed interest rates in both currencies.

31 December 2021 *(data in millions of HUF)*

Non-discounted cash flow	Within 1 year	Within 1 and 2 years	Within 2 and 3 years	Within 3 and 4 years	Within 4 and 5 years	Over 5 years	Total
Micro cash flow hedging instruments							
CCIRS transactions							
Due date for EUR principal value	0	0	0	0	-20,877	-111,343	**-132,220**

Due date for HUF principal value	0	0	0	0	20,300	106,950	**127,250**
Due date for net interest	2,870	2,870	2,870	2,870	2,469	2,469	**16,420**
Average fixed interest rate (EUR)	-0.22%	-0.22%	-0.22%	-0.22%	-0.21%	-0.21%	**-0.22%**
Average fixed interest rate (HUF)	2.02%	2.02%	2.02%	2.02%	2.09%	2.09%	**2.05%**
Average rate of principal swap (HUF/EUR)					358.8	354.5	**355.2**

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

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

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

Effect of hedge accounting on equity
The table below shows the change in equity as a result of the change in the net fair value (excluding interest) of cash flow hedges, taking into account the effect of income taxes.

31 December 2021 *(data in millions of HUF)*

	Other comprehensive income	Profit/loss for the year
Opening balance at 1 January 2021	**0**	
Cash flow hedge reserve opening value:	**0**	**0**
The effective portion of the change in fair value and the cost of hedging:	**- 19,438**	**2,273**
Of which: the effective portion of the change in fair value:	*- 17,165*	*0*
Of which: amortisation of the cost of hedging in the reporting period:	*- 2,273*	*2,273*
The ineffective portion of the change in fair value:	**0**	**-2,342**
Losses reclassified to the profit and loss account:	**4,970**	**-4,970**

(All amounts in millions of HUF, unless otherwise indicated)

Of which: foreign currency revaluation loss:	*4,970*	*-4,970*
Closing balance at 31 December 2021, before tax:	**- 14,468**	**-5,039**
Tax effect of all the above:	1,302	454
Closing balance at 31 December 2021, after tax:	**- 13,166**	

NOTE 9 INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of equity funds and participations are provided as at 31 December 2021 and 31 December 2020.

	Bank ownership rate (%)	Nominal value	Cost	Fair value difference	Carrying amount
Garantiqa	0.15%	12	12	0	12
Total		**12**	**12**	**0**	**12**

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

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

Name of investment	31.12.2021	31.12.2020
China CEE Fund – USD	7.05%	7.00%
China CEE Fund II – USD	8.75%	8.75%
China CEE Management S.Á.R.L. – EUR	10.00%	10.00%
East West – EUR	25.28%	25.23%
Hungarian – Kazakh Cooperation Fund – USD	49.57%	49.57%
IFC FIG Fund – USD	10.74%	8.64%
Three Seas Fund	2.22%	
SINO-CEE Fund – EUR	2.42%	2.26%

Name of investment	Cost			
	31.12.2021		31.12.2020	
	Foreign currency	HUF million	Foreign currency	HUF million
China CEE Fund – USD	16,986,405	4,820	25,126,344	6,921
China CEE Fund II – USD	22,998,362	6,741	19,928,071	5,764
China CEE Management S.Á.R.L. – EUR	1,250	0	1,250	0
East West – EUR	1,101,522	378	1,363,000	452
Hungarian – Kazakh Cooperation Fund – USD	12,584,056	3,418	12,350,610	3,347
IFC FIG Fund – USD	17,357,966	5,301	4,904,071	1,481

(All amounts in millions of HUF, unless otherwise indicated)

Three Seas Fund – EUR	7,325,371	2,628	-	-
SINO-CEE Fund – EUR	17,137,695	5,720	13,018,650	4,274
Total		**29,006**		**22,239**

Name of investment	**Fair value difference**		**Carrying amount**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
China CEE Fund – USD	8,895	5,575	13,715	12,496
China CEE Fund II – USD	-195	-783	6,546	4,981
China CEE Management S.Á.R.L. – EUR	0	0	0	0
East West – EUR	180	-94	558	358
Hungarian – Kazakh Cooperation Fund – USD	-2,038	-1,389	1,380	1,958
IFC FIG Fund – USD	3,302	3,648	8,603	5,129
Three Seas Fund – EUR	-38	-	2,590	
SINO-CEE Fund – EUR	454	-1,010	6,174	3,264
Total	**10,560**	**5,947**	**39,566**	**28,186**

The HUF 4,614 million profit included in the statement of comprehensive income under Gains or losses from trading and investment activities for the reporting year is the result of the change in fair value (HUF 11,381 million) and the change in cost (HUF 6,767 million) for the reporting year. The loss of HUF -972 million for the previous year in the statement of comprehensive income resulted from a change in the fair value of HUF 1,914 million in the previous year and a change in the cost value of HUF 2,885 million in the previous year.

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

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

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

According to the fund's private placement memorandum and the related subscription agreement signed by Eximbank, Eximbank has committed to subscribe for up to USD 30,000,000 of the fund's capital. At the end of December 2021, Eximbank had USD 16,986,405 (HUF 4,820 million) of capital subscribed for in the fund. The remaining amount of USD 13,013,595 (HUF 4,239 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

The subscription agreement for China-CEE Fund II was signed by Eximbank in November 2017, under which Eximbank committed to underwrite up to USD 70,000,000. This fund was established in February 2018 as a limited partnership under the laws of Luxembourg. The fund is a closed-end specialised investment fund managed by the Fund Manager. This fund aims to continue the well-established investment programme started by China-CEE Fund I. The fund's final maturity is set at 31 March 2027. At the end of December 2021, Eximbank had USD 22,998,362 (HUF 6,741 million) in capital subscriptions in the fund. The remaining amount of USD 47,001,638 (HUF 15,309 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

East West VC Fund EuVECA: East West VC Fund EuVECA is a venture capital fund established under EU regulations by Hungarian, Portuguese and other international institutional and private investors, and is registered with the Portuguese Capital Markets Authority. Originally, the fund's total size was EUR 20,000,000, with Eximbank committing to contribute up to EUR 4,500,000. Due to an investor not fulfilling its commitment, on 16 October 2020 the fund's subscribed capital decreased to EUR 17,830,000, then, after a post-exit payment in the summer of 2021, the fund's subscribed capital decreased to EUR 13,513,024, which did not affect the nominal value of the participation units issued. The amount of Eximbank's commitment has not changed, but the repaid principal portion reduced the total Eximbank exposure and is therefore recorded at EUR 3,409,522. The fund is managed by Alpac Capital Sociedade de Capital de Risco, S.A., registered in Portugal (with offices in Lisbon and Budapest) and primarily aims to invest in early-stage technology companies in Hungary, Portugal and neighbouring countries. Eximbank does not have a significant influence over the activities of the fund as it does not participate in the financial and operating policy decisions of the fund, and the investment decisions are made by the fund manager. The contracts only allow Eximbank to appoint one member to the fund's 6-member investment committee. The role of the Investment Committee is to formulate non-binding recommendations to the fund manager about investment and exit opportunities.
At the end of December 2021, Eximbank held participation units in a EUR 1,990,000 (HUF 743 million) nominal value in the fund, with additional participation units in a EUR 202,000 (HUF 74.5 million) nominal value in the fund being under settlement, given that the fund generates new participation units after the drawdowns, usually in a quarterly aggregate (these were transferred at the beginning of January 2022), in relation to drawdowns in a total value of EUR 1.1 million. The remaining amount of USD 2,308,000 (HUF 852 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

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

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

As at 31 December 2021, Eximbank had USD 12,584,056 (HUF 3,418 million) in capital subscriptions in the fund. The remaining amount of USD 7,415,944 (HUF 2,415 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

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

As at 31 December 2021, Eximbank had USD 17,357,996 (HUF 5,301 million) in capital subscriptions in the fund. The remaining amount of USD 32,642,034 (HUF 10,632 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

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

As at 31 December 2021, Eximbank had USD 17,137,695 (HUF 5,720 million) in capital subscriptions in the fund. The remaining amount of USD 32,862,305 (HUF 12,126 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

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

As at 31 December 2021, Eximbank had USD 7,325,371 (HUF 2,628 million) in capital subscriptions in the fund. The remaining amount of USD 12,674,629 (HUF 4,677 million) was shown in Eximbank's books as contingent liability as at 31 December 2021.

COMMITMENTS TO CAPITAL FUNDS:

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

Under the foundation documents (private placement memorandum, partnership agreement, subscription agreement), the fund manager may only require investors to pay amounts already approved by the fund's investment committee and to pay any fees (e.g. management, audit, portfolio management, etc. fees) and other expenses that have been legitimately incurred. In Eximbank's experience, in most cases funds draw down less than the amount committed. In view of the fact that, by their nature, neither investments nor costs can be precisely determined at the time of commitment, Eximbank does not consider capital commitments to be unconditional commitments, but rather as contracts to be performed in the future (as neither party has yet performed) and consequently does not recognise them as financial liabilities, but as contingent liabilities – until the conditions for the commitment to be drawn down are met (see Note 21). In the event of a conflict of interest, Eximbank may refuse to pay the amount drawn.

NOTE 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

PortfoLion Regionális Magántőkealap
PortfoLion Regionális Magántőkealap (PortfoLion Regional Private Equity Fund, hereinafter: "PortfoLion Fund") was established in June 2012 by OTP Bank Plc. with a share capital of HUF 5,000 million. In 2013, Eximbank started negotiations with OTP Bank Plc. and PortfoLion Kockázatitőke Alapkezelő Zrt. (PortfoLion Venture Capital Fund Management Ltd.) to join as a new investor by raising the share capital with an additional HUF 5,000 million to HUF 10,000 million.
In 2018, Eximbank has committed itself to invest up to HUF 750 million more into the fund. In August 2021, HUF 2.8 billion yield was paid to the investors, whereby Eximbank received HUF 1.4 billion returned by the Fund.Eximbank invested HUF 4,838 million as of 31 December 2021, and its remaining contingent liability as of 31 December 2021 was HUF 312 million.
The fund targets well-established, medium-sized companies that offer a promising business model, already have established product lines, portfolios of services and a wide range of clients and that aim to grow primarily by entering international markets or boosting their already existing exports.

PortfoLion Regionális Magántőkealap II
PortfoLion Regionális Magántőkealap II was established in August 2020 with an initial capital of HUF 25,000 million. 49.9-49.9% of the capital is provided by Eximbank and OTP Bank.

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

Eximbank invested HUF 2,799 million as of 31 December 2021, and its remaining contingent liability as of 31 December 2021 was HUF 9,701 million.
To date, the Fund has implemented three investments.

EXIM Exportösztönző Magántőkealap
The Bank's contribution to the share capital is nearly 100% as at 31 December 2021.
In 2016 the Bank – as Hungary's international export credit agency and development institution – established an export development fund (EXIM Exportösztönző Magántőkealap). The fund intends to provide financing to small and medium enterprises operating in Hungary that have an actual or potential export capacity in products and services. The Bank made a commitment of HUF 10,000 million, and paid the whole amount in 2016.

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

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

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

Enter Tomorrow Europe Magántőkealap

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

The Bank has committed to invest up to EUR 25 million in the fund. By 31 December 2021 Eximbank had invested EUR 15,670,280 (HUF 5,515 million) in the fund, and its remaining contingent commitment was EUR 9,329,720 (HUF 3,443 million) as at 31 December 2021.

The COVID-19 epidemic had a moderately negative impact on the majority of the Fund's investments. For companies in the mobility industry, protracted closures caused sales to fall short of plan, as a result of which liquidation proceedings were initiated at one company at the end of 2021, so this investment was written off to 0. The companies have experienced project delays, in several cases requiring a change of market focus, which have had a negative impact on sales revenues. Overall, however, the advances in digitisation in the wake of the epidemic are expected to have a positive impact on the performance of companies in the portfolio.

Európa Agrár Magántőkealap

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

By 31 December 2021 Eximbank had invested EUR 11,569,336 (HUF 4,151 million) in the fund, and its remaining contingent commitment was EUR 30,430,664 (HUF 11,229 million) as at 31 December 2021.

Herius-1 Magántőkealap
The Herius-1 Private Equity Fund was launched in September 2021 with a focus on the aerospace and aeronautics industry and EUR 14 million of capital. Eximbank's share in the fund is 70%, with a EUR 9.8 million commitment, and 30% subscribed by Space Oddity Kft. for EUR 4.2 million. The fund is registered in Hungary and the fund manager is Herius Capital Management Zrt. The fund intends to implement space and aerospace investments, building synergies.
By 31 December 2021, Eximbank invested EUR 980 thousand (HUF 344 million), and its remaining contingent liability as of 31 December 2021 was EUR 8,820 million (HUF 3,255 million).

The Fund implemented 1 investment in November 2021 for USD 500 thousand by the end of 2021, which was carried at cost at 31 December 2021.

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

The initial subscribed capital of the fund was HUF 10,000 million. The Bank has committed to invest up to HUF 7,000 million in the fund, while CARION Holding has committed to invest the remaining HUF 3,000 million. In June 2021, the fund manager launched a new call for subscription, which Eximbank joined. During the capital increase, a new investor, Beton-Art Kft. joined the Fund. With the capital increase, Eximbank's commitment increased to HUF 17,000 million, while Beton-Art Kft., which joined the Fund, committed to pay up to HUF 4,300 million. Eximbank invested HUF 7,324 million as of 31 December 2021, and its remaining contingent liability as of 31 December 2021 was HUF 9,676 million.

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

COMMITMENTS TO CAPITAL FUNDS:

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

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

(All amounts in millions of HUF, unless otherwise indicated)

The net asset value of the funds in proportion to Eximbank's financial participation increased by 22.5%, from HUF 89.3 billion at the end of 2020 to HUF 109.4 billion by the end of 2021. This value already includes the effect of changes in exchange rates, given that Eximbank also participates in capital funds denominated in foreign currency.

Name of investment	**Share %**		**Cost**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Enter Tomorrow Europe Magántőkealap – EUR	50%	50%	5,515	3,910
EXIM Exportösztönző Magántőkealap – HUF	100%	100%	56,000	56,000
PortfoLion Regionális Magántőkealap (Fordulat) – HUF	50%	50%	3,438	4,407
PortfoLion Regionális Magántőkealap II – HUF	49.9%	49.9%	2,799	1,250
COLUMBUS – HUF	69.99%	70%	7,324	3,752
Európa Agrár Magántőkealap – EUR	70%	-	4,151	-
Herius-1 Magántőkealap - EUR	70%	-	344	-
Total			**79,571**	**69,319**

Name of investment	**Equity method adjustment**		**Carrying amount**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Enter Tomorrow Europe Magántőkealap – EUR	-1,353	-383	4,162	3,527
EXIM Exportösztönző Magántőkealap – HUF	-10,943	-9,280	45,057	46,720
PortfoLion Regionális Magántőkealap (Fordulat) – HUF	3,209	1,502	6,647	5,909
PortfoLion Regionális Magántőkealap II – HUF	-240	-37	2,559	1,213
COLUMBUS – HUF	-131	0	7,193	3,752
Európa Agrár Magántőkealap – EUR	-135	-	4,016	-
Herius-1 Magántőkealap - EUR	-122	-	222	-
Total	**-9,715**	**-8,198**	**69,856**	**61,121**

(All amounts in millions of HUF, unless otherwise indicated)

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

	31.12.2021	31.12.2020
Opening balance	**61,121**	**60,998**
The Bank's share of the capital fund's profit for the year	-1,616	-6,465
The Bank's share of the capital fund's other comprehensive income for the year	100	168
Dividend yield	-1,400	
Disbursement*	9,787	5,170
Subscription**	1,864	1,250
Closing balance	**69,856**	**61,121**

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

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

The loss of HUF -1,616 million for the reporting year in the statement of comprehensive income under Share of profit/(loss) of investments accounted for using the equity method is the result of the fair value under the equity method compared to the previous year (HUF 8,735 million), the change in cost (HUF 10,251 million) and HUF 100 million reclassified to other comprehensive income due to the exchange rate translation. The loss of HUF 6,465 million for the previous year in the statement of comprehensive income resulted from the change in fair value under the equity method in the previous year (HUF 123 million), the change in cost in the previous year (HUF 6,420 million) and HUF 168 million reclassified to other comprehensive income due to exchange rate translation.
The Bank received a return of HUF 1.4 billion from its investment in the PortfoLion Regional Private Equity Fund (as a result of the Tresorit exit) in 2021.

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

	Enter Tomorrow*	Exportösztönző *	PortfoLion I (Fordulat)	PortfoLion II	COLOMBUS	Európa Agrár Magántőkealap*	Herius-1 Magántőkealap*
Non-current assets	6,720	19,431	14,253	5,180	15,708	5,526	169
Current assets	1,608	47,353	430	166	333	355	187
– of this: cash and equivalents	1,608	9,820	428	166	333	242	187
Short-term liabilities	4	16,075	1,019	218	45	143	39
Long-term liabilities	0	5,070	0	0	0	0	0
Revenue	448	21,021	9	5	-1,156	0	0
Profit or loss from financial transactions	-1,999	484	4,737	1	0	175	0
Profit after tax (cont. activities)	-2,005	-5,889	3,616	406	-1,537	-351	-192
Equity	8,324	45,639	13,664	5,128	15,996	5,738	317
Owners' equity	8,324	45,839	13,664	5,128	15,996	5,738	317
Share of the Bank	50%	100%	50%	49.9%	69.99%	70%	70%

(All amounts in millions of HUF, unless otherwise indicated)

Equity method amount	4,162	45,839	6,832	2,559	11,195	4,016	222
Consolidation adjustment**	0	-782	-186	0	-4,002	0	0
Carrying amount	4,162	45,057	6,646	2,559	7,193	4,016	222

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

	Enter Tomorrow*	**Export Ösztönző***	**PortfoLion I**	**PortfoLion II**	**COLUMBUS**
Non-current assets	6,812	15,206	11,807	-	12,263
Current assets	245	43,647	189	2,505	248
– of this: cash and equivalents	*245*	*8,042*	*187*	*2,505*	*248*
Short-term liabilities	2	7,954	7	75	83
Long-term liabilities	-	1,771	0	-	0
Revenue	-	12,739	1	-	-
Profit or loss from financial transactions	-1	478	542	-	5,541
Profit after tax (cont. activities)	-458	-7,939	320	-75	5,317
Equity	7,055	49,128	11,989	2,430	12,428
Owners' equity	7,055	46,195	11,989	2,430	12,428
Share of the Bank	50%	100%	50%	49.9%	70%
Equity method amount	**3,527**	**46,195**	**5,995**	**1,213**	**8,700**
Adjustment**	-	525	-86		-4,948
Carrying amount	**3,527**	**46,720**	**5,909**	**1,213**	**3,752**

*The Enter Tomorrow Europe Magántőkealap, the Európa Agrár Magántőkealap and the Herius-1 Magántőkealap prepare their financial statements in EUR. *The Bank made the translation to its functional currency (MHUF) by using the FX rate as of 31.12.2021 in respect of balance sheet items (369 EUR/HUF) and by using the average EUR rate (358.52 EUR/HUF) of 2021 for the profit and loss account. As a result of the currency translation, Enter Tomorrow Europe Private Equity Fund reported an amount of HUF 32 million in other comprehensive income as at 31.12.2021. The amount of the exchange rate effect recognised in other comprehensive income was HUF -57 million for the Exportösztönző Fund, HUF -15 million for Herius -1 Magántőkealap and HUF -110 million for Európa Agrár Magántőkealap.

** Details of adjustments

EXIM Exportösztönző Magántőkealap:

The Bank applied the equity method by valuing the assets in the Fund's consolidated financial statements in accordance with its own accounting policy, and concluded that the recoverable amount of certain assets was lower than the carrying amount, and therefore considered it appropriate to recognise impairment. This reduced the Fund's equity due to the bank.

PortfoLion I:

**The two investors (OTP Bank Nyrt. and Eximbank Zrt.) became investors in the PortfoLion Fund at different times. OTP paid its first contribution on 1 June 2012, while Eximbank paid it on 26 November 2013, which means that in addition to the ownership percentage, the date of the contributions made is also taken into account in the calculation of the returns, both in case of settlements and in periodic reports, which results in a difference in the net asset value per investor. The Fund had a capital increase earlier, followed by a capital reduction in 2020, and as a result, the investors hold partly different participation units (OTP holds type A and C, while Eximbank holds type B and C).

Columbus:
In valuing its investments as at 31 December 2021, the Columbus Private Equity Fund took into account the valuation principles set out in the effective Management Regulations (where the fair value is determined by an independent expert using the DCF method), from which the Management Regulations do not allow any deviation. However, with regard to the short period between the investment date (especially in the case of Innoscitech Kft and Batlas Kft.) and the balance sheet date, and to the fact that no significant economic transaction took place between these dates, Eximbank adjusted the fair value of the investment for the purpose of preparing its own financial statements, as it considers the transactional price (historical cost) agreed on by third parties to be more in line with the real value of the investment. In connection with the Fund's investment in Clini-Real Kft. and the Biropharma Group, the Bank also adjusted the fair value of the investment for the purpose of preparing its own financial statements, as it believes that, based on the assumptions of its business plan amended in 2021, the profit of the target companies will be below that set in the business plan, and therefore it considers the transactional price (historical cost) agreed on by third parties to be more in line with the fair value of the investment.

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 11 INTANGIBLE ASSETS

Table of changes in intangible assets as at 31 December 2021:

	Intangible assets	Under development	Total
Cost			
31 December 2020	**5,249**	**106**	**5,355**
Additions	**576**	**543**	**1,119**
acquisition	576	543	
Disposals	**-**	**-576**	**-576**
derecognition	-		
transfer to available for use		-576	
31 December 2021	**5,825**	**73**	**5,898**
Accumulated depreciation and amortisation			
31 December 2020	3,190	-	3,190
Ordinary depreciation (Note 26)	416	-	416
Impairment (Note 15)	-	-	-
Derecognitions	-	-	-
31 December 2021	**3,606**	**-**	**3,606**
Net carrying amount			
31 December 2020	**2,059**	**106**	**2,165**
31 December 2021	**2,219**	**73**	**2,292**

Table of changes in intangible assets as at 31 December 2020:

	Intangible assets	Under development	Total
Cost			
31 December 2019	**4,766**	**168**	**4,934**
Additions	**678**	**616**	**1,294**
acquisition	678	616	
Disposals	**-195**	**-678**	**-873**
derecognition	-195		
transfer to available for use		-878	
31 December 2020	**5,249**	**106**	**5,355**
Accumulated depreciation and amortisation			
31 December 2019	2,938	-	2,938
Ordinary depreciation (Note 26)	447	-	447
Impairment (Note 15)	-	-	-
Derecognitions	-195	-	-195
31 December 2020	**3,190**	**-**	**3,190**
Net carrying amount			
31 December 2019	**1,828**	**168**	**1,996**
31 December 2020	**2,059**	**106**	**2,165**

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

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

	Renovation of leased property	**Furniture, fixtures & office equipment**	**Assets under construction**	**Right-of-use assets – Building (leasing)**	**Total**
Cost					
31 December 2020	204	2,045	2	2,295	4,546
New acquisitions	-	178	176	64	418
Derecognitions, of which:	-	-	-177	-2	-179
scrapping	-	-			
sales			-177		
transfer free of charge		-			
contract termination				-2	
31 December 2021	**204**	**2,223**	**1**	**2,357**	**4,785**
Accumulated depreciation and amortisation					
31 December 2020	74	1,435	-	643	2,152
Ordinary depreciation (Note 26)	27	205	-	361	593
Impairment (Note 15)	-	-6	-	-	-6
Derecognitions	-	-	-	-2	-2
31 December 2021	**101**	**1,634**	**-**	**1,002**	**2,737**
Net carrying amount 31 December 2020	**130**	**610**	**2**	**1,652**	**2,394**
31 December 2021	**103**	**589**	**1**	**1,355**	**2,048**

(All amounts in millions of HUF, unless otherwise indicated)

The table of the movements in property, plant and equipment as at 31 December 2020 is as follows:

	Renovation of leased property	Furniture, fixtures & office equipment	Assets under construction	Right-of-use assets – Building (leasing)	Total
Cost					
31 December 2019	203	1,924	22	2,315	4,464
New acquisitions	8	153	451	14	626
Derecognitions, of which:	-7	-32	-471	-34	-544
scrapping	-7	-25			
sales			-471		
transfer free of charge		-7			
contract termination				-34	
31 December 2020	**204**	**2,045**	**2**	**2,295**	**4,546**
Accumulated depreciation and amortisation					
31 December 2019	53	1,256	-	297	1,606
Ordinary depreciation (Note 26)	27	211	-	365	603
Impairment (15. Note)	-	6	-	-	6
Derecognitions	-6	-38	-	-19	-63
31 December 2020	**74**	**1,435**	**-**	**643**	**2,152**
Net carrying amount 31 December 2019	**150**	**668**	**22**	**2,018**	**2,858**
31 December 2020	**130**	**610**	**2**	**1,652**	**2,394**

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

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

(All amounts in millions of HUF, unless otherwise indicated)

12.1 Leases

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

In the reporting year HUF 64 million right-of-use assets were activated.

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

	31.12.2021	31.12.2020
Up to 1 month	56	53
1-3 months	72	70
3 to 12 months	329	319
1 to 5 years	1,217	1,589
Over 5 years	0	0
Future undiscounted cash flows of the lease liability amount	**1,674**	**2,031**
Short-term part	457	442
Long-term part	1,217	1,589

Table of movements in lease liabilities (HUF million)	2021	2020
Liabilities opening balance	2,031	2,180
Fees paid	-458	-377
Recognised interest	21	25
Other changes	80	203
Liabilities closing balance	1,674	2,031

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

	2021	2020
Interest expense	21	26
Amortisation	358	366

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 13 TAXATION

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

	31.12.2021	31.12.2020
Corporate income tax expense	81	0
Local tax expense	883	365
Innovation contribution expense	133	55
Total actual income tax expense	**1,097**	**420**
Deferred tax expense/(income) arising from the occurrence and reversal of temporary differences	-193	-316
Total income tax expense	**904**	**104**
Profit or loss before tax	2,376	-10,210
Effective tax rate	**38%**	**-1%**

	31.12.2021	31.12.2020
Actual income tax receivables	436	649
Other tax receivables*	557	673
Deferred tax receivables	1,985	374
Tax liabilities**	187	105
Deferred tax liabilities	200	84

* Other tax receivables include the amount recorded as receivable from the State for VAT, Social Security and the Special Epidemiological Tax, which can be taken into account as a tax withholding on the payment of the special tax on financial instructions
**Tax liabilities include other tax liabilities to the tax authority (NAV) and social security.

Actual income tax:

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

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

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

(All amounts in millions of HUF, unless otherwise indicated)

Special bank tax:

Starting from the second quarter of 2020, a special tax on credit institutions related to the epidemic situation was introduced, payable in three equal instalments. The special tax is no longer levied from 2021, the amount paid by the Bank in 2020 will reduce the special tax on financial institutions payable annually – by 20% each year for 5 years – in the form of a tax withholding, starting from 2021.
In 2020, the Bank recognised the amount of HUF 642 million of the special epidemiological tax as a tax receivable from the state, shown under other tax receivables. In 2021, the Bank recognised an expense of HUF 888 million for the special tax on financial institutions and reduced its contributions by HUF 128 million per year, taking advantage of the 20% option provided by law. The tax receivable from the State also decreased by the same amount, to HUF 514 million.

Reconciliation of the total tax charge

		31.12.2021	31.12.2020
Profit or loss before tax		**2,376**	**-10,210**
Corporate income tax in 2020 and 2021	9%	214	-919
Reconciliation items:			
Effect of local business tax and innovation contribution on corporate tax		-92	-38
Tax effect of other (non-temporary) tax base adjusting items		40	-26
Minimum tax adjustment (other operating expenses)		0	43
Effect of the Corporate Tax Act (TAO) on the use of accrued losses		-81	0
Local business tax and innovation contribution expenditure		1,016	420
Change in deferred tax on temporary differences		118	75
Tax effect of the unused portion of deferred tax loss		0	549
Effect of change in estimate of usable loss on deferred tax		-311	0
Income tax reported in the statement of comprehensive income		904**	104*
Effective tax rate		**38%**	**-1%**

* income tax in profit or loss, in detail: TAO: 0; HIPA: 365; innovation contribution: 55; deferred tax expense 58; deferred tax revenue: -374
** income tax in profit or loss, in detail: TAO: 81; HIPA: 883; innovation contribution: 133; deferred tax expense: 490, deferred tax income: -683

The date of transition to IFRS for Eximbank Zrt. was 1 January 2019. The Bank was required to apply the minimum tax rule under the Corporate Tax Act in the year of transition to IFRS standards and the year following it. Companies were required to pay at least the corporate tax for the year preceding the transition, in our case 2018. The corporate tax payable by Eximbank for 2019 was lower than the tax accounted for in the year preceding the transition, so the minimum tax rule was applied. In 2020 too, the minimum tax rate was applied due to the negative tax base, and the total corporate tax of HUF 476 million recorded in 2018 prior to the transition was taken into account by the Bank for tax purposes, as recognised on the Net other operating expenses line. The year 2021 is the 3rd year after the transition, and therefore the minimum tax rule no longer applies.

(All amounts in millions of HUF, unless otherwise indicated)

Due to the negative tax base in 2020, the Bank can reduce its pre-tax profit for the next five tax years, up to 50% of the annual tax base, as provided for in Section 17 of the Corporate Tax Act. Based on the profit forecasts for the five years after 2020 (years 2021-2025), the Bank had an option to take a total of HUF 4,341 million of its negative tax base of HUF 10,447 million, adjusted by reducing and increasing items, as loss carry-forwards in the years 2021-2025, as a reduction of the pre-tax profit. In 2020, a deferred tax receivable of HUF 391 million was created on this base with an estimated unusable tax loss of HUF 6,106 million, the tax effect of which is HUF 550 million.

In 2021, thanks to the positive pre-tax result, the Bank used HUF 901 million of the self-corrected carry-forward loss for 2020 (HUF 10,821 million) to reduce the tax base. In 2021, based on the profit forecast for the next 4 years, the Bank will be able to use a total of HUF 7,801 million of its total negative tax base in 2020 as a reduction of the pre-tax profit in 2022-2025, and on this base it has recognised a deferred tax receivable of HUF 702 million. The estimated unused loss is HUF 2,119 million, the tax effect of which is HUF 191 million. The effect of the change in the estimate (profit/loss forecast) used as the basis for the usability of the loss in 2020 and 2021 is HUF 3,460 million. The amount of accrued loss that may be carried forward to future years is HUF 9,920 million.

Deferred taxes

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

	31.12.2021				
	Deferred tax receivables	Deferred tax liabilities	Net	Recognised in profit or loss	Recognised in other comprehensive income
Financial assets measured at amortised cost		0	0	0	
Derivatives		0	0	0	
Investments measured at fair value through profit or loss		-144	-144	-82	
Investments accounted for using the equity method		-56	-56	-34	
Other financial and non-financial assets		-19	-19	-2	
Financial liabilities measured at amortised cost		0	0	0	
Financial liabilities measured at fair value through profit or loss (Derivatives)		0	0	0	
Provision		0	0	0	
Other financial and non-financial liabilities		0	0	0	
Loss carry-forward	702		702	311	
CF hedge accounting	1,302		1,302		1,302
	2,004	**-219**	**1,785**	**193**	**1,308**

	31.12.2020

	Deferred tax receivables	Deferred tax liabilities	Net	Recognised in profit or loss	Recognised in other comprehensive income
Financial assets measured at amortised cost		0	0	0	
Derivatives		0	0	0	
Investments measured at fair value through profit or loss		-62	-62	-37	
Investments accounted for using the equity method		-22	-22	-4	
Other financial and non-financial assets		-17	-17	-12	
Financial liabilities measured at amortised cost		0	0	0	
Financial liabilities measured at fair value through profit or loss (Derivatives)		0	0	0	
Provision		0	0	-22	
Other financial and non-financial liabilities		0	0	0	
Loss carry-forward	391		391	391	
	391	**-101**	**290**	**316**	

NOTE 14 OTHER ASSETS

	31.12.2021	31.12.2020
Accrued income*	4,384	3,938
Prepaid expenses	84	112
Initial fair value difference of loans taken out	201	
Other	923	21
of which: financial instruments:	*5,589*	*4,066*
Sub-total	5,592	4,071
Impairment of financial instruments (see Note 15)	-3	-4
Total	**5,589**	**4,067**

*A significant part of the accrued income comes from the accrual of MEHIB fees for aid loans, which is reimbursed by the central budget.

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 15 PROVISIONS AND IMPAIRMENT

The tables below show the changes in impairment and provisions for the year ended 31 December 2021 and 31 December 2020.

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

(All amounts in millions of HUF, unless otherwise indicated)

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

The provision for the year also includes the establishment of the first provision for the impairment of new transactions, which in the case of receivables from other customers was HUF 90 million (HUF 708 million in 2020).

(All amounts in millions of HUF, unless otherwise indicated)

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

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

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

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

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

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

The Provisions line of the balance sheet consists of provisions for financial guarantee contracts and loan commitments in accordance with IAS 9.

(All amounts in millions of HUF, unless otherwise indicated)

	31.12.2021	31.12.2020
Commitments to credit institutions and insurance companies	72	112
Commitments to other customers	72	131
Loan commitments	-	-
Provisions under IFRS9	**144**	**243**
Total provisions	**144**	**243**

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 16 LIABILITIES TO CREDIT INSTITUTIONS AND INSURANCE COMPANIES

	31.12.2021	31.12.2020
Short-term		
– in foreign currency	137,002	152,647
- in HUF	35,691	57,009
Sub-total	**172,693**	**209,656**
Long-term		
– in foreign currency	602,979	548,596
- in HUF	169,302	92,071
Sub-total	**772,281**	**640,667**
Total	**944,974**	**850,323**

The table below shows the analysis of loans and deposits from other banks by maturity of contract (i.e. a transaction is included exclusively in one range based on the maturity of the contract) as at 31 December 2021 and 31 December 2020.

	31.12.2021	31.12.2020
Remaining maturity		
In foreign currency:		
Up to 1 month	8,015	66,628
1 to 3 months	208	292
3 months to 1 year	120,946	67,630
1 to 5 years	511,006	456,693
Over 5 years	99,806	110,000
Sub-total	**739,981**	**701,243**
In HUF		
Up to 1 month	13,082	4,364
1 to 3 months	4,240	3,446
3 months to 1 year	17,857	48,527
1 to 5 years	159,628	90,968
Over 5 years	10,186	1,775
Sub-total	**204,993**	**149,080**
Total	**944,974**	**850,323**

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 17 LIABILITY TO COMPANIES

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

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

	31.12.2021	31.12.2020
Remaining maturity		
In foreign currency:		
Up to 1 month	1,009	3,675
1 to 3 months		
3 months to 1 year		
Sub-total	**1,009**	**3,675**
In HUF:		
Up to 1 month		
1 to 3 months		
Sub-total	**0**	**0**
Total	**1,009**	**3,675**

NOTE 18 BOND ISSUE

On 18 October 2017, the Bank issued a series of bonds of HUF 12.1 billion under Hungarian law. The bond series has a fixed interest rate of 1.30% and the date of maturity is 24 July 2022. The average issue price was 100.5108%.

On 20 February 2019, the Bank made a new issue of HUF 12.25 billion with maturity in June 2022 under Hungarian law. The average issue price was 99.1150%.

On 19 December 2019, the Bank issued a new series of bonds of HUF 34 billion under Hungarian law. The bond series has a fixed interest rate of 1.00% and the date of maturity is 4 December 2024. The average issue price was 100.1813%.

On the same day, 19 December 2019 the Bank issued a new bond series of USD 14.2 million under Hungarian law. The bond series has a fixed interest rate of 2.00% and the date of maturity is 17 November 2021. The average issue price was 99.6275%.

In 2020, the Bank renewed its agency mandate for bond issues under Hungarian law with its partner, and during the fourth quarter it was continuously active on the domestic bond market.

On 9 October 2020, the Bank issued two types of bonds under Hungarian law. The first series has a nominal value of HUF 32 billion, a fixed interest rate of 1.00% and a maturity date of 8 October 2021. The average issue price was 100.0572%. The other series was a bond with a nominal value of HUF 20,322 billion, a fixed interest rate of 1.65% and a maturity date of 26 November 2025. The average issue price was 99.8704%.

On 11 November 2020, the Bank implemented a follow-on issue in respect of the bond series maturing on 8 October 2021, in a nominal value of HUF 29,507 billion. The average issue price was 100.2903%. On the same day, a new series of bonds with a nominal value of HUF 30.4 billion, a fixed interest rate of 2.00% and a maturity of 27 October 2027 was issued. The average issue price was 101.6590%.

On 9 December 2020 the Bank implemented a follow-on issue in respect of two bond series: For the series maturing on 8 October 2021, in a nominal value of HUF 9,052 billion and at an average issue price of 100.4643%, and for the series maturing on 27 October 2027, in a nominal value of HUF 16.28 billion and at an average issue price of 101.4919%.

On 24 March 2021, the Bank issued two types of bonds under Hungarian law. The first is a new series that has a nominal value of HUF 22.9 billion, a fixed interest rate of 1.00% and a maturity date of 23 March 2022. The average issue price was 100.0718%. The other was the third issue of a series of bonds with a nominal value of HUF 10.71 billion, a fixed interest rate of 2.00% and a maturity date of 27 October 2027. The average net issue price is 98.96916%.

On 28 April 2021 the Bank implemented a follow-on issue in respect of two bond series. For the series maturing on 23 March 2022, in a nominal value of HUF 32,893 billion and at an average issue price of 100.0997%, and for the series maturing on 27 October 2027, in a nominal value of HUF 14.57 billion and at an average net issue price of 99.9198%.

On 9 June 2021, the Bank entered the market with a new series and a follow-on issue of a previous series of bonds. The new series matures on 8 June 2022, and it has a nominal value of HUF 21.992 billion and a fixed interest rate of 1%. The average issue price was 100.0099%. On the same day, a new series of bonds with a nominal value of HUF 16.92 billion, a fixed interest rate of 2.00% and a maturity of 27 October 2027 was issued for the fourth time. The average net issue price was 97.9189%.

On 30 June 2021 the Bank implemented a follow-on issue in respect of two bond series. For the series maturing on 8 June 2022, in a nominal value of HUF 16,382 billion and at an average net issue price of 99.8515%, and for the series maturing on 27 October 2027, in a nominal value of HUF 20.20 billion and at an average net issue price of 97.4212%.

On 1 September 2021, the Bank issued two new series of bonds under Hungarian law. The first has a nominal value of HUF 26 billion, a fixed interest rate of 1.25% and matures on 31 August 2022. The average issue price was 99.5514%. The second series contained bonds with a nominal value of HUF 16,505 billion, a fixed interest rate of 2.50% and a maturity date of 23 May 2029. The average net issue price was 97.9855%.

On 29 September 2021 the Bank implemented a follow-on issue in respect of two bond series. For the series maturing on 31 August 2022, in a nominal value of HUF 18.75 billion and at an average net issue price of 99.4271%, and for the series maturing on 23 May 2029, in a nominal value of HUF 8.85 billion and at an average net issue price of 95.66%.

On 8 October 2021, the bonds issued on 9 October 2020, 11 November 2020 and 9 December 2020 with a total nominal value of HUF 70,562 billion were repaid.

(All amounts in millions of HUF, unless otherwise indicated)

On 27 October 2021, the Bank issued a new series of bonds under Hungarian law: HUF 13,372 billion in nominal value, with a fixed interest rate of 1.75% and maturing on 26 October 2022. The average issue price was 99.6693%.

On 17 November 2021, bonds with a nominal value of USD 14.2 million issued on 19 December 2019 was repaid.

On 24 November 2021 the Bank implemented a follow-on issue in respect of one bond series. For the series maturing 26 October 2022, with a nominal value of HUF 18.3 billion, at an average net issue price of 98.3461%.

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

	31.12.2021	31.12.2020
Proceeds from the issuance of bonds (issue)	256,852	138,431
Repayment of bonds issued (maturity)	-75,146	-160,860
Exchange rate impact of bonds issued	362	6,027
Amortisation impact of bonds issued	320	-2,223
Change of bonds issued	**182,388**	**-18,625**

The Bank has not repurchased any of its own securities since the date of issue.
The effective interest on bonds issued in 2021 was HUF 4,458 million (in 2020, HUF 1,608 million) using effective interest rates between 1 and 2%.

	31.12.2021	31.12.2020
Short-term		
– in foreign currency	0	4,224
- in HUF	195,847	71,371
Sub-total	**195,847**	**75,595**
Long-term		
– in foreign currency	0	0
- in HUF	187,941	125,805
Sub-total	**187,941**	**125,805**
Total	**383,788**	**201,400**

The table below shows an analysis of the issued bonds by maturity of contract (i.e. a transaction is included exclusively in one range based on the maturity of the contract) as at 31 December 2021 and 31 December 2020.

	31.12.2021	31.12.2020
Remaining maturity		

In foreign currency:		
Up to 1 month	0	0
1 to 3 months	0	0
3 months to 1 year	0	4,224
1 to 5 years	0	0
Over 5 years	0	0
Sub-total	**0**	**4,224**
In HUF		
Up to 1 month	0	0
1 to 3 months	56,223	0
3 months to 1 year	139,260	70,776
1 to 5 years	54,375	78,903
Over 5 years	133,930	47,497
Sub-total	**383,788**	**197,176**
Total	**383,788**	**201,400**

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

ISIN	31.12.2021	31.12.2020
HU0000357926	**24,504**	**24,482**
HU0000359435	**34,054**	**34,064**
HU0000359443		**4,225**
HU0000360011		**70,776**
HU0000360029	**20,320**	**20,356**
HU0000360086	**109,083**	**47,497**
HU0000360367	**56,223**	
HU0000360581	**38,558**	
HU0000360755	**44,752**	
HU0000360763	**24,848**	
HU0000360862	**31,446**	
Total	**383,788**	**201,400**

Main data of bonds listed on Budapest Stock Exchange:

ISIN code	HU0000360367	HU0000357926
Issue date	24.03.2021	18.10.2017
Maturity date	23.03.2022	24.06.2022
Currency	HUF	HUF
Nominal value	55,793,000,000	24,350,000,000

(All amounts in millions of HUF, unless otherwise indicated)

Rate of interest	1.00%	1.30%
Last day of first interest period	23.03.2022	24.06.2018
Frequency of interest payment after the first interest period	annually	annually
Type of interest payment	At the end of interest period	at the end of interest period

ISIN code	HU0000360581	HU0000360086
Issue date	09.06.2021	11.11.2020
Maturity date	08.06.2022	27.10.2027
Currency	HUF	HUF
Nominal value	38,374,000,000	109,080,000,000
Rate of interest	1.00%	2.00%
Last day of first interest period	08.06.2022	27.10.2021
Frequency of interest payment after the first interest period		annually
Type of interest payment	at the end of interest period	at the end of interest period

ISIN code	HU0000359435	HU0000360755
Issue date	19.12.2019	01.09.2021
Maturity date	04.12.2024	31.08.2022
Currency	HUF	HUF
Nominal value	34,000,000,000	44,750,000,000
Rate of interest	1.00%	1.25%
Last day of first interest period	04.12.2020	31.08.2022
Frequency of interest payment after the first interest period	annually	
Type of interest payment	at the end of interest period	at the end of interest period

ISIN code	HU0000360862	HU0000360763
Issue date	27.10.2021	01.09.2021
Maturity date	26.10.2022	23.05.2029
Currency	HUF	HUF
Nominal value	31,672,000,000	25,355,000,000
Rate of interest	1.75%	2.50%
Last day of first interest period	26.10.2022	23.05.2022
Frequency of interest payment after the first interest period		annually
Type of interest payment	at the end of interest period	at the end of interest period

ISIN code	HU0000360029
Issue date	09.10.2020
Maturity date	26.11.2025
Currency	HUF
Nominal value	20,322,000,000

(All amounts in millions of HUF, unless otherwise indicated)

Rate of interest	1.65%
Last day of first interest period	26.11.2021
Frequency of interest payment after the first interest period	annually
Type of interest payment	at the end of interest period

NOTE 19 OTHER LIABILITIES

	31.12.2021	31.12.2020
MEHIB insurance premium	4,031	3,595
Accrued expenses	1,473	1,400
Accrued income	300	164
Lease liabilities	1,674	2,031
Initial fair value difference of loans taken out	504	580
Other	755	1,024
of which: financial instruments	*6,788*	*6,505*
Total other liabilities	**8,737**	**8,794**

(All amounts in millions of HUF, unless otherwise indicated)

NOTE 20 SHAREHOLDERS' EQUITY

	31.12.2021	31.12.2020
Subscribed capital	253,230	213,230
Capital reserve premium	400	400
Retained earnings	4,920	3,595
General reserve	9,920	9,773
Hedging reserves	-13,166	-
Foreign currency translation reserves	268	168
Total	**255,572**	**227,166**

The general reserve is used by the Bank to cover the loss for the year pursuant to Section 83 (5) of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Hpt."), the details of which are set out in the following table. The Bank prepares an equity reconciliation table in accordance with Section 114/B of Act C of 2000 on Accounting.

31.12.2021	Subscribed capital	Capital reserve	Retained earnings	General reserve (Undistributable reserve)	Hedging reserves	Foreign currency translation reserves	Total equity
SUBSCRIBED CAPITAL	253,230						**253,230**
SUBSCRIBED CAPITAL UNPAID (-)							**-**
CAPITAL RESERVE		400					**400**
GENERAL RESERVE				9,920			**9,920**
of which obligatory under the Act on Credit Institutions and Financial Service Companies				*2,225*			***2,225***
RETAINED EARNINGS +/-			4,920				**4,920**
UNDISTRIBUTABLE RESERVE							**-**
VALUATION RESERVE					-13,166	**268**	**-12,898**
TOTAL EQUITY	**253,230**	**400**	**4,920**	**9,920**	**-13,166**	**268**	**255,572**

31.12.2020	Subscribed capital	Capital reserve	Retained earnings	General reserve (Undistributable reserve)	Hedging reserves	Foreign currency translation reserves	Total equity
SUBSCRIBED CAPITAL	213,230						**213,230**
SUBSCRIBED CAPITAL UNPAID (-)							**-**
CAPITAL RESERVE		400					**400**
GENERAL RESERVE				9,773			**9,773**
of which obligatory under the Act on Credit Institutions and Financial Service Companies				*2,078*			***2,078***
RETAINED EARNINGS +/-			3,595				**3,595**

(All amounts in millions of HUF, unless otherwise indicated)

UNDISTRIBUTABLE RESERVE							-
VALUATION RESERVE						**168**	**168**
TOTAL EQUITY	**213,230**	**400**	**3,595**	**9,773**	**-**	**168**	**227,166**

	31.12.2021	**31.12.2020**
Subscribed capital registered at court of registration	253,230	213,230
Instruments presented as liability (-)	-	-
Subscribed capital as per IFRS	253,230	213,230

	31.12.2021	**31.12.2020**
Retained earnings	4,920	3,595
Accumulated non-realised gains on the increase in fair value of investment properties (-)	-	-
Related accumulated income tax according to IAS 12 Income taxes (+)	-	-
Uncommitted retained earnings available for dividend payment	**4,920**	**3,595**

On 22 September 2021 and on 25 October 2021 the Founder increased the Bank's share capital by HUF 40,000 million through a cash contribution by issuing new ordinary limited shares. The newly issued shares are ordinary shares belonging to the same series as the ordinary shares previously issued.
The number of newly issued shares is 8,000 and the face value is HUF 5 million per piece. According to the registration instruction, the Bank has a total of 50,646 shares of nominal value HUF 5 million each, and thus the share capital is HUF 253,230 million.

The provisions of Section 83 (2) of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Hpt") state that the Bank is required to transfer 10% of its after-tax profit for the year to general reserves to cover future losses. A general reserve of HUF 147 million was created in the reporting year.

NOTE 21 CREDIT LINES, PROMISSORY NOTES AND CONTINGENT LIABILITIES

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

The Hungarian State's obligations in respect of this statutory guarantee are subject to an upper limit set by the annual central budget. Section 51 (2) of Act XC of 2020 on the Central Budget of Hungary for 2021 sets the ceiling for export credits and other export guarantee transactions undertaken against the central budget at HUF 100 billion for 2021 (HUF 50 billion in 2020).

(All amounts in millions of HUF, unless otherwise indicated)

The Government Decree sets forth certain conditions for the statutory guarantee, including that all credit agreements for which Eximbank provides a government-subsidised export credit guarantee must conform to OECD guidelines.
As at 31 December 2021, HUF 30,022 million of the Bank's total guarantee portfolio of HUF 30,296 million was backed by a state guarantee or suretyship (in 2020, HUF 16,688 million out of HUF 17,160 million).

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

The stock of uncalled guarantees issued by Eximbank under state guarantee increased from HUF 16,688 million at the end of 2020 to HUF 30,022 million at the end of 2021.

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

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

	31.12.2021	**31.12.2020**
Performing	28,870	15,520
Non-performing	1,152	1,168
Total	**30,022**	**16,688**

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

	31.12.2021	**31.12.2020**
Credit lines, promissory notes	533,012	790,047
Guarantees counter-guaranteed by the State	28,102	14,768
Suretyship counter-guaranteed by the State	1,920	1,920
Guarantees not counter-guaranteed by the State	274	472
Letters of credit	137	614
Total	**563,445**	**807,821**

Credit lines represent the amounts not drawn under the Bank's current loan agreements. The Bank's loan commitments primarily relate to its pre-export refinancing products entered into with banks.

(All amounts in millions of HUF, unless otherwise indicated)

100% of the borrowings of the MNB's Funding for Growth programme, amounting to liabilities of HUF 1,289 million, are secured by government bonds and trade receivables, in accordance with MNB requirements. Funding for Growth scheme liabilities are presented among liabilities to credit institutions and insurance companies, while securities are shown on the Securities measured at amortised cost line of the balance sheet.
The above figures do not contain the remaining unpaid portion of commitments and contributions in respect of capital funds, which are presented in the following table. The payment of the remaining amounts depends on future investment decisions and drawdowns by the fund managers, they are therefore recognised as a contingent liability, as the Bank is required to pay its share of the amount upon request (see Notes 9 and 10):

Name	**Liability**		**Note**
	31.12.2021	**31.12.2020**	
PortfoLion Regionális Magántőkealap	HUF 313 million	HUF 743 million	10. Note
PortfoLion Regionális Magántőkealap II	HUF 9,701 million	HUF 11,250 million	10. Note
Enter Tomorrow Europe Magántőkealap	EUR 9,329,720 (HUF 3,443 million)	EUR 13,744,720 (HUF 5,019 million)	10. Note
Columbus	HUF 9,676 million	HUF 3,248 million	10. Note
China-CEE Fund I	USD 13,013,595 (HUF 4,239 million)	USD 4,873,656 (HUF 1,449 million)	9. Note
China-CEE Fund II	USD 47,001,638 (HUF 15,309 million)	USD 50,071,929 (HUF 14,889 million)	9. Note
IFC FIG Fund	USD 32,642,034 (HUF 10,632 million)	USD 45,095,929 (HUF 13,410 million)	9. Note
East West	EUR 2,308,000 (HUF 852 million)	EUR 3,137,000 (HUF 1,145 million)	9. Note
Hungarian – Kazakh Cooperation Fund	USD 7,415,944 (HUF 2,415 million)	USD 7,649,390 (HUF 2,275 million)	9. Note
SINO-CEE Fund	EUR 32,862,305 (HUF 12,126 million)	EUR 36,981,350 (HUF 13,503 million)	9. Note
Three Seas Initiative Investment Fund	EUR 12,674,629 (HUF 4,677 million)	EUR 20,000,000 (HUF 7,303 million)	9. Note
Herius -1 Magántőkealap	EUR 8,820,000 (HUF 3,255 million)	-	10. Note
Európa Agrár Magántőkealap	EUR 30,430,664 (HUF 11,229 million)	-	10. Note
Total (HUF million)	**87,867**	**74,234**	

The balance of off-balance sheet receivables from customers arising from the redemption of guarantees issued under the full payment guarantee of the Hungarian State, which also embodies the balance of liabilities to the state, evolved in 2020 and 2021 as follows:

(All amounts in millions of HUF, unless otherwise indicated)

Liabilities to customers stemming from guarantees redeemed through the exercising of a full payment guarantee of the State

	Basic receivables	Late payment interest receivables	Total
Opening balance 01.01.2020	**2,673**	**1,575**	**4,248**
Additions resulting from redemption and other volume change	-	124	124
Recoveries (-)	-	-	-
Closing balance 31.12.2020	**2,673**	**1,699**	**4,372**
Remission during 2020	-	-	-
Closing balance adjusted for remission 31.12.2020	**2,673**	**1,699**	**4,372**
Opening balance 01.01.2021	**2,673**	**1,699**	**4,372**
Additions resulting from redemption and other volume change	-	124	124
Recoveries (-)	-	-	-
Closing balance 31.12.2021	**2,673**	**1,823**	**4,496**

NOTE 22 INTEREST INCOME AND INTEREST EXPENSE

	2021	2020
Interest income recognised using the effective interest method		
Receivables from credit institutions and insurance companies	-6,852	368
Receivables from other customers	5,733	5,975
Interest equalisations*	31,252	19,523
Securities measured at amortised cost	1,527	811
Sub-total	**31,660**	**26,677**
Other interest income		
Derivatives (swap, CCIRS)	17	428
Held for hedging purposes	1,958	-
Other interest income	40	53
Sub-total	**2,015**	**481**
Total	**33,675**	**27,158**

(All amounts in millions of HUF, unless otherwise indicated)

Interest expense recognised using the effective interest method:		
Liabilities to credit institutions and insurance companies	10,701	10,786
Liabilities to other customers	8	65
Interest equalisation	-	-
Bonds issued	4,458	1,608
Sub-total	**15,167**	**12,459**
Other interest expense		
Derivatives (swap, CCIRS)		213
Leasing interest	21	26
Sub-total	**21**	**239**
Total	**15,188**	**12,698**
Net interest income/loss	**18,487**	**14,460**

The interest income from credit institutions and insurance companies is negative, most of which is explained by the compensation programme launched in 2020 to offset the negative economic situation caused by the Covid-19 epidemic, under which the Bank also granted loans at negative interest rates.
In 2021, the interest income on assets in Stage 3 (“Receivables from other customers”) was HUF 1,498 million (which calculated at gross amortised cost would be HUF 2,241 million). The moratorium on repayment introduced on account of the coronavirus changes the development of the amortised cost of related loans (typically resulting in a higher amortised cost due to non-payment), thus also affecting the effective interest income. This rescheduling had a positive effect of HUF 107 million on effective interest income in the case of Receivables from credit institutions and insurance companies and HUF 51 million in the case of Receivables from other customers. Other disclosures related to the coronavirus are presented in Note 33.5.

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

Settlements related to the interest equalisation system

	31.12.2021	31.12.2020
Financially settled claim	26,392	17,357
Financially settled payment obligation	-434	-284
Balance	**25,958**	**17,073**

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

Settlements related to tied-aid credits

(All amounts in millions of HUF, unless otherwise indicated)

	31.12.2021	31.12.2020
Financially settled donation item claim	6,414	2,269
Financially settled interest subsidy claim	696	1,247
Financially settled interest subsidy payment obligation	-44	0
Financially settled fee refund	0	0
Balance	**7,066**	**3,516**

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

NOTE 23 NET INCOME FROM FEES AND COMMISSIONS

	2021	2020
Fee and commission income:		
Guarantees counter-guaranteed by the State	331	149
Suretyship counter-guaranteed by the State	5	
Guarantees not counter-guaranteed by the State	9	10
Other	402	101
Total	**747**	**260**
Fee and commission expense:		
Guarantee fees	57	28
Other	182	150
Total	**239**	**179**
Total	**508**	**81**

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

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

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

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

(All amounts in millions of HUF, unless otherwise indicated)

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

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

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

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

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

(All amounts in millions of HUF, unless otherwise indicated)

	Carrying amount of derecognised assets 31.12.2021	Gain on derecognition 2021
Receivables from credit institutions and insurance companies	0	-12
Receivables from other customers	244	678
Total	**244**	**666**

	Carrying amount of derecognised assets 31.12.2020	Gain on derecognition 2020
Receivables from credit institutions and insurance companies	0	0
Receivables from other customers	66	-50
Total	**66**	**-50**

NOTE 25 GAINS OR LOSSES FROM TRADING AND INVESTMENT ACTIVITIES

	2021	2020
Gains or losses on foreign currency swaps, net	-2,953	1,041
Profit/loss from the ineffectiveness of cash-flow hedges	-69	-
Other foreign currency gains or losses, net*	409	-2,217
Foreign currency gains or losses, net	**-2,613**	**-1,176**
Gains or losses on investments measured at fair value through profit or loss, net (Note 9)	4,614	-972
Other trading gains or losses, net	0	0
Total	**2,001**	**-2,147**

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

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

(All amounts in millions of HUF, unless otherwise indicated)

	2021	2020
Initial fair value difference amortisation*	375	694
MEHIB insurance excess received	-	
Interest income from the issue of bonds	-	286
Other	-	185
Other operating income	**375**	**1,165**
Material and service expenses	2,047	2,316
Bank tax **	888	751
Other administration expenses	815	556
Other expenses/ (income), net	-28	515
Other operating expenses	**3,722**	**4,138**
Personnel expenses	**4,348**	**4,086**
Depreciation and amortisation	**1,009**	**1,051**

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

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

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

NOTE 27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

31 December 2021	Within 12 months	After 12 months	Total

Assets			
Cash and cash equivalents	1,543	-	1,543
Securities measured at amortised cost		102,976	102,976
Receivables from credit institutions and insurance companies	283,128	700,665	983,793
Receivables from other customers	63,251	344,014	407,265
Derivative transactions - Held for trading, measured at fair value through profit or loss	26	-	26
Investments measured at fair value through profit or loss	-	39,578	39,578
Investments accounted for using the equity method	-	69,856	69,856
Intangible assets	-	2,292	2,292
Property, plant and equipment	-	2,048	2,048
Actual income tax receivables	436	-	436
Other tax receivables	172	385	557
Deferred tax receivables	-	1,985	1,985
Other assets	5,386	203	5,589
Total assets	**353,942**	**1,264,002**	**1,617,944**
Liabilities			
Liabilities to credit institutions and insurance companies	172,693	772,281	944,974
Liabilities to other customers	1,009	-	1,009
Derivative transactions - Held for trading, measured at fair value through profit or loss	4,304	-	4,304
Derivatives held for hedging purposes	4,770	14,259	19,029
Securities issued	195,847	187,941	383,788
Provisions	144	-	144
Tax liabilities	187	-	187
Deferred tax liabilities	-	200	200
Other liabilities	7,016	1,721	8,737
Total liabilities	**385,970**	**976,402**	**1,362,372**
Net value	**-32,028**	**287,600**	**255,572**

31 December 2020	**Within 12 months**	**After 12 months**	**Total**
Assets			
Cash and cash equivalents	2,529	-	2,529
Securities measured at amortised cost	19,204	86,057	105,261
Receivables from credit institutions and insurance companies	225,228	537,138	762,366

(All amounts in millions of HUF, unless otherwise indicated)

Receivables from other customers	67,360	256,178	323,538
Derivative transactions - Held for trading, measured at fair value through profit or loss	-	-	-
Investments measured at fair value through profit or loss	-	28,198	28,198
Investments accounted for using the equity method	-	61,121	61,121
Intangible assets	-	2,165	2,165
Property, plant and equipment	-	2,394	2,394
Actual income tax receivables	649	-	649
Other tax receivables	159	514	673
Deferred tax receivables	-	374	374
Other assets	4,067	-	4,067
Total Assets	**319,196**	**974,139**	**1,293,335**
Liabilities			
Liabilities to credit institutions and insurance companies	209,656	640,667	850,323
Liabilities to other customers	3,675	-	3,675
Derivative transactions - Held for trading, measured at fair value through profit or loss	1,303	242	1,545
Securities issued	75,595	125,805	201,400
Provisions	243	-	243
Tax liabilities	105	-	105
Deferred tax liabilities	-	84	84
Other liabilities	6,882	1,912	8,794
Total liabilities	**297,459**	**768,710**	**1,066,169**
Net value	**21,737**	**205,429**	**227,166**

NOTE 28 RELATED PARTY TRANSACTIONS

28.1 Employee benefits

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

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

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

28.2 Related parties

Since 6 June 2014, the Minister responsible for foreign economic affairs has exercised ownership rights on behalf of the Hungarian State.
Eximbank, as a state-owned company, makes use of the exemption under which it does not disclose any transactions conducted with, outstanding balances kept with, and commitments undertaken towards the Hungarian State and entities over which the Hungarian State has control, joint control or significant influence, except for individually or collectively significant transactions.

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

- Magyar Exporthitel Biztosító Zrt.
- Szegedi SZEFO Zrt.
- Magyar Fejlesztési Bank Zrt.
- Budapest Bank Zrt.
- Garantiqa Hitelgarancia Zrt.
- Budapest Lízing Zrt.

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

(All amounts in millions of HUF, unless otherwise indicated)

	31.12.2021	**31.12.2020**
Hungarian Government bonds	102,976	105,261
Securities linked to related parties measured at amortised cost	**102,976**	**105,261**
Loan receivables from related parties	133,467	93,882
Claims on the State arising from the interest equalisation system	10,478	5,672
Related party receivables, less impairment	**143,945**	**99,554**
Accrued income and receivables from the State in respect of tied-aid credits	4,189	3,794
Accrued income from other related parties	377	353
Total other assets linked to related parties	**4,566**	**4,147**
Total assets	**251,487**	**208,962**
Loans and deposits payable (accrued interest payable) to related parties	69,161	63,923
Total loans and deposits from related parties	**69,161**	**63,923**
Other liabilities to related parties	4,031	3,700
Accrued expense against related parties related to cost sharing	825	901
Total other liabilities to related parties	**4,856**	**4,601**
Total liabilities	**74,017**	**68,524**
Financial guarantee contracts and loan commitment	15,939	24,050
Total financial guarantee contracts and loan commitment	**15,939**	**24,050**

(All amounts in millions of HUF, unless otherwise indicated)

	2021	2020
Interest income:		
Interest equalisation from the State	31,252	19,523
Government securities measured at amortised cost	1,527	811
Loans and other current receivables from related parties	102	122
Total	**32,881**	**20,456**
Interest expense:		
Loans and deposits from other related parties	553	485
Total	**553**	**485**
MEHIB insurance premium expenditure*	**14,442**	**5,605**
Net interest income and net income from fees and commissions	**17,886**	**14,366**
Operating income/(expenses)		
Aid loan and insurance premium reimbursement from the State (item reducing other operating expenses)	6,850	2,764
Net operating income/expenses from MEHIB and MFB's subsidiaries (-)	-80	-284
Net income/(expense) from sharing personnel-type expenditures	636	591
Total	**7,406**	**3,071**

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

(All amounts in millions of HUF, unless otherwise indicated)

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

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

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

Effects of the cost sharing to Eximbank's profit and loss in 2020 and 2021 are presented in the following tables:

1) Jointly used tangible assets:

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

2) Personnel-type expenditures: jointly employed employees

Income (and expense) related to jointly employed employees	**31.12.2021**	**31.12.2020**
a) Personnel-type expenditures passed on by the Bank to MEHIB, invoiced amount presented under "Personnel-type expenditures" in the profit and loss account as an item decreasing the given value.	569	619
b) The amount of personnel-type expenditure incurred by MEHIB and passed on to the Bank for jointly emplyed staff. The amount is presented under "Personnel-type expenditures" in the profit and loss account as an item increasing the given value.	-28	-28

(All amounts in millions of HUF, unless otherwise indicated)

3) Personnel-type expenditures not linked to persons

Income (expense) related Personnel-type expenditures not linked to persons	31.12.2021	31.12.2020
a) Personnel-type expenditures invoiced by the Bank to MEHIB, recognised under "Net other operating expenses".	32	44
b) Personnel-type expenditures invoiced by MEHIB to the Bank, recognised under "Net other operating expenses".	-64	-53

4) Intermediated services

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

5) Material-type expenditures and other administration expenses

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

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

NOTE 29 FINANCIAL ASSETS AND LIABILITIES BY UNDISCOUNTED RESIDUAL CASH FLOWS

The table below summarises the undiscounted cash flows related to the Bank's financial assets and liabilities by maturity. The undiscounted cash flows include estimated interest payments and interest equalisation. For further information about the maturity of derivatives please refer to Note 8.

Cash flows related to demand instruments are taken into account as if they were redeemed immediately. For credit lines, guarantee transactions and letter of credits the maximum amount that can be drawn down is allocated to the earliest period in which they could be called.

As part of its management of liquidity risk arising from financial liabilities, the Bank holds liquid assets consisting of cash and cash equivalents. In addition, the Bank maintains credit lines with other banks, which amounted to HUF 43,173 million and HUF 115,411 million on 31 December 2021 and 31 December 2020, respectively. These amounts reflect amounts not yet drawn as at the balance sheet date.

(All amounts in millions of HUF, unless otherwise indicated)

Balance as at 31 December 2021	Carrying amount	Gross nominal inflow/outflow*	Up to 1 month	Within 1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Cash and cash equivalents	1,543	1,543	1,543				
Government securities measured at amortised cost	102,976	112,939	214		2,070	89,551	21,104
Receivables from credit institutions and insurance companies	983,793	1,080,651	36,040	31,470	258,282	654,171	100,688
Receivables from other customers	407,265	494,695	9,024	5,253	56,757	182,291	241,370
Derivative transactions - Held for trading, measured at fair value through profit or loss	26	26	26				
Foreign exchange swaps – inflow			*10,041*				
Foreign exchange swaps – outflow	*26*		*-10,015*				
Investments measured at fair value through profit or loss	39,578	39,578				22,875	16,703
Other financial assets	5,589	5,589	5,589				
Financial assets	**1,540,770**	**1,735,021**	**52,436**	**36,723**	**317,109**	**948,888**	**379,865**
Liabilities to credit institutions and insurance companies	944,974	975,449	23,224	6,851	150,812	680,119	114,443
Liabilities to other customers	1,009	1,009	1,009				
Securities issued	383,788	406,415		56,351	144,276	67,270	138,518
Derivative transactions - Held for trading, measured at fair value through profit or loss	4,304	1,860			1,860		
Foreign exchange swaps – inflow					*-84,191*		
Foreign exchange swaps – outflow	*4,304*				*86,051*		
Derivative transactions – Hedge accounting measured at fair value through profit or loss	19,029	-11,449			-2,870	-10,503	1,924
CCIRS – inflow					*-2,870*	*-31,380*	*-109,419*
CCIRS – outflow	*19,029*					*20,877*	*111,343*
Other financial liabilities	6,788	6,788	6,788				
Financial liabilities	**1,359,892**	**1,380,072**	**31,021**	**63,202**	**294,078**	**736,886**	**254,885**
Liquidity (shortage)/excess ***	**180,878**	**354,949**	**21,415**	**-26,479**	**23,031**	**212,002**	**124,980**
Loan commitments****		*533,012*	*533,012*				
Financial guarantee contracts		*30,296*	*30,296*				
Letters of credit		*176*	*176*				

(All amounts in millions of HUF, unless otherwise indicated)

Balance as at 31 December 2020	Carrying amount	Gross nominal inflow/outflow*	Up to 1 month	Within 1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Cash and cash equivalents	2,529	2,529	2,529				
Government securities measured at amortised cost	105,261	110,663	51	38	21,079	74,422	15,073
Receivables from credit institutions and insurance companies	762,366	825,276	13,911	26,074	206,710	478,679	99,902
Receivables from other customers	323,538	396,633	14,953	9,933	53,707	148,715	169,325
Financial assets measured at fair value through profit or loss (Derivatives)							
Foreign exchange swaps – inflow							
Foreign exchange swaps – outflow							
CCIRS – inflow							
CCIRS – outflow							
Investments measured at fair value through profit or loss	28,198	28,198				12,854	15,344
Other financial assets	4,066	4,066	4,066				
Financial assets	**1,225,958**	**1,367,365**	**35,510**	**36,045**	**281,496**	**714,670**	**299,644**
Liabilities to credit institutions and insurance companies	850,323	878,545	71,609	7,354	137,845	549,449	112,288
Liabilities to other customers	3,675	3,676	3,676				
Securities issued	201,400	211,138			77,507	85,084	48,547
Financial liabilities measured at fair value through profit or loss (Derivatives)	1,545	1,220	915	7	107	117	74
Foreign exchange swaps – inflow		*-79,858*	*-56,218*		*-23,640*		
Foreign exchange swaps – outflow	*1,245*	*80,868*	*57,135*		*23,733*		
CCIRS – inflow		*-1,871*	*-2*	*-69*	*-214*	*-1,119*	*-467*
CCIRS – outflow	*300*	*2,081*		*76*	*228*	*1,236*	*541*
Other financial liabilities	6,505	6,505	6,505				
Financial liabilities	**1,063,448**	**1,101,084**	**82,705**	**7,361**	**215,459**	**634,650**	**160,909**
Liquidity (shortage)/excess	**162,510**	**266,281**	**-47,195**	**28,684**	**66,037**	**80,020**	**138,735**
Loan commitments****		*790,047*	*790,047*				
Financial guarantee contracts		*17,160*	*17,160*				
Letters of credit		*614*	*614*				

*Gross amount without impairment

** The significant difference between cash flows and carrying amount is due to a significant shift in market interest rates. Cash flows reflect contractual money movements, while the carrying amount reflects the impact of market movements. The main reason for the sign of the cash flows is that the interest paid has a negative sign, i.e. both the interest paid and the interest received are of a revenue nature.
*** The liquidity shortfall in February-March 2022 arose due to a large volume of bond maturities; in the context of short-term liquidity management this was, however, of a normal magnitude. The management of the shortfall was secured in several ways: Eximbank continuously issued bonds on the domestic securities market; it had contracted but unused revolving credit lines in excess of the reported shortfall, as well as a free stock of government securities and large corporate loans, for which the MNB would provide collateral loans, as collateral, if needed.
**** The Business Department prepares an estimate for the disbursement schedule under the existing credit facility in order for the Bank to be able to service the expected liquidity needs. The legal contractual status lasts from the opening of the facility until its maturity, with only an estimate being available for the specific payouts. Accordingly, and following the precautionary principle, the Bank has classified its credit lines in the earliest liquidity range.

NOTE 30 FINANCIAL RISK ANALYSIS

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

As part of the EXIM-level strategy, in 2021 the Bank put in place a new Risk Strategy, which sets out risk appetite principles aligned with the Business Strategy, a risk management policy, the Bank's risk appetite, its risk profile, the expected risk structure, and it also includes the ICAAP (Internal Capital Adequacy Assessment Process) framework. All elements of the risk management framework are implemented in the form of regulations approved by the Board of Directors and the Asset and Liability Committee, from the structure of internal lines of defence within the organisation to rules on decision-making powers to specific risk management procedures covering all risks relevant to the Bank.

Risk management strategy

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

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

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

Changes to the Risk Strategy and the key results of risk management in 2021

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

- The Compensation Credit Programme and the Compensation Loan Protection Programme were implemented.
- A number of risk management rules, temporarily modified during the period of the emergency, remained in force in 2021.
- The Bank revised its Risk Strategy and improved its monitoring processes in line with MNB Recommendation 14/2021 and the EBA Guidelines on Loan Origination and Credit Monitoring.
- In line with the MNB Green Recommendation 5/2021, climate change and environmental risks were incorporated into the Risk Strategy, the customer rating system, the corporate limit system, the requirements for property appraisals, the monitoring system and operational risk management.
- The Bank has developed a detailed credit risk modelling framework in line with the MNB credit risk recommendations and ICAAP requirements.
- In the area of impairment and provisioning, the expected loss models have been revised, resulting in an increase in Stage 1 and Stage 2 impairment rates due to increased sovereign and corporate default probabilities and corporate LGD. The revision of these parameters resulted in an increase in impairment of HUF 395 million in the Q3 2022 rating.
- The rules on transaction classification and valuation have been amended in line with the changes to the MNB's IFRS-9 Executive Circular. On 1 January 2021, a new definition of default was introduced, which is discussed in detail in section 3.7. The change in the definition of default had no financial impact.
- The Bank adopted the changes to the ICAAP Manual regarding the definition of high-risk portfolios and the determination of the additional capital requirement, as well as the interest rate risk management methodology, and implemented the large-bank operational risk management framework, due to its increased size.
- The Bank revised its rating model for financial institutions, adding a number of new variables to it. The three corporate client rating PD models developed in late 2020 have started to be applied in practice.
- The scope of Work-out's impact and operations has been expanded to include pre-workout activities to achieve the highest possible recovery for the Bank.

30.1 Credit risk

Credit risk management, credit rating systems

The Bank manages and controls credit risk by establishing rating systems and limits to control and mitigate the level of risk it is willing to accept for each client and country concentration.

The Bank uses MEHIB insurance and central-budget-backed guarantees to shift a significant part of the risk from the financed client to the Hungarian State, resulting in a significant exposure to the Hungarian State being present in the portfolio. In addition, as the Bank is exempt from the general large exposure limitation for banks in the case of export refinancing to credit institutions, significant concentrations in exposures to banks have evolved. The management monitors concentration risks on a quarterly basis. With regard to final risk-takers, the three most significant exposures as at the balance sheet date were to the Hungarian State (HUF 586,654 million) with ratings of Baa2 (Moody’s long-term debt rating), to the Magyar Bankholding Group (HUF 280,489 million) consisting of the Ba1-rated MKB Bank and Budapest Bank (Moody’s long-term debt rating) and the BB-rated Magyar Takarékszövetkezeti Bank (S&P long-term debt rating), and to the Raiffeisen Group (HUF 205,482 million) with ratings of A3 (Moody’s long-term debt rating).

In the case of derivatives the Bank exclusively had exposures to EU-based credit institutions or members of credit institutions classified as investment grade by the recognised international credit rating agencies in the form of foreign currency swap transactions. Foreign currency swap transactions are concluded based on ISDA agreements with credit institution counterparties, and the Bank has also concluded CSA agreements with domestic and foreign counterparties to mitigate its counterparty risk. As at the reporting date, the Bank had outstanding transactions with the following counterparties: ING Bank NV with ratings of Aa3 (Moody’s long-term debt rating), KBC Bank with ratings of A1 (Moody’s long-term debt rating), Erste Bank Hungary with ratings of Baa1 (Moody’s long-term debt rating), Unicredit Bank and its Hungarian subsidiary Unicredit Bank Hungary with ratings of A2 (Moody’s long-term debt rating), SMBC Bank EU AG with ratings of A (S&P long-term debt rating), OTP Bank Nyrt. with ratings of BBB (S&P long-term debt rating), and CIB Bank Zrt. with ratings of BBB (Fitch long-term debt rating).

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

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

(All amounts in HUF million unless otherwise stated)

Quality of the loan portfolio

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

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

With regard to the loan portfolio, there was a significant increase in Receivables from credit institutions and insurance companies, as well as in Receivables from other customers, as a result of the new loan placements. In the case of these two portfolio segments, the increase in the risk of part of the existing loan portfolio led to an increase in the volume of Stage 2 loans in the case of credit institutions, while the share of Stage 3 exposures increased in respect of other customers, mainly due to the non-performance of concentrated domestic direct corporate exposures.

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

(All amounts in HUF million unless otherwise stated)

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

The following two tables present the loss allowance for financial assets measured at amortised cost for 31 December 2021 and 31 December 2020. The published loss allowance values also include the amount of management overlay introduced on account of the COVID-19 pandemic.

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

(All amounts in HUF million unless otherwise stated)

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

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

The credit quality of financial assets was as follows:

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

(All amounts in HUF million unless otherwise stated)

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

The rating of Loan commitments was as follows:

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

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

(All amounts in HUF million unless otherwise stated)

The rating of Financial guarantee contracts was as follows:

Loan commitments to credit institutions and insurance companies					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Grades 1-3: Low – fair risk	-	-	-	-	-
Grade 4: Low-risk	-	-	-	-	-
Grade 5: Substandard	-	5,585	-	-	5,585
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	-	-	-
Total	-	**5,585**	-	-	**5,585**
Provisions	-	-2	-	-	-2

The Bank did not have any financial guarantee contracts with credit institutions and insurance companies on 31 December 2020.

The composition by rating category of other exposures to customers is presented in the following tables, in a breakdown by the various Stages: The published loss allowance values also include the amount of management overlay introduced on account of the COVID-19 pandemic.

The credit quality of financial assets was as follows:

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

(All amounts in HUF million unless otherwise stated)

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

The rating of Loan commitments during the period under review was as follows. The published provisioning values also include the amount of management overlay introduced on account of the COVID-19 pandemic.

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

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

(All amounts in HUF million unless otherwise stated)

The rating of Financial guarantee contracts during the period under review was as follows. The published provisioning values also include the amount of management overlay introduced on account of the COVID-19 pandemic.

To other customers					31.12.2021
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Low – fair risk	9,069	4,705	-	-	13,774
Grade 4: Low-risk	355	4,069	-	-	4,424
Grade 5: Substandard	2,011	1,607	175	-	3,793
Grade 6: Doubtful	-	221	1,152	-	1,373
Grade 7: Bad	-	1,348	-	-	1,348
Total	**11,435**	**11,950**	**1,327**	**-**	**24,712**
Provisions	-4	-44	-	-	-48

To other customers					31.12.2020
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Low – fair risk	6,659	1,546	-	-	8,205
Grade 4: Low-risk	3,654	515	-	-	4,169
Grade 5: Substandard	1,777	84	-	-	1,861
Grade 6: Doubtful	1,112	323	1,168	-	2,603
Grade 7: Bad	-	322	-	-	322
Total	**13,202**	**2,790**	**1,168**	**-**	**17,160**
Provisions	-39	-25	-	-	-64

(All amounts in HUF million unless otherwise stated)

The following tables provide information on the overdue status of Loans and advances to credit institutions and insurance companies as well as to Other customers at gross carrying amount, broken down by Stage 1, 2 and 3:

Receivables from credit institutions and insurance companies					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	911,344	73,454	-	-	984,798
Overdue within 30 days	-	-	-	-	-
Overdue beyond 30 days	-	-	407	-	407
Total	**911,344**	**73,454**	**407**	**-**	**985,205**

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

Receivables from other customers					31.12.2021
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	248,693	75,783	97,847	-	422,323
Overdue within 30 days	7	3,963	4,405	-	8,375
Overdue beyond 30 days	355	15	6,446	-	6,816
Total	**249,055**	**79,761**	**108,698**	**-**	**437,514**

Receivables from other customers					31.12.2020
	Stage 1	Stage 2	Stage 3	POCI*	Total
Not overdue	169,312	119,404	41,492	-	330,208
Overdue within 30 days	138	1,246	5,043	-	6,427
Overdue beyond 30 days	-	99	11,860	-	11,959
Total	**169,450**	**120,749**	**58,395**	**-**	**348,594**

(All amounts in HUF million unless otherwise stated)

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

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

Receivables from other customers					31.12.2020
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**
Restructured loans					
Not overdue	3,871	6	40,861	-	44,738
Overdue within 30 days	-	-	5,043	-	5,043
Overdue beyond 30 days	-	42	1,559	-	1,601
Total	**3,871**	**48**	**47,463**	**-**	**51,382**

*Receivables purchased or originated credit impaired

In the period under review, in the case of Receivables from other customers, the volume of Stage 3, restructured loans is for the most part attributable to non-past due loans.

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

(All amounts in HUF million unless otherwise stated)

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

In the case of Receivables from credit institutions and insurance companies:

31.12.2021

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

31.12.2020

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

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

(All amounts in HUF million unless otherwise stated)

In case of Receivables from other customers:

31.12.2021

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

31.12.2020

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

Expected loss calculation

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

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

$$Stage1\ impairment = PD \times LGD \times EXP$$

$$Stage1\ provision = PD \times LGD \times EXP \times CCF$$

where:

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

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

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

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

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

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

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

where:

n – time elapsed since initial recognition (years)

p – term (years)

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

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

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

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

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

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

(All amounts in HUF million unless otherwise stated)

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

	2021	2020
Macroeconomic model methodology	ARMAX	ARMAX
Modelling target variable	Corporate default rate time series (MNB Stability Report)	Corporate default rate time series (MNB Stability Report)
Explanatory variables	autoregressive variable, moving average variable, inflation rate lagged by 4 quarters, change in unemployment rate lagged by 4 quarters	autoregressive variable, moving average variable, inflation rate lagged by 4 quarters, change in unemployment rate lagged by 4 quarters
Values of macroeconomic indicators in the baseline scenario	inflation rate of 3.60%, unemployment rate of 3.52%	inflation rate of 3.56%, unemployment rate of 4.52%
Values of macroeconomic indicators in the optimistic scenario	inflation rate of 3.92%, unemployment rate of 2.44%	inflation rate of 3.63%, unemployment rate of 4.37%
Values of macroeconomic indicators in the pessimistic scenario	inflation rate of 3.21%, unemployment rate of 4.85%	inflation rate of 3.39%, unemployment rate of 5.19%

The Bank will use the macroeconomic forecasts and scenario weights published in three scenarios (based on the MNB Inflation Report) in the Annex of the MNB's IFRS 9 Executive Circular for the forward-looking estimation of corporate PD values. For the pessimistic forecast scenario, the Bank stressed the explanatory variables and first assumed that they would reach the 4.85% unemployment rate and the 3.21% inflation rate published in the annex to the latest MNB IFRS-9 Executive Circular. Given that the resulting macro-multiplier proved to be more favourable than the baseline scenario, the Bank implemented an expert adjustment for the worst-case scenario over the historical period, applying conservative stress-testing to ensure an economically interpretable result.

The revised macroeconomic multiplier for Q4 2021 is 1.1434, slightly higher than the 1.1365 multiplier used in Q4 2020, which is mainly due to the higher inflation environment. The last macroeconomic multiplier before the outbreak of the COVID-19 pandemic in Q4 2019 was 0.9465.

The Bank also revised its corporate LGD model in Q3 2021, as a result of which it now uses an LGD higher than the levels seen in previous years, in line with the adverse impact of the COVID-19 pandemic on expected losses.

(All amounts in HUF million unless otherwise stated)

In addition to the above, the Bank used the recognition of additional impairment in the form of a management overlay in 2021 as well, in addition to the expected loss models of IFRS 9, in order to even more conservatively reflect the expected losses resulting from the market downturn impact of COVID-19, based on the increased probability of default of the companies operating in the sectors most exposed to the crisis.

Since in the economic environment of the pandemic there is an insufficient information base to assess credit risk growth on a bottom-up basis or to recalibrate models in the traditional way, the Bank applies a top-down model with a management overlay adjustment differentiated by sector groups to determine the expected loss for the corporate segment. In the impairment calculation, the management overlay multipliers replace the macroeconomic multiplier, leading to higher overall impairment charges on the Stage 1 and Stage 2 domestic direct corporate portfolios.

According to the management overlay methodology applied, the original PD matrices have been adjusted by a correction multiplier defined for each sector group. The correction multipliers are defined as the average stressed to non-stressed period ratios of the sectoral bankruptcy rates and are revised in Q4 2021 as follows:

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

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

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

The following table shows the movements and changes that took place between the opening and closing balance of the loss allowance for financial instruments in 2021:

2021	2021	2020

	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents					
Opening balance on 1 January	**3**	**0**		**3**	17
Revaluation of loss allowance	-1	0		**-1**	0
Changes in cash				**0**	-13
Foreign currency revaluation and other effects	0	0		**0**	0
31 December closing balance	**2**	**0**		**2**	4
Securities measured at amortised cost					
Opening balance on 1 January	**93**			**93**	77
Revaluation of loss allowance	50			**50**	4
Newly originated or purchased financial assets	3			**3**	12
Financial assets paid or sold	-51			**-51**	0
Foreign currency revaluation and other effects	0			**0**	0
31 December closing balance	**94**			**94**	93
Receivables from credit institutions and insurance companies					
Opening balance on 1 January	**379**	**15**	**556**	**950**	819
Transfer to Stage 1	0			**0**	0
Transfer to Stage 2	-28	28		**0**	0
Transfer to Stage 3				**0**	0
Revaluation of loss allowance	189	131	0	**320**	0
Newly originated or purchased financial assets	272	90		**362**	154
Financial assets paid or sold	-61	-15	-172	**-248**	-57
Receivables written off			-12	**-12**	0
Unwinding of discounts				**0**	0
Foreign currency revaluation and other effects	4	0	35	**39**	35
31 December closing balance	**756**	**249**	**407**	**1,413**	950
Receivables from other customers					
Opening balance on 1 January	**613**	**3,153**	**21,289**	**25,056**	16,697
Transfer to Stage 1	0	0		**0**	0

(All amounts in HUF million unless otherwise stated)

Transfer to Stage 2	-102	102		**0**	0
Transfer to Stage 3	0	-2,456	2,456	**0**	0
Revaluation of loss allowance	231	542	9,640	**10,412**	4,891
Newly originated or purchased financial assets	22	127	24	**174**	3,023
Financial assets paid or sold	-9	-274	-4,531	**-4,814**	-972
Receivables written off			-34	**-34**	0
Unwinding of discounts			-742	**-742**	565
Foreign currency revaluation and other effects	5	4	189	**197**	852
31 December closing balance	**760**	**1,198**	**28,292**	**30,249**	25,056

Other assets

Opening balance on 1 January			**4**	**4**	1
Revaluation of loss allowance				**0**	0
Newly originated or purchased financial assets			2	**2**	4
Financial assets paid or sold			-2	**-2**	-1
Receivables written off				**0**	0
Foreign currency revaluation and other effects			0	**0**	0
31 December closing balance			**3**	**3**	4

Financial guarantee agreements and loan commitments

Opening balance on 1 January	**160**	**69**	**14**	**243**	261
Transfer to Stage 1	9	-9		**0**	0
Transfer to Stage 2	-18	18		**0**	0
Transfer to Stage 3				**0**	0
Revaluation of loss allowance	-12	13		**1**	-51
New credit lines and guarantees issued	66	22		**88**	188
Credit lines and issued guaratees that have been terminated or derecognised	-131	-44	-14	**-189**	-164
Foreign currency revaluation and other effects	1	0		**1**	9
31 December closing balance	**75**	**70**	**0**	**144**	243

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

Collaterals

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

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

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

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

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

(All amounts in HUF million unless otherwise stated)

	Receivables from credit institutions and insurance companies		Receivables from other customers	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Stage 1				
MEHIB Insurance	6,767	7,923	186,596	99,237
Cash and security deposit	-	-	294	466
Bank guarantees	137,295	68,433	-	-
Mortgage on property	-	-	9,041	11,213
Other	169,685	125,403	34,333	35,067
Total collaterals:	313,747	201,759	230,264	145,983
Gross value of receivables:	911,344	762,142	249,056	169,450
Value of collateral as a % of receivable:	34%	26%	92%	86%
Stage 2				
MEHIB Insurance	-	39	53,076	46,276
Cash and security deposit	-	-	575	1,180
Bank guarantees	-	-	-	-
Mortgage on property	-	-	5,835	10,519
Other	46,394	-	4,268	16,046
Total collaterals:	46,394	39	63,754	74,020
Gross value of receivables:	73,454	618	79,760	120,749
Value of collateral as a % of receivable:	63%	6%	80%	61%
Stage 3				
MEHIB Insurance	-	-	4,478	5,812
Cash and security deposit	-	-	2,237	1,360
Bank guarantees	-	-	-	-
Mortgage on property	-	-	21,290	14,609
Other	-	-	13,329	8,300
Total collaterals:	-	-	41,334	30,080
Gross value of receivables:	407	556	108,698	58,395
Value of collateral as a % of receivable:	-	-	38%	52%
POCI				
MEHIB Insurance	-	-	-	-
Cash and security deposit	-	-	-	-
Bank guarantees	-	-	-	-
Mortgage on property	-	-	-	-
Other	-	-	-	-
Total collaterals:	-	-	-	-
Gross value of receivables:	-	-	-	-
Value of collateral as a % of receivable:	-	-	-	-
Total collaterals:	**360,141**	**201,798**	**335,352**	**250,083**
Gross value of receivables:	**985,205**	**763,316**	**437,514**	**348,594**
Value of collateral as a % of receivable:	**37%**	**26%**	**77%**	**72%**

The other collaterals behind refinancing loans provided to banks include pledges on receivables that consist of loans granted by commercial banks to exporters. Other collateral behind loans provided to customers consisted of 68% of assignments, 13% of guarantees issued by companies and 8% of chattel pledges. Of these movable pledges, 93% were on vehicles, machinery and equipment and 7% on inventories. The collateral evaluation system considers different haircuts for various collateral types that the Bank defined in its internal policies on collaterals.

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

30.2 Liquidity risk

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

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

Loans from domestic and foreign banks and the issued global medium-term bonds are secured by the general guarantee provided by the Government of Hungary up to the maximum amount of the guarantee, as defined in the Act on the Budget of Hungary. Some loan agreements set out a maturity extension option in favour of the Bank. Termination of short-term money market transactions is not possible due to market characteristics. Based on the legal background of the Bank and its experiences, the Bank regards the probability of the premature termination of funds to be extremely low. Under the "material adverse change clause" included in all loan agreements, an unused loan commitment can, if necessary, be used to mitigate liquidity risk. This is due to the fact that no disbursement needs to be made against cancellable, undrawn credit lines in the event of cancellation, which reduces liquidity risk.

(All amounts in HUF million unless otherwise stated)

The Bank maintains a liquidity reserve for all its HUF and foreign currency assets, the value and composition of which were as shown in the table below as at 31 December 2021 and 31 December 2020.

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

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

The Hungarian State's obligations to Eximbank in respect of the Funding Guarantee are subject to an upper limit set by the annual central budget. Under the 2021 Budget Act, the upper limit of the Funding Guarantee is currently HUF 1,500 billion, which was 84.52% used as at 31 December 2021.

The Hungarian State does not charge any fees in respect of the Funding Guarantee. In accordance with Hungarian legislation, if the Bank fails to perform any of its payment obligations guaranteed by the Hungarian State, creditors may seek to collect their claims directly from the Hungarian State by filing a petition with the minister responsible for public finances without first seeking to collect from the Bank.

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

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

(All amounts in HUF million unless otherwise stated)

30.3 Market risk

The Bank does not enter into speculative transactions. In 2021 and in 2020 no capital requirement was generated for this purpose in accordance with Article 351 of Regulation (EU) No 575/2013.

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

	31.12.2021	31.12.2020
Capital requirement of the trading book	-	-
Solvency capital	286,306	252,001
Capital requirement of the trading book as a percentage of the capital adequacy ratio	-	-

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

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

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

(All amounts in HUF million unless otherwise stated)

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

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

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

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

	31.12.2021	31.12.2020
Fixed rate financial instruments		
Financial assets	284,166	192,287
Financial liabilities	1,470,868	1,029,643
Total	**1,755,034**	**1,221,930**
Variable rate financial instruments		
Financial assets	73,418	33,097
Financial liabilities	85,041	106,768
Total	**158,459**	**139,865**
Assets in interest equalisation	1,270,905	1,000,190
Tied-aid credits	76,838	62,055

Financial assets in the interest equalisation system and aid loans are fixed-rate or zero-interest financial instruments. In case of tied-aid credits 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.

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

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

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

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

The results are aggregated taking into account the average and standard deviation of the last 12 months, and the pillar 2 capital requirement is determined by combining the two methods, with a weighting calculated on the basis of a structural sensitivity calculation different for each currency. Eximbank's effective interest-rate risk capital requirement as at 31 December 2021 was HUF 4,140 million.

The interest rate risk limit is set at 10% of the Bank's solvency capital, and the limit is charged by the economic impact on capital value of interest rate risks. The utilisation of the interest rate risk limit was 4.71% on 31 December 2021, which has been between 4-14% in recent years, measured on a monthly basis, so there was no need for asset-liability structural intervention to reduce interest rate risk.

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

30.3.2 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 per currency and in aggregate both for overnight and for intra-day positions, which are monitored and reported daily. Furthermore, calculating foreign currency exchange risk conforms to the norms of the standard method. The Bank manages its foreign currency risk and position based on its financial position. The Bank does not enter into speculative transactions on the FX market and opens FX positions only within the framework of highly restricted rules, limiting foreign exchange risks to a minimum with very tight foreign exchange open position limits (HUF 400-400 million for EUR and USD, HUF 300 million for other currencies, with the total value of open positions allowed being HUF 1100 million).

On 31 December 2021 foreign currency esposures were the followings (in HUF million):

	EUR	USD	GBP	RUB	RSD	KZT	TRY
Receivables from credit institutions and insurance companies	508,667	34,474	2	13	3	7	1
Receivables from other customers	265,692	95,078	0	0	0	0	0
Other receivables	473	19	0	1	0	0	0
Total assets denominated in foreign currency	774,832	129,571	2	14	3	7	1
Deposits from banks and insurance companies	597,383	142,551	0	0	0	0	0
Deposits from customers	0	1,009	0	0	0	0	0
Other liabilities	2,570	202	0	0	0	2	0
Total liabilities denominated in foreign currency	599,953	143,762	0	0	0	2	0
Net amount of assets and liabilities denominated in foreign currency	**174,879**	**-14,191**	**2**	**14**	**3**	**5**	**1**
Effect of derivative transactions	*-214,765*	*-8,539*					
Net foreign currency exposure	**-39,886**	**-22,730**	**2**	**14**	**3**	**5**	**1**

On 31 December 2020 foreign currency esposures were the followings (in HUF million):

	EUR	USD	GBP	RUB	RSD	KZT	TRY
Receivables from credit institutions and insurance companies	428,777	44,233	-	-	-	-	-
Receivables from other customers	213,888	87,414	-	1	-	-	-
Other receivables	1,324	241	2	5	3	2	-
Total assets denominated in foreign currency	**643,989**	**131,889**	**2**	**6**	**4**	**2**	**-**
Deposits from banks and insurance companies	561,398	139,966	-	-	-	-	-
Deposits from customers	-	3,735	-	-	-	-	-
Bonds issued	-	4,225	-	-	-	-	-
Other liabilities	2,611	130	-	-	-	2	-
Total liabilities denominated in foreign currency	**564,009**	**148,055**	**-**	**-**	**-**	**2**	**-**
Net amount of assets and liabilities denominated in foreign currency	**79,980**	**-16,167**	**2**	**6**	**4**	**1**	**-**
Effect of derivative transactions	*-77,153*	*-1,635*					
Net foreign currency exposure	**2,827**	**-17,802**	**2**	**6**	**4**	**1**	**-**

The Bank does not enter into speculative transactions. In 2021 and in 2020 no capital requirement was generated for this purpose in accordance with Article 351 of Regulation (EU) No 575/2013.

30.4 Capital Management

In 2021, Eximbank met the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR). Solvency capital is determined in accordance with Part Two of the CRR, while capital requirements are maintained in accordance with the provisions of Part Three.

In accordance with IFRS 9, Eximbank introduced cash-flow hedge accounting for long-term currency swap (CCIRS) transactions from 31 December 2020. The effective portion of hedge accounting is recognised in equity under Other comprehensive income, within which the reserve for cash flow hedges is recognised, as opposed to the previous year's recognition against profit or loss. The cash flow hedge reserve of equity as at 31 December 2021, net of the corporate tax charge, can be eliminated from the solvency capital through prudential filtering (CRR Article 33), which increased the solvency capital by HUF 13.2 billion (reserve: HUF -14.5 billion, tax reserve: HUF 1.3 billion).

Eximbank has subordinated loan capital of EUR 100 million provided by the Hungarian Development Bank, which expires on 12 September 2024. From the start of the five-year amortisation period, from 12 September 2019, this may be included in the solvency capital as an additional capital instrument in a gradually decreasing amount, as provided for in Section 92 of the CRR. At 31 December 2021, 54% of the total capital amount (HUF 36,900 million) may be included in the solvency capital, which is HUF 19,914 million.

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

The Bank fulfilled the legal and prudential requirements in 2021. The capital adequacy ratio significantly exceeded the 8 percent required by the law as stated above.

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

	31.12.2021	31.12.2020
Core capital	266,392	225,001
Supplementary capital	19,914	27,000
Solvency capital	**286,306**	**252,001**
Amount of risk-weighted credit exposure	1,531,771	1,229,858
Value of CVA risk exposure	14,187	52
Amount of risk-weighted operational risk	25,484	35,061
Total risk-weighted exposure	**1,571,442**	**1,264,971**
Capital adequacy ratio	18.22%	19.92%

30.5 Large exposure risk undertaking:

The Bank applies the large exposure ordinances of CRR (Article 392 for large exposure undertakings against clients or client-groups, and Article 395 for exceeding the large exposure risk undertaking limit) together with the adjustments regulated in the Act on Exim.
Undertaking large-exposure risks:
According to Section 21 (1) of the Exim Act, an exposure to a client or group of clients exceeding 25% of the solvency capital is considered undertaking a large-exposure risk.

Exceeding the large-exposure risk undertaking limit:

- For credit institution clients, in the case of non-export and other export-purpose loans and other exposures, the sum total of the exposures to a credit institution or a credit-institution member of a client group, less exemptions and the credit mitigation effect of credit-risk mitigation assets, may not exceed 200% of the solvency capital.

- For non-credit institution clients, the large exposure limit is 35% of the solvency capital.

Section 21 (3) of Act on Exim regulates the exemptions and credit risk mitigation tools applicable to exempt exposures formulating the basis of large exposure risk undertaking:

a) export-oriented loans granted by the Bank to domestic or foreign credit institutions. According to the Section 1 of 85/1998. (V. 6.) Government Decree on the Bank's interest compensation system, export-oriented loans are the followings:
- ➢ export credits, refinancing export credits, other export-oriented credits (supplier credits, investment loans abroad), other export oriented refinancing export credits defined by the Section 1 points a)-d) of 85/1998. Governmental Decree;
- ➢ competitiveness increasing credits and refinancing credits granted within the framework of the Export Stimulating Loan Program defined by the 1. § e)-f) points of 85/1998. Governmental Decree;
- ➢ refinancing credits to buy export receivables (loans granted by domestic or foreign financial institutions to buy export receivables in line with point 60 of Section 6 (1) of the Act on Credit Institutions and Financial Service Companies) defined by the 1. § g) point of 85/1998. Governmental Decree;
- ➢ export pre-financing credits (export pre-financing loans and export-oriented investment loans) and export pre-financing refinancing credits defined by the 1. § h)-i) points of 85/1998. Governmental Decree.

b) in respect of credit and loans provided by Eximbank to a foreign buyer, where the credit rating of the destination country – based on the methodology of the agreement on officially supported export credits of the Organisation for Economic Cooperation and Development – is at least 3 or better, and the repayment of the credit and the loan is guaranteed by central budget or the central bank of the destination country,

c) Up to the amount secured by the following guarantees:

ca) in respect of credit and loans secured by the guarantee of a credit institution that has its registered office in a member state of the Organisation for Economic Co-operation and Development, or

cb) in respect of credit and loans secured by the guarantee of a credit institution to which, in respect of its exposures – not secured with loan collateral – with a maturity of longer than three months, can be assigned a risk weight of no more than 50% under the standardised approach for measuring credit risk,

d) in respect of exposures secured by the absolute suretyship of the central budget, including export-related credit and loan operations covered by a non-marketable risk insurance of Mehib Rt., up to the insured amount less the excess.

In addition, the exemptions and credit risk mitigation tools regulated in Article 400-403 of the CRR are applicable to exempt exposures formulating the basis of large exposure risk undertaking.

As at 31 December 2020, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk mitigation techniques set out in the CRR and the Exim Act amounted to HUF 957,297 million.

As at 31 December 2020, in its *non-credit institution client base*, the Bank had a large risk exposure to one client exceeding 25% of its solvency capital, in the amount of HUF 342,985 million. The exposure with a value of HUF 315,341 M is secured by MEHIB insurance, which provides a risk mitigation effect for the purposes of the large-exposure limit up to the amount of the cover.

In its *non-credit institution client base*, the total amount of the values of the Bank's exposures before the application of exemptions and credit risk mitigation tools was HUF 614,312 million,

vis-à-vis four credit institution client groups. The large exposure to these client groups was reduced by credit lines, in the value of HUF 164,356 million, which can be cancelled in the event of a drawdown that would result in a large-exposure overrun. The limit load was further reduced by medium/low-risk (20% CCF) credit lines, 50% of which can be taken into account under Article 400 (2) i) of the CRR, amounting to HUF 9,113 million. Under the Exim Act, the guarantee for credit institutions established in OECD member countries meant an exemption of HUF 27,456 million.
At the end of December 2020, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2021, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk mitigation techniques set out in the CRR and the Exim Act amounted to HUF 1,118,317 million.
As at 31 December 2021, in its *non-credit institution client base*, the Bank had a large risk exposure to one client exceeding 25% of its solvency capital, in the amount of HUF 346,403 million. The exposure with a value of HUF 318,683 M is secured by MEHIB insurance, which provides a risk mitigation effect for the purposes of the large-exposure limit up to the amount of the cover.
In its *non-credit institution client base*, the total amount of the values of the Bank's exposures before the application of exemptions and credit risk mitigation tools was HUF 771,914 million, vis-à-vis five credit institution client groups. The large exposure to these client groups was reduced by credit lines, in the value of HUF 1,039 million, which can be cancelled in the event of a drawdown that would result in a large-exposure overrun. The decrease in the volume of cancellable credit lines was due to the elimination of excess credit lines at the end of the compensation credit programme. The limit load was further reduced by medium/low-risk (20% CCF) credit lines, 50% of which can be taken into account under Article 400 (2) i) of the CRR, amounting to HUF 26,294 million. Under the Exim Act, the guarantee for credit institutions established in OECD member countries meant an exemption of HUF 36,464 million.

At the end of December 2021, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2021 Eximbank had no large-exposure limit breaches at either client or client group level.

30.6 Compliance with the "Green" recommendation of the National Bank of Hungary No. 5/2021 (IV.15.)

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

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

The Bank has developed its Green Financing Programme, with the objective of creating financing schemes for domestic developments where at least 25% of the investment is for sustainability purposes, reducing energy consumption and environmental impact, greenhouse gas emissions, promoting sustainable farming and the shift to clean technology.

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

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

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

Environmental sustainability credit risk is defined by the Bank as an environmental, social or governance event or circumstance, the occurrence of which could have a material adverse impact on the value of placements and/or investments, or on the financial position, performance or reputation of clients.

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

The Bank has incorporated climate change and environmental risks into its risk taxonomy, which it has identified and defined as various transition, physical and reputational risks.

In order to ensure that the Bank is aware of its clients' impact on and vulnerability to climate change and the environment, the Bank has mapped the climate change and environmental risks of its business sectors on a heat map. The Bank has formulated mitigation measures to help reduce the identified risks.

The Bank uses a risk framework approach to measure environmental and climate change risks, which includes climate stress testing, scenario analysis and sensitivity analysis, in order to assess the impact of sustainability issues on the Bank's risk profile. As a part of this, the Bank has assessed:

- how the Bank may be affected by physical and transition risks;
- how climate change and environmental risks may evolve under different scenarios, taking into account the specificities of this type of risk (uncertainty and non-linearity,

probability not based on historical data, potentially extreme and wide-ranging impacts);
- how climate and environmental risks may occur in the short, medium and long term, depending on the scenarios considered.

In the context of the climate stress testing, the Bank assessed the impact of different climate change scenarios on the risk indicators of the Bank's priority portfolio segments, which the Risk Strategy sought to quantify through the long-term probability of default, through sovereign ratings and through bank and corporate PDs, relying heavily on the results of the climate stress testing conducted by the ECB in 2021. To this end, the Bank used three scenarios, taking into account the degree of transitory and physical risks and the effectiveness of the measures.

NOTE 31 GEOGRAPHICAL CONCENTRATION

The tables below show the concentration of elements of the Statement of financial positon and incomes of the Bank by geographical areas. In addition to domestic balances, the columns of the tables show balances related to other EU Member States, European countries that are not EU Member States, and non-European countries.

(All amounts in HUF million unless otherwise stated)

Concentration of assets and liabilities by geographical area as at 31/12/2021

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Cash and cash equivalents	1,273	1	23	246	1,543
Securities measured at amortised cost	102,976	-	-	-	102,976
Receivables from credit institutions and insurance companies	960,228	16,564	4,761	2,240	983,793
Receivables from other customers*	134,948	-	5,620	266,697	407,265
Derivative transactions - Held for trading, measured at fair value through profit or loss	22	4	-	-	26
Derivative transactions – Hedge accounting measured at fair value through profit or loss	-	-	-	-	-
Investments measured at fair value through profit or loss	12	30,963	-	8,603	39,578
Investments accounted for using the equity method	69,856	-	-	-	69,856
Intangible assets	2,292	-	-	-	2,292
Property, plant and equipment	1,955	-	93	-	2,048
Actual income tax receivables	436	-	-	-	436
Other tax receivables	557	-	-	-	557
Deferred tax receivables	1,985	-	-	-	1,985
Other assets	5,589	-	-	-	5,589
Total assets	**1,282,129**	**47,532**	**10,497**	**277,786**	**1,617,944**
Liabilities to credit institutions and insurance companies	504,484	440,490	-	-	944,974
Liabilities to other customers	1,009	-	-	-	1,009
Derivative transactions - Held for trading, measured at fair value through profit or loss	2,911	1,393	-	-	4,304
Derivatives held for hedging purposes	6,437	12,592			19,029
Securities issued**	380,859	-	-	2,929	383,788
Provisions	139	2		3	144
Tax liabilities	187	-	-	-	187
Deferred tax liabilities	200	-	-	-	200
Other liabilities	7,730	513	87	407	8,737
Total liabilities	**903,956**	**454,990**	**87**	**3,339**	**1,362,372**
Subscribed capital	253,230	-	-	-	253,230
Retained earnings	4,920	-	-	-	4,920
Other reserves	-2,578	-	-	-	-2,578
Total equity	**255,572**	**-**	**-**	**-**	**255,572**
Total liabilities and equity	**1,159,528**	**454,990**	**87**	**3,339**	**1,617,944**

(All amounts in HUF million unless otherwise stated)

Off-balance sheet financial instruments

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Unutilised part of credit lines***	179,982	456	667	351,907	533,012
Guarantees issued with a guarantee by the State	28,102	-	-	-	28,102
Suretyship issued with a guarantee by the State	1,920	-	-	-	1,920
Guarantees issued without a guarantee by the State	274	-	-	-	274
Letters of credit	-	-	-	136	136
Funds	37,616	39,618	-	10,631	87,865
Total	**247,894**	**40,074**	**667**	**362,674**	**651,309**

* 52% of the Receivables from other customers in other countries are Egyptian, 21% of loans are to clients of Indonesia, 14% of Laos, 6% of Sri Lanka.

**The bonds issued by the Bank in October 2017, February 2019, November 2020 and December 2020 are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of investors according to geographical areas, so the Bank has included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.

*** Of the undrawn credit lines related to Other countries as at 31.12.2021, HUF 207,678 million is Egyptian exposure.

(All amounts in HUF million unless otherwise stated)

Concentration of assets and liabilities by geographical areas as at 31 December 2020

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Cash and cash equivalents	2,183	95	12	239	2,529
Securities measured at amortised cost	105,261	-	-	-	105,261
Receivables from credit institutions and insurance companies	753,172	442	5,568	3,184	762,366
Receivables from other customers*	147,287	3,095	6,086	167,070	323,538
Derivative transactions - Held for trading, measured at fair value through profit or loss	-	-	-	-	-
Investments measured at fair value through profit or loss	12	23,057	-	5,129	28,198
Investments accounted for using the equity method	61,121	-	-	-	61,121
Intangible assets	2,165	-	-	-	2,165
Property, plant and equipment	2,307	87	-	-	2,394
Actual income tax receivables	649	-	-	-	649
Other tax receivables	673	-	-	-	673
Deferred tax receivables	374	-	-	-	374
Other assets	4,067	-	-	-	4,067
Total Assets	**1,079,271**	**26,776**	**11,666**	**175,622**	**1,293,335**
Liabilities to credit institutions and insurance companies	419,492	430,831	-	-	850,323
Liabilities to other customers	3,675	-	-	-	3,675
Derivative transactions - Held for trading, measured at fair value through profit or loss	1,417	128	-	-	1,545
Securities issued**	198,030	-	-	3,370	201,400
Provisions	231	1	3	8	243
Tax liabilities	105	-	-	-	105
Deferred tax liabilities	84	-	-	-	84
Other liabilities	7,831	580	98	285	8,794
Total Liabilities	**630,865**	**431,540**	**101**	**3,663**	**1,066,169**
Subscribed capital	213,230	-	-	-	213,230
Retained earnings	3,595	-	-	-	3,595
Other reserves	10,341	-	-	-	10,341
Total equity	**227,166**	**-**	**-**	**-**	**227,166**
Total liabilities and equity	**858,031**	**431,540**	**101**	**3,663**	**1,293,355**

(All amounts in HUF million unless otherwise stated)

Off-balance sheet financial instruments

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Unutilised part of credit lines***	379,479	451	1,751	408,366	790,047
Guarantees issued with a guarantee by the State	16,382	-	306	-	16,688
Guarantees issued without a guarantee by the State	456	-	16	-	472
Letters of credit	-	-	-	614	614
Funds	20,259	40,564	-	13,410	74,233
Total	**416,576**	**41,015**	**2,073**	**422,390**	**882,054**

* Exposures to other clients in the Other countries category include 34% Indonesian, 30% Egyptian, 18% Laotian and 7% Sri Lankan exposures.

**The bonds issued by the Bank in October 2017, February 2019, November 2020 and December 2020 are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of investors according to geographical areas, so the Bank has included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.

*** Of the undrawn credit lines related to Other countries as at 31.12.2020, HUF 293,689 million is Egyptian exposure. This exposure was the reason for the significant increase compared to the previous year.

(All amounts in HUF million unless otherwise stated)

Segmented revenue by geographical areas for the year ended 31 December 2021

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Interest income:					
Receivables from credit institutions and insurance companies	(7,053)	-	129	72	(6,852)
Receivables from other customers	2,593	41	81	3,018	5,733
Interest equalisation system***	31,252	-	-	-	31,252
Securities	1,527	-	-	-	1,527
Derivatives	17	-	-	-	17
Held for hedging purposes	799	1,159	-	-	1958
Other interest income	40	-	-	-	40
Total interest income	**29,175**	**1,200**	**210**	**3,090**	**33,675**
Income from fees and commissions	384	2	6	355	747
Total income	**29,559**	**1,202**	**216**	**3,445**	**34,422**

*** The revenues related to the interest equalisation system come from the Hungarian State.

Segmented revenue by geographical areas for the year ended 31 December 2020

	Hungary	Other EU Member States	European countries, but not EU Member States	Other countries	Total
Interest income:					
Receivables from credit institutions and insurance companies	131	-	147	90	368
Receivables from other customers	3,652	71	87	2,165	5,975
Interest equalisation system***	19,523	-	-	-	19,523
Securities	811	-	-	-	811
CCIRS	278	-	150	-	428
Other interest income	47	6	-	-	53
Total interest income	**24,442**	**77**	**384**	**2,255**	**27,158**
Income from fees and commissions	235	3	22		260

(All amounts in HUF million unless otherwise stated)

Total income	**24,677**	**80**	**406**	**2,255**	**27,418**

*** The revenues related to the interest equalisation system come from the Hungarian State.

NOTE 32: EVENTS AFTER THE BALANCE SHEET PREPARATION DATE

On 24 February 2022, Russia began an invasion of Ukraine, launching missile and air strikes on key Ukrainian military assets across the country, and simultaneously launching a land offensive from Russian territory, Crimea and Belarus. Following the attack on 24 February 2022, Russia's aggression was met with significant sanctions by EU Member States, the UK, the US, Japan and South Korea, among others, and a further significant tightening of sanctions followed.

The Bank previously assumed risk in relation to the countries involved in the conflict, under MEHIB Zrt.'s insurance cover. However, MEHIB Zrt. suspended Ukraine's insurance limit on the day of the launch of the Russian offensive (24 February 2022), and the Russian and Belarusian limits on 28 February 2022, with immediate effect.

Following the assessment of the situation, on 2 March 2022, the Bank downgraded Russia from category 4 to category 6 and Ukraine from category 6 to 7 (the worst category), while suspending the country limits for Ukraine, Russia and Belarus. The Bank suspended its limits for all Russian and Belarusian financial institutions and their respective Hungarian subsidiaries. The Bank had no outstanding limits with Ukrainian financial institutions. On 11 March 2022, the OECD decided to downgrade Russia and Belarus to Category 7.

The portfolio figures published in this section are unaudited figures as at 28 February 2022.

In the area of export finance and insurance, loans to Russian/Ukrainian enterprises/banks are MEHIB-insured transactions. In the case of these transactions, the insurance excess and the independently issued L/C confirmation constitute Eximbank's own risk exposure:

- Based on this, Eximbank has an exposure of HUF 246 million in medium and long-term transactions in Russian-Ukrainian-Belorussian arrangements not covered by MEHIB Zrt., which is entirely due to the 5% insurance excess related to a buyer credit facility granted to a financial institution subject to sanctions (before the first sanctions were imposed).
- The amount of such exposure from short-term transactions is HUF 81 million, which represents two L/C confirmations issued by a Belarusian bank for a total amount of HUF 79 million and the 1% excess of a MEHIB Zrt. insurance for two receivables-purchase transactions for HUF 2 million.

In other words, the Bank's total export financing exposure not covered by MEHIB Zrt. insurance in respect of deals to these countries is HUF 327 million.

Considering that the exposures to deals involving these countries are backed by MEHIB Zrt.'s export credit insurance facilities, the Bank's financial position is not significantly impacted by the war or the sanctions imposed. Although expected loss calculations are not directly affected by these events, downgrades may still occur in 2022 due to the spillover effects of the war and the sanctions on clients and counterparties not precisely identifiable at this point. The Bank does not expect any material impairment impact as a consequence of these events during 2022.

The Bank can assess the expected impact of the Russian-Ukrainian war and international sanctions against Russia on domestic businesses in respect of balance sheet-based financing, corporate financing, loan protection and guarantee portfolios based on a survey of the total

customer base. This total portfolio amounts to HUF 67,191 million, consisting of HUF 45,220 million in loans receivable from other customers and HUF 21,971 million in off-balance sheet guarantees.
Identified areas of concern are: buyer/supplier relations, distribution and supply chains, raw material prices and the supply of raw materials, availability of labour, bank relations, Russian and Ukrainian related parties, exchange rates, transportation costs, rising interest rates.
For 41.42% of the portfolio concerned (HUF 27,830 million), no direct impact was identified. Of the companies reporting exposure, 39.52% of the portfolio (HUF 26,554 million) rated the degree of exposure as low, 9.6% of the clients – 18.26% of the portfolio (HUF 12,268 million) – rated it as high, and 1 client – 0.8% of the portfolio (HUF 539 million) – rated it as medium.

Among the domestic clients with project financing or structured financing facilities, the Bank did not identify any entity with a material exposure to Russia or Ukraine, either on the supplier or on the buyer side. Eximbank's only foreign credit exposure to the relevant relationships is in Russia, which may be affected by the Russian-Ukrainian war or sanctions that have been imposed. The current receivables due from the Russian borrower is HUF 4,437.56 million, with a drawdown limit of HUF 417.78 million, but, for one, the loan is covered by MEHIB Facility V insurance as described above and, for another, any further disbursements and inclusion of additional assets under the insurance had already been suspended.

Refinancing loans granted to domestic financial institutions totalled HUF 983,646.5 million, in connection with 5,956 transactions. Within the refinanced portfolio, financing amounting to HUF 4,800 million is directly related to exports to Russia.

Eximbank's domestic refinancing activities are mainly carried out at the risk of the refinanced banks. Thus, in the event of default by the client, the refinanced bank is still obliged to repay Eximbank. In the case of lease refinancing for financial companies, the Bank's security is also a bank guarantee or a parent company guarantee.

Accordingly, there are no problems directly related to the repayment of the refinancing portfolio for the time being, except maybe in respect of financial institutions affected by the sanctions. Eximbank has one (HUF 4,931.5 million) exposure to a sanctioned institution, which has since gone into voluntary liquidation, in relation to two transactions.

Eximbank's capital adequacy could be negatively affected by potential changes in customer ratings and exchange rate movements, but the Bank considers that it has sufficient capital buffers. Eximbank's capital adequacy ratio exceeded 18% at the end of 2021 and the OCR ratio expected by the Supervisory Authority is 12.52% in 2022. A 10% depreciation of the forint would result in a 0.9-1 percentage-point decrease in Eximbank's capital adequacy ratio, based on the impact assessments. Eximbank's capital adequacy position does not in itself justify a capital increase in the current known situation, but the assessment of this may be influenced by economic policy considerations.

The equity funds in which Eximbank is involved have limited exposure to Russia and Ukraine, and therefore carry limited investment risk. The primary reason for this is that the geographical focus of the funds is predominantly on Central and Eastern Europe for funds registered in Hungary, with no direct Russian or Ukrainian investments among the portfolio companies of the funds. Accordingly, the small number of funds and investments involved typically have risks of low sales or operational risk through a service-provider subsidiary. In terms of equity investments, the Russian-Ukrainian armed conflict could negatively affect the investments of individual equity funds, which we expect to result in a reduction in net asset values of around HUF 5 billion.

Currently, Eximbank's liquidity position is stable, with more short-term lending than short-term interbank borrowing. The Bank expects a significant volume of loans to be disbursed in March and April 2022, in addition to the maturity of more than HUF 55,793 million in bonds due at the end of March and the repayment of a significant amount of loans in early April.
Based on the loans disbursed, we expect the repayments to come in as scheduled in these two months. Eximbank also has several revolving credit lines contracted for, which are available for immediate use.
In addition, Eximbank can obtain emergency funding from the National Bank of Hungary based on the offset value of assets that are eligible for collateral, i.e. government securities and corporate loan receivables.
Based on the approval of the Asset-Liability Committee, the Board of Directors and the Founder, the possibility also exists to raise significant long-term loans in euro or forint. These loans would be sufficient to cover a large proportion of the Bank's borrowing requirement.

NOTE 33 USE OF ESTIMATES AND JUDGEMENTS

Management discusses with the Supervisory Board the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures complement the notes related to financial risk management (see Note 30. Note).

33.1 Main sources of estimation uncertainty

Credit losses

Assets measured at amortised cost are tested regularly for impairment in accordance with the Bank's accounting policy.

The expected loss models used to measure Stage 1 and Stage 2 financial assets, financial guarantees and loan commitments, as well as the parameters of these models, are set out in detail in Notes 3.7 and 30, which also include the factors of estimation uncertainty.
Impairment on individually valued financial assets are determined on a customer-specific basis, based on the best estimate of the net present value of expected cash flows. In estimating the cash flows, the management considers the financial position of the customer and the net realisable value of the collateral related to the transaction. For each individually impaired asset, Risk Management individually approves the estimate of cash flows deemed recoverable based on the recovery strategy.

Provisions

The Bank sets asides provisions for litigation cases and employee benefits. The Bank is involved in a number of ongoing litigation cases. Based on past experience and expert reports, the Bank assesses developments in the cases and the likelihood and amount of potential financial losses. A provision is recognised if the Bank has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Eximbank Zrt. and MEHIB Zrt. (hereinafter together: EXIM) signed a lease agreement with DÖB-68 Zrt. as lessor on 17 January 2014 for the lease of offices and parking spaces in the office building registered under topographical lot number 14402 in Budapest (Lánchíd Office Building). On 16 January 2015, EXIM filed a suit with the Municipal Court of Budapest to determine that the lease contract was clearly disproportionate in amount and ran counter to ethical norms.
During the various years of litigation, with variable outcomes, the statement of claim was amended several times by EXIM and the defendant presented a counterclaim.
On 30 September 2020, in repeated second-instance proceedings, the Metropolitan Court of Appeal issued a judgment and upheld the judgment of the court of first instance in the part dismissing EXIM's claim – applicable to the entire cost of the litigation – while in the part condemning EXIM it changed its decision with regard to the main claim and the interest payable on it, and increased the amount to be paid jointly and severally to the defendant.EXIM complied with the court's judgment on 15 October 2020, but filed a petition for review against the final judgment of the Metropolitan Court of Appeal, requesting the Curia to repeal the judgment of the Metropolitan Court of Appeal and, in the first instance, pass a new decision in conformity with the law, in which the plaintiffs' claim is upheld, and, in the second instance, order the Metropolitan Court of Appeal to conduct new proceedings and issue a new decision. In its judgment of 17 June 2021, the Curia (Hungary's supreme court) held that the final judgment of the Metropolitan Court of Appeal did not violate the legal provisions invoked in the petition for review, and therefore upheld it.

Determination of fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of the valuation techniques that are described in the accounting policy. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also Note 34 entitled "Fair value of financial instruments".

33.2 Critical accounting judgements in applying the Bank's accounting policies

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

Determination of extent of control or influence exercised in respect of investments

The Bank's contribution to the share capital of EXIM Exportösztönző Magántőkealap is almost 100%, in the case of Enter Tomorrow Europe Magántőkealap it is 50%, in the case of Columbus Magántőkealap Európa-Agrár Magántőkealap and Herius-1 Magántőkealap it is 70%, and in the case of PortfoLion Regionális Magántőkealap II it is 49.9%. The Bank does not exercise control, but it has significant influence. Significant influence means the power to govern the financial and operating policies of a target company. The Bank has a right to participate in the investment policy decisions of the funds, but only in a minority and therefore its participation does not constitute control or joint control. In the case of the PortfoLion Regionális Magántőkealap (PRMA), the Bank has a 50% stake and, as it has a veto right over the investment policy decisions of the fund, its participation constitutes joint control. Eximbank accounts for its holdings in these funds using the equity method.

Eximbank does not have a significant influence in the other funds, as is does not have the power to participate in the financial and operational policy decisions of the funds, nor does it have representatives in the relevant decision-making bodies of the funds. Eximbank's representation is limited to objecting to whether a proposed investment's beneficial owners are suitable counterparties. The members of Eximbank's delegation to the actual investment decision-making bodies of the funds – with the exception of PortfoLion Regionális Magántőkealap I– do not have veto rights.

Each fund uses a number of unobservable inputs in the valuation of its investments (inputs used for multiplier valuation and inputs used for DCF-based valuations), and therefore the Bank classifies these assets at level 3 of the fair value hierarchy. The fair values are not generated by the Bank, but are based on the valuations of the funds, and thus the Bank does not, in accordance with IFRS 13 93 d), disclose them.

Other considerations related to investments accounted for using the equity method

Determining whether the investment funds accounted for using the equity method described in Note 10 meet the definition of an investment entity specified in Note 3.17 requires significant judgement on the part of the Bank, as some investment funds have one investor or a small number of investors, and the Bank has participated in the creation of the funds and therefore significant consideration is required in determining whether the Bank has "other benefits" (other than the return on capital appreciation or the investment income) through the entity's investments that are not available to other parties that are not affiliated to the investee.

Based on the considerations set out above and the concept presented in Note 3.17, of the investment entities accounted for using the equity method presented in Note 10, Eximbank considers Columbus Magántőkealap and PortfoLion Regionális Magántőkealap to be investment entities.

Based on the considerations set out above and the concept presented in Note 3.17, of the investment entities accounted for using the equity method presented in Note 10, Eximbank considers Columbus Magántőkealap, Enter Tomorrow Europe Magántőkealap, Európa Agrár Magántőkealap, Herius-1 Magántőkealap and PortfoLion Regionális Magántőkealap I-II to be investment entities.

33.3 Miscellaneous

The subsidy scheme for interest compensation and aid loans is detailed in Note 3.13 and the premium paid to MEHIB is detailed in Notes 19 and 23.

33.4 Other disclosures related to the coronavirus

In order to mitigate the effects of the coronavirus pandemic on the national economy, to protect the social security of certain priority social groups and to stabilise the situation of enterprises in financial difficulty, the Parliament and the Government considered it justified to maintain the moratorium on payments introduced by Govt. Decree 47/2020 (hereinafter: "Moratorium"). In view of this, on the basis of the provisions set out in Act CVII of 2020 on Transitional Measures for the Stabilisation of the Situation of Certain Priority Social Groups and Enterprises in Financial Difficulties and Govt. Decree 637/2020. (XII. 22.) on the introduction of special emergency rules for the loan repayment moratorium, the debtors were granted an additional payment moratorium from 1 January 2021 until 30 June 2021 for the payment of principal, interest and fees under loan and credit agreements and financial lease agreements that had already been disbursed as of 18 March 2020 ("second phase of the Moratorium").

The second phase of the Moratorium was first extended until 30 September 2021 by Govt. Decree 317/2021 (VI. 9.), promulgated on 9 June 2021, and then extended again until 30 June 2022 by Govt. Decree 536/2021 (IX. 15.), promulgated on 15 September 2021, amending Government Decree 637/2020 (XII. 22.) on the introduction of special emergency rules for the loan repayment moratorium, subject to the following conditions:

- debtors were allowed to use the moratorium in the same form until 31 October 2021 (the only difference being that a debtor who had not used the moratorium by the end of September 2021 could no longer decide to enter the moratorium in October 2021);
- starting from 1 November 2021, only debtors who had applied for the moratorium between 1 October 2021 and 31 October 2021, as laid down in Govt. Decree 637/2020 (XII.22.), as amended, and in Decree 6/2021 (IX.15.) on the application for the moratorium on loan repayments, as amended, and who had met the conditions laid down in the relevant statutory regulations, could avail themselves of the moratorium at the financial institutions providing the loan.

Pursuant to the above-mentioned statutory regulations, the Moratorium expired for the majority of the Bank's clients in its direct domestic corporate client portfolio on 31 October 2021, and therefore the Bank sent these debtors a new repayment schedule for the relevant transactions, valid after the second phase of the Moratorium. Also in the case of the refinancing loan portfolio, the schedules for the repayment of the refinancing loans concerned were amended to match the new repayment schedules applied to the derivative loan contracts of the clients exiting the Moratorium. These loans must contractually follow the repayment schedule between the commercial bank and the debtor.

Debtors remaining in the extended second phase of the Moratorium may continue to avail themselves of the payment deferral afforded them by the law until 30 June 2022.

On 17 December 2021, Act CXXX of 2021 on Certain Regulatory Issues Related to Emergency Situations was promulgated, Section 17 of which sets out the provisions of Govt. Decree 637/2020 (XII. 22.) in order to ensure that the provisions can be applied even after the emergency situation has ended.

33.5 Calculation of modification gain/loss

The Bank has carried out a calculation of the change in the cash flows for the relevant range of transactions (direct corporate and refinancing portfolios) and, on the basis of these, as well as on the basis of qualitative factors, has not identified any cases where derecognition would be necessary.

The Bank determines the valuation difference arising from changes in the due dates of repayment of its financial instruments subject to the payment moratorium on the basis of the difference between the present value of the original and the changed cash flows of the instruments concerned, discounted at the effective interest rate, and recognises it as a loss on the grounds of modification difference. In 2021, a modification loss of HUF 25.8 million was recognised in the statement of comprehensive income (HUF 891 million in 2020).

The Bank calculates the modification difference for refinancing loans to financial institutions by separating the cash flows according to the original and the revised schedule, so that the deferral of principal repayments due during the moratorium period is made in accordance with the legal stipulations, while interest payments are made according to the original schedule under agreements concluded with refinancing partners. The Bank calculates the modification difference for refinancing loans on the basis of the revised capital schedule, using the effective interest rate as a discount factor.

(All amounts in HUF million unless otherwise stated)

For domestic direct corporate exposures, the adjusted cash flows are determined on a per transaction basis, based on the original cash flows of each exposure and by rescheduling the principal and interest repayment dates due during the moratorium period, based on the specifics of the legislation on the moratorium. In this context, the present value is calculated using the original effective interest rate of each transaction.

Some economic events may also give rise to a modification gain on an ad hoc basis.

Transactions affected by the moratorium – 31.12.2021

	Gross carrying amount		Impairment at the balance sheet date	
	Performing transactions	Non-performing transactions	Performing transactions	Non-performing transactions
Receivables from credit institutions and insurance companies	6,575	-	7	-
Receivables from other customers	1,380	727	28	424
Total	**7,955**	**727**	**35**	**424**

Transactions affected by the moratorium – 31.12.2020

	Gross carrying amount		Impairment at the balance sheet date	
	Performing transactions	Non-performing transactions	Performing transactions	Non-performing transactions
Receivables from credit institutions and insurance companies	313,692	-	186	-
Receivables from other customers	110,205	6,952	14,812	3,367
Total	**423,897**	**6,952**	**14,998**	**3,367**

The table above shows the gross carrying amount of the transactions under the moratorium outstanding on 31 December 2021 and 31 December 2020 and the amount of impairment related to these transactions at the balance sheet date.

(All amounts in HUF million unless otherwise stated)

Maturity analysis of the credit moratorium programmes used – 31.12.2021

	Gross carrying amount						
			Remaining term of moratorium				
	Number of debtors affected	Moratorium expired*	<= 3 months	> 3 months <= 6 months **	> 6 months <= 9 months	>9 months <= 12 months	> 1 year
Receivables from credit institutions and insurance companies	13	-	-	6,575	-	-	-
Receivables from other customers	5	-	-	2,107	-	-	-
Total	**18**	**-**	**-**	**8,682**	**-**	**-**	**-**

*The Bank considers moratorium 1 and 2 to be legally closed, and therefore does not show the exited transactions in the table.

**The moratorium announced on 9 June 2021 reflects expectations before the extension, i.e. that the moratorium would have expired on 30 June 2021.

Maturity analysis of the credit moratorium programmes used – 31.12.2020

	Gross carrying amount						
			Remaining term of moratorium				
	Number of debtors affected	Moratorium expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	>9 months <= 12 months	> 1 year
Receivables from credit institutions and insurance companies	23	47,395	-	266,297	-	-	-
Receivables from other customers	38	3,163	-	113,994	-	-	-
Total	**61**	**50,558**	**-**	**380,291**	**-**	**-**	**-**

The table above shows a maturity analysis of transactions affected by a moratorium as at 31 December 2021 and 31 December 2020. The remaining total term of the moratorium is shown relative to the balance sheet date.

(All amounts in HUF million unless otherwise stated)

Measures taken as a result of COVID-19 epidemic, broken down by NACE code, non-financial companies – 31.12.2021

Sectors	Gross carrying amount of transactions affected by a moratorium
A AGRICULTURE, FORESTRY AND FISHING	-
B MINING AND QUARRYING	-
C MANUFACTURING	2,005
D ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	-
E WATER SUPPLY; SEWERAGE; WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	102
F CONSTRUCTION	-
G WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	
H TRANSPORTING AND STORAGE	-
I ACCOMMODATION AND FOOD SERVICE ACTIVITIES	-
J INFORMATION, COMMUNICATION	-
L REAL ESTATE TRANSACTIONS	-
M PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	-
N ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	-
O PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	-
P EDUCATION	-
Q HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	-
R ARTS, ENTERTAINMENT AND RECREATION	-
S OTHER SERVICES	-
Total	**2,107**

Measures taken as a result of COVID-19 epidemic, broken down by NACE code, non-financial companies – 31.12.2020

Sectors	Gross carrying amount of transactions affected by a moratorium
A AGRICULTURE, FORESTRY AND FISHING	-
B MINING AND QUARRYING	-
C MANUFACTURING	96,567
D ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	-
E WATER SUPPLY; SEWERAGE; WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	372
F CONSTRUCTION	443
G WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	7,176
H TRANSPORTING AND STORAGE	75
I ACCOMMODATION AND FOOD SERVICE ACTIVITIES	11,724
J INFORMATION, COMMUNICATION	-
L REAL ESTATE TRANSACTIONS	800
M PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	-

N ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	-
O PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	-
P EDUCATION	-
Q HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	-
R ARTS, ENTERTAINMENT AND RECREATION	-
S OTHER SERVICES	-
Total	**117,157**

The table above shows a sectoral breakdown of exposures to non-financial companies affected by the moratorium as at 31 December 2021 and 31 December 2020.

Interest, fees and commission income on transactions affected by COVID-19 measures

	Current period (01.01.2021 - 31.12.2021)	Note
Interest income on transactions affected by COVID-19 measures	9,141	*All items related to transactions affected by a moratorium during 2021 are included, not only the relevant items of the portfolio under moratorium as at 31.12.2021.*
Fee and commission income on transactions affected by COVID-19 measures	4	

	Current period (18.03.2020 – 31.12.2020)	Note
Interest income on transactions affected by COVID-19 measures	13,351	*All items related to transactions affected by a moratorium during 2020 are included, not only the relevant items of the portfolio under moratorium as at 31.12.2020.*
Fee and commission income on transactions affected by COVID-19 measures	4	

NOTE 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

Several provisions of the Bank's accounting policy and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.
All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument at initial recognition is the transaction price (that is, the fair value of the consideration given or received).

(All amounts in HUF million unless otherwise stated)

Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are measured at fair value based on bid prices for assets held and ask prices for liabilities issued. When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.
For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data.
The table below analyses financial instruments carried at fair value, by valuation method:

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivative transactions - Held for trading, measured at fair value through profit or loss		26		26
Derivatives held for hedging purposes				
Investments			39,578	39,578
Financial liabilities measured at fair value through profit or loss				
Derivative transactions - Held for trading, measured at fair value through profit or loss		-4,304		-4,304
Derivatives held for hedging purposes		-19,029		-19,029

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivative transactions - Held for trading, measured at fair value through profit or loss				
Investments			28,198	28,198
Financial liabilities measured at fair value through profit or loss				
Derivative transactions - Held for trading, measured at fair value through profit or loss		-1,545		-1,545

Each fund uses a number of unobservable inputs in the valuation of its investments (inputs used for multiplier valuation and inputs used for DCF-based valuations), and therefore the Bank classifies these assets at level 3 of the fair value hierarchy. The fair values are not generated by the Bank, but are based on the valuations of the funds, and thus the Bank does not, in accordance with IFRS 13 93 d), disclose them.

(All amounts in HUF million unless otherwise stated)

Table of movements in capital funds measured at fair value through profit or loss

	31.12.2021	31.12.2020	Change
Opening balance	**28,198**	**26,284**	**1,914**
Total unrealised gains and losses	4,613	-971	5,584
– in profit and loss (Gains or losses from trading and investment activities)	*4,613*	*-971*	*5,584*
– in OCI			
Disbursement*	7,866	3,602	4,264
Repayment	-3,263	-717	-2,546
Subscription**	2,534	0	2,534
Redemptions	0	0	0
Capital transfer	-370	0	-370
Reclassification to level 3	0	0	0
Reclassification from level 3	0	0	0
Closing balance	**39,578**	**28,198**	**11,380**

* Disbursement means that the Bank provides funds for the realisation of the investment following the subscription or makes an asset contribution to the costs specified in the management regulations on the basis of a detailed drawdown document.
**Subscription is a special disbursement drawn by the fund manager from the investor(s) in order to establish the fund. This amount is then used to make an investment, pay a fund management fee or an expense.

Repayments were due to the following events:

- The fund has partially or completely exited the investment;
- The amount called through the investment was not used in completely for the investment; the unused amount has been repaid;

The realised profit was not generated in the current year, because the actual settlement takes place at the end of the term.

The fair value of the funds is set out by Eximbank, based on the net asset value calculation provided by the funds. However, these assets are denominated in foreign currencies, exchange rate risk is significant for fair value measurement.
With this in mind, the Eximbank performs sensitivity analysis on the received actual (or corrected) net asset value data in order to estimate to how the income from the distribution of the participation units of the fund are affected by future exchange rate changes. During the current year's estimate, taking into account a lower limit (2021: HUF/EUR 350 and HUF/USD 296; 2020: HUF/EUR 360 and HUF/USD 296) and an upper limit (2021: HUF/EUR 420, and HUF/USD 370; 2020: HUF/EUR 400, and HUF/USD 325, respectively), a positive and a negative result were determined. The closing exchange rates on 31 December 2021 were HUF 369/EUR and HUF 325.71/USD (on 31 December 2020: HUF 365.13/EUR and HUF 297.36/USD)

Equity instruments listed in EUR (31 December 2021):

	Net asset value per bank 31.12.2021. (Foreign currency)	Carrying amount 31.12.2021 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
East West VC Fund	1,511,707	558	-29	77
SINO CEE Fund	16,731,846	6,174	-318	853
Three Seas Fund	7,019,661	2,590	-133	358

Equity instruments listed in EUR (31 December 2020):

	Net asset value per bank 31.12.2020. (Foreign currency)	Carrying amount 31.12.2020 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
East West VC Fund	980,875	358	-5	34
SINO CEE Fund	8,936,473	3,264	-46	312

Equity instruments listed in USD (31 December 2021):

	Net asset value per bank 31.12.2021. (DEV)	Carrying amount 31.12.2021 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	42,106,532	13,715	-1,251	1,865
China CEE Fund II.	20,100,117	6,547	-597	890
IFC FIG Fund	26,412,924	8,603	-785	1,170
Kazakh Hungarian Agriculture Fund	4,236,551	1,380	-126	188

Equity instruments listed in USD (31 December 2020):

	Net asset value per bank 31.12.2020. (DEV)	Carrying amount 31.12.2020 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	42,023,621	12,496	-57	1,162
China CEE Fund II.	16,751,898	4,981	-22	463
IFC FIG Fund	17,247,390	5,129	-24	476
Kazakh Hungarian Agriculture Fund	6,585,551	1,958	-9	182

The fair value of the funds is set out by Eximbank, based on the net asset value calculation provided by the funds on a regular basis and taking into account the ownership interest of Eximbank in each fund. In case the net asset value calculation for the current quarter is not available at the time of the compilation of the current report of the Bank, the Bank takes into account the net asset valuation of the previous quarter and adjusts it with the capital contributions for investment and / or disbursements from investments for the current quarter.

China CEE Fund

The fund calculates its net asset value by subtracting liabilities from total assets according to the detailed valuation rules outlined in the private placement memorandum dated November 2013 and provided to the investors before investing into the fund. The private placement memorandum was approved by the Commission de Surveillance du Secteur Financier of Luxemburg at the establishment of the fund.

The fund determines its net asset value at least once a year with the help of an independent valuation expert (TPA Horwath) and its results are monitored by the fund's alternative investment fund manager (LIS). At the net asset value calculation the fund always aims that the assets and liabilities reflect the fair value, taking into account similar, recent transactions between independent market participants, discounted cash flow analysis and other valuation techniques commonly used by market participants. The AIFM ensures that the valuation methods are in line with the IFRS rules and informs the investors of the current net asset value of the fund.

Since the participation units of the fund are denominated in USD, however, the participation units owned by Eximbank are kept in HUF in its books, Eximbank performs sensitivity analysis on the received actual (or corrected) net asset value data in order to estimate to how the income from the distribution of the participation units of the fund are affected by future exchange rate changes.

China CEE Fund II

The net asset value of the fund is calculated by subtracting liabilities from total assets according to the detailed valuation rules outlined in the private placement memorandum dated January 2018 and provided to the investors before investing into the fund. By investing into the fund, all investors have accepted and expressed their consent to be bound by the content of the private placement memorandum that was approved by the Commission de Surveillance du Secteur Financier of Luxemburg at the establishment of the fund.

The fund determines its net asset value at least once a year with the help of an independent valuation expert (TPA Horwath) and its results are monitored by the fund's alternative investment fund manager (LIS). In the net asset value calculation the fund always aims that the assets and liabilities reflect the fair value, taking into account similar, recent transactions between independent market participants, discounted cash flow analysis and other valuation techniques commonly used by market participants. The AIFM ensures that the valuation methods are in line with the IFRS rules and informs the investors of the current net asset value of the fund.

Since the fund's equity notes are denominated in USD, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

East West VC Fund

The Fund Manager establishes the net asset value quarterly and calculates the value of the participation units on that basis. In the valuation of financial instruments that are not admitted to trading in any regulated market or multilateral trading facility or other form of shares that do not qualify as financial instruments, the Management Company adopts the following criteria to apply the fair value method:

- acquisition value within 12 months following the date of acquisition of the asset,
- materially relevant transactions carried out in the 12 months preceding the valuation date by entities independent from the fund and the fund manager, taking into account any facts or circumstances occurred after the relevant acquisition date that may imply a change in the value considered as of the acquisition date,
- multiples of similar companies considering their activity sector, size, leverage and profitability,
- discounted cash flow,
- latest valuation disclosed by the relevant management entity, when referring to participation units in collective investment undertakings,
- in exceptional circumstances, other criteria that are widely accepted in the international markets, provided that the fund manager justifies in writing the valid reasons to resort to such criteria.

The valuation of financial instruments admitted to trading on a regulated market or a multilateral trading facility - in principle - is set in accordance with the closing price or the reference price. The valuation of financial instruments that are not admitted to trading on a regulated market or a multilateral trading facility is set in principle with DCF method.

Since the participation units of the fund are denominated in EUR, but Eximbank recognises the participation units it owns in its books in HUF, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it to estimate the extent to which future changes in the exchange rate may affect the income from the sale of the fund's participation units.

Hungarian – Kazakh Cooperation Fund

The Limited Partnership Agreement dated 7 December 2015 provides the rules of fair value calculation. Accordingly, the fair value of the fund is calculated according to the International Private Equity and Venture Capital Valuation Guidelines or any other method unanimously accepted by the advisory board.

Since the fund's equity notes are denominated in USD, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

IFC FIG Fund

To determine the net asset value of the fund, the fund manager uses the valuation methodology used by the International Finance Corporation (IFC), which is contained in a private-issue prospectus compiled in November 2013 that is provided to the investors prior to their investing in the fund. The fund manager prepares the quarterly valuation through the portfolio managers it employs, which is audited by a central valuation team in IFC's finance and accounting department. Equity, quasi-equity and equity-related assets are measured on a fair value basis and are updated on a quarterly basis. In an active market, real-time prices are used to determine the fair value. Non-public equity holdings are carried at cost for 12 months, unless an event that materially affects fair value occurs during that period. After such latter event, or in every case after 12 months, the fair value of direct equity investments is determined on a quarterly basis using DCF or other methods based on, for example, industry multipliers or market transactions.

The fund manager also values the assets and liabilities of the fund in the audited annual report. It also communicates unaudited valuations to investors on a quarterly basis.

Since the fund's equity notes are denominated in USD, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

SINO-CEE Fund

The net asset value of the fund is determined by the fund manager or its agent appointed to perform this task at least once a year, on the last business day of the financial year, taking into account IFRS and the fund's valuation rules. The fund manager is obliged to inform investors about the changes before changing the fund's valuation rules.

Under the alternative fund management agreement, the alternative investment fund manager (Carne Global Fund Managers) values the fund's assets, with the understanding that the valuation process is independent of the portfolio management functions, in accordance with the AIFM Directive.
The fund is valued on an annual basis and the alternative investment fund manager may use the assistance of an independent appraiser to value certain assets, but, as the internal valuer, the fund manager remains fully responsible for the valuation of the fund's assets. The valuation is done in accordance with internationally accepted valuation principles, and the fund's valuation policy recorded in the "Limited Partnership Agreement" in a consolidated structure as of 23 July 2018.

Since the fund's equity notes are denominated in EUR, however, the equity notes held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

Three Seas Initiative Investment Fund

The net asset value of the fund is determined at least once a year, on the last working day of the financial year, by the fund manager or its agent appointed to carry out this task, taking into account IFRS and the fund's valuation policy. The fund manager must inform investors of the changes before changing the fund's valuation policy.

Under the alternative fund management contract, the alternative investment fund manager (Fuchs Asset Management) carries out the valuation of the fund's assets, with the proviso that the valuation process is carried out independently of the portfolio management functions, in accordance with the AIFM Directive, at all times working towards the objective that the valuation process of the fund's portfolio be reliable, transparent, comprehensive and well documented. The fund is valued on an annual basis and the alternative investment fund manager may use the assistance of an independent appraiser to value certain assets, but, as the internal valuer, the fund manager remains fully responsible for the valuation of the fund's assets. The valuation is carried out in accordance with internationally accepted valuation rules and the fund's own valuation policy, as set out in the "Private Placement Memorandum" set out in a consolidated format on 20 October 2020.

Since the fund's shares are denominated in EUR, however, the shares held by Eximbank are recorded in HUF in its books; Eximbank performs a sensitivity analysis of the received current (or adjusted) net asset value data in order to estimate the extent to which the income from the sale of the equity notes in the fund are likely to be affected by future exchange rate changes.

Valuation methods for financial instruments measured at fair value

Level 2:

- The foreign currency swaps are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

Level 3:

- The fair value of investments is determined based on the net asset value presented by the investment funds.

Classification of the fair value of financial instruments not measured at fair value between levels of the hierarchy

The estimated fair values disclosed below are designated to an approximate price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. However, many financial instruments do not have an active market, so fair value is determined based on estimates using net present value and other valuation techniques, which are significantly affected by assumptions about the amount and timing of estimated future cash flows and discounts. Furthermore, due to the use of subjective judgement and uncertainties, the aggregate fair value amounts should not be interpreted as being realisable in an immediate settlement of the instruments.

Cash and cash equivalents

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

Securities measured at amortised cost

The fair value of Hungarian Government bonds are determined based on observable market prices published by Government Debt Management Agency Private Ltd (ÁKK Zrt.). The fair value of short term bonds issued by National Bank of Hungary and short term Treasury bills is determined using the discounted cash flow model based observable yield curves available on observable market published by ÁKK Zrt.

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

Where available the fair value of loans and receivables is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash-flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of underlying collateral.

Derivative financial assets and liabilities

Derivative financial instruments are carried at their fair values in the statement of financial position. The fair value of derivative financial instruments is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

Investments measured at fair value through profit or loss

The carrying amount of FVTPL equity investments are provided in Note 9 to the financial statements. These are based on quoted market prices.

Other assets/liabilities

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

Financial liabilities measured at amortised cost

The Bank measures the fair value of Liabilities to credit institutions and insurance companies and Liabilities to other customers using the discounted cash flow method, which takes into account assumptions and inputs based on market data. Market data includes Bloomberg swap yield curves in the instrument's currency. The reference yield curves is calculated by shifting the sovereign yield curves. The extent of the shift is based on historical data. The cash flow of the liability is calculated by Inforex system using the contractual cash flows.

(All amounts in HUF million unless otherwise stated)

Securities issued

All bond series issued under Hungarian law have been listed on the Budapest Stock Exchange. Fair value of these bonds is determined based on the observable market prices.

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

As at 31 December 2021	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents		1,543		1,543	1,543
Securities measured at amortised cost		94,347		94,347	102,976
Receivables from credit institutions and insurance companies			988,414	988,414	983,793
Receivables from other customers			411,336	411,336	407,265
Other financial assets			5,589	5,589	5,589
Total		**95,890**	**1,405,339**	**1,501,229**	**1,501,166**
Liabilities to credit institutions and insurance companies			931,631	931,631	944,974
Liabilities to other customers			1,008	1,008	1,009
Securities issued	362,263			362,263	383,788
Other financial liabilities			6,788	6,788	6,788
Total	**362,263**		**939,427**	**1,301,690**	**1,336,559**

(All amounts in HUF million unless otherwise stated)

As at 31 December 2020	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents		2,529		2,529	2,529
Securities measured at amortised cost		106,028		106,028	105,261
Receivables from credit institutions and insurance companies			764,905	764,905	762,366
Receivables from other customers			329,415	329,415	323,538
Other financial assets			4,066	4,066	4,066
Total		**108,557**	**1,098,386**	**1,206,943**	**1,197,760**
Liabilities to credit institutions and insurance companies			863,528	863,528	850,323
Liabilities to other customers			3,676	3,676	3,675
Securities issued	203,493			203,493	201,400
Other financial liabilities			6,505	6,505	6,505
Total	**203,493**		**873,709**	**1,077,202**	**1,061,903**

25 March 2022
Authorised for issue by

Gergely Jákli
Chairman and Chief Executive Officer

Dr. József Dancsó
Deputy Chief Financial Officer

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Independent Auditors' Report

To the shareholder of Magyar Export-Import Bank Zrt.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the 2021 separate financial statements of Magyar Export-Import Bank Zrt. ("the Bank") included in the digital files EXIMBANK_IFRS FS 2021_v4_final.xhtml[1], which comprise the separate statement of financial position as at 31 December 2021, with total assets of MHUF 1,617,944, the separate statement of profit or loss and other comprehensive income, with loss for the year of MHUF 11,594, and the separate statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, 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 European Union ("EU IFRSs") and they are prepared, in all material respects, in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary ("the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank for the purposes of our audit of the separate financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[1] digital identification of EXIMBANK_IFRS FS 2021_v4_final.xhtml separate financial statements wiht SHA 256 HASH Algorithm: 89a02dee9a26f0979f319fbd28838d6b9747aaea8eb07f8df34917ea251d6c8f

This is an English translation of the Independent Auditors' Report on the 2021 separate financial statements of the Magyar Export-Import Bank Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete separate financial statements it refers to.

Key Audit Matters

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

Recoverability of loans and advances to banks and insurance companies, loans and advances to other customers with special consideration of potential estimation uncertainties in connection with COVID-19 (net carrying amount: HUF 983,793 million and HUF 407,265 million, accumulated impairment loss: HUF 1,413 million and HUF 30,249 million)

Refer to Note (3.7); (6); (7); (15); (30) and (33.4) to the financial statements

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

The ECL estimate incorporates forward-looking information through various forecasted macroeconomic variables and their estimated impact on the economy and ultimately on the ECL estimate. The determination of macroeconomic variables and the weighting of macroeconomic scenarios contain a high degree of estimation uncertainty given the current volatile macroeconomic environment. There is a risk that ECL estimate applied does not properly incorporate the unprecedented changes in the economic environment. The Bank has to deal with the challenges of ECL models that were not designed for the COVID-19 economic shock. When underlying assumptions or data used to estimate ECLs do not reflect current circumstances, events or conditions of the entity management overlays may be necessary. Detailed disclosures are required to be presented in the Financial Statement related to the changes of credit risk due to COVID-19 and the related responses of the Bank. The evaluation of the relevance and appropriateness of these disclosures is a complex exercise and it is challenging from audit point of view. Due to the significance of loans and advances to banks and insurance companies and to customers as well as the significant degree of complexity and judgment required from the Bank in determining expected credit losses this matter required our increased attention in the audit and therefore has been considered as a key audit matter.	examined past due information (if relevant due to moratoria) and industry benchmarks. • With the assistance of our own financial risk management specialists, we evaluated the impairment models and the underlying estimation parameters, including the management overlays, and recalculated the expected credit losses for the loans assessed collectively for impairment. • We assessed the completeness, accuracy and relevance of data used for estimates relating to valuation of loans to customers. • We evaluated the macroeconomic forecasts whether they are within the range of general market benchmark and with the forecast published by the National Bank of Hungary. We performed benchmark analysis to assess the appropriateness of the input data used for the macro model. • We evaluated the completeness, accuracy and adequacy of disclosures related to impairment of loans.

Valuation of Investments measured at fair value through profit or loss and Investments accounted for using the equity method (2021: HUF 39,578 million and HUF 69,856 million, 2020: HUF 28,198 million and HUF 61,121 million)

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

The key audit matter	*How the matter was addressed in our audit*
Investments measured at fair value through profit or loss and Investments accounted for using the equity method comprise investments in venture capital and private equity funds. The investments in venture capital and private equity funds *measured at fair value through profit or loss* are measured by the Bank by reference to the net asset value of the funds determined by the fund managers on a fair value basis. These venture capital and private equity funds made individually significant investments, which underlying investments are mostly in the early investment phases, and furthermore operate in industries significantly affected by the economic disruption caused by COVID-19. Therefore, the determination of fair value of the underlying investments involves significant estimation uncertainties and judgement relating to the expected future cash flows generated by the underlying investee. In case of investments in venture capital and private equity funds *accounted for using the equity method* the determination whether the fund meets the definition of an investment entity might have a significant effect on the recognized amount of the investment. This is because the Bank is required to apply the equity method based on the fund's financial statements in which the underlying investments in subsidiaries are either measured at fair value (when the fund is an investment entity) or are consolidated (when the fund is not an investment entity). The determination of whether a fund meets the definition of an investment entity requires the Bank to apply significant judgement in analyzing the characteristics of the fund and the relationship between the Bank and the fund.	Our audit procedures included amongst others the following procedures: • We obtained an understanding of the Bank's policies for and processes of investing into venture capital and private equity funds. • We obtained an understanding of the Bank's processes for and the controls implemented over the measurement of investments. • We assessed the appropriateness of the Bank's conclusion on whether the funds meet the definition of an investment entity and consulted with our technical department on these conclusions. • We assessed the design and implementation of the controls applied by the Bank in the process of regular reconciliations of net asset values between the fund manager and the Bank and assessed the Bank's process to monitor the reports prepared by the fund managers supporting the net asset value of the funds and the fair value of the underlying investments. • We assessed whether the net asset values of venture capital and private equity funds reported by the fund managers provide appropriate basis for valuation purposes in accordance with relevant standards. For the equity accounted investments in funds that are not investment entities we tested whether the equity method was applied based on the consolidated financial statements of the funds prepared in accordance with the standards and the Bank's accounting policies.

Due to the significance of Investments measured at fair value through profit or loss and Investments accounted for using the equity method as well as the estimation uncertainties and judgments described above we considered this area to be a key audit matter.	• We examined the mathematical accuracy of calculations related to the valuation of investments as of the balance sheet date. • We assessed the relevance and completeness of the disclosures made by the Bank relating to the significant estimation uncertainties and significant applied judgements associated with the investments in funds.

Other Matter

Management is responsible for the presentation of the separate financial statements in a format that complies with the requirements set out in the Regulation (EU) No 815/2019 of 17 December 2018 (the "ESEF Regulation"). Our audit solely covered the human-readable content of the digital file containing the separate financial statements, which is electronically identified in our report. The scope of our audit did not include examining and expressing an opinion on whether the digitized information has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation. Accordingly, we do not express such an opinion.

Other Information

The other information comprises the 2021 business report and the 2021 management report of the Bank. Management is responsible for the other information, including the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements, if any.
Our opinion on the separate financial statements expressed in the Opinion section of our report does not cover the business report and the management report. We do not express any form of assurance conclusion on the management report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, including the assessment of whether the business report has been prepared in accordance with Section 95/B (2) e) of the Act on Accounting and expressing an opinion on this and whether the business report is consistent with the separate financial statements.

With respect to the business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C of the Act on Accounting has been provided in the business report.

In our opinion the 2021 business report of the Bank is consistent, in all material respects, with its 2021 separate financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the content of the business report, therefore, we do not express an opinion in this respects.

We confirm that the information referred to in Section 95/B (2) a)-d), g) and h) of the Act on Accounting has been provided in the business report, furthermore due to exemption does not contain the information referred to in Section 95/C.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatement in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Moreover, if, based on the work we have performed, we conclude that there is a material misstatement of the management report, we are required to report that fact. We have nothing to report in this regard either.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with EU IFRSs and for the preparation of the financial statements in accordance with provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the Decree 16/1998 (V.20) adopted by the Ministry of Finance on the detailed rules for accounts with the Central Budget, followed by Hungarian Export-Import Bank Private Limited Company, Hungarian Export Credit Insurance Private Limited Company ('Decree') we confirm that in our opinion:

• unredeemed liabilities arising from export oriented full payment guarantees covered by the Hungarian state for the year ended 31 December 2021 ("Liabilities") are rated in all material respects in accordance with the Decree; and

• Liabilities classified to each rating category, as set out in Note (21) to the separate financial statements, discloses the Liabilities classified in each rating category in all material respects in accordance with the Decree.

We were appointed by the shareholder on 22 April 2020 to audit the separate financial statements of the Bank for the financial year ended 31 December 2021. Our total uninterrupted period of engagement is 22 (10 years since the Bank became a public interest entity), covering the periods ending 31 December 2000 (covering the periods ending 31 December 2012 since the Bank became a public interest entity) to 31 December 2021.

We confirm that:

• our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank dated 21 March 2022;

• we have not provided to the Bank prohibited non-audit services (NASs) as set out by Article 5(1) of Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the

Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

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

Budapest, 25 March 2022

KPMG Hungária Kft.

Registration number: 000202

István Henye
Partner, Professional Accountant
Registration number: 005674

This is an English translation of the Independent Auditors' Report on the 2021 separate financial statements of the Magyar Export-Import Bank Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete separate financial statements it refers to.