HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

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

FOR THE YEAR ENDED
31 DECEMBER 2015

CONTENTS

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Independent Auditors' Report

To the shareholder of Magyar Export-Import Bank Zrt.

We have audited the accompanying financial statements of Magyar Export-Import Bank Zrt. ("the Bank"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Budapest, 18 April 2016

KPMG Hungária Kft.

István Henye
Partner

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(All amounts stated in HUF million unless otherwise noted)

	Note	**31.12.2015**	**31.12.2014**
Cash, due from banks and balances with the National Bank of Hungary	4	25,320	3,313
Available-for-sale financial assets, net of impairment losses	5	33,758	1,776
Loans and advances to customers, net of impairment losses	6	193,683	207,365
Loans and advances to other banks and insurance companies, net of impairment losses	7	537,810	381,494
Financial assets at fair value through profit or loss	8	32,557	10,091
Investments accounted for using the equity method	9	1,419	1,277
Intangibles, property and equipment, net	10	1,122	670
Deferred tax assets	18	-	123
Current tax assets	11	234	283
Other assets, net	11	1,536	2,038
Total Assets		**827,439**	**608,430**
Loans and deposits from other banks and insurance companies	13	304,149	164,817
Deposits from customers	14	15,510	-
Financial liabilities at fair value through profit or loss	8	144	830
Debt securities issued	15	404,350	372,699
Provision for guarantees and contingencies	12	258	865
Deferred tax liabilities	19	104	-
Other liabilities	16	3,443	3,746
Total Liabilities		**727,958**	**542,957**
Share capital	17	89,000	58,100
Reserves	17	10,481	7,373
Total Shareholder's Equity		**99,481**	**65,473**
Total Liabilities and Equity		**827,439**	**608,430**

18 April 2016

Authorised for issue by

Zoltán Urbán
Chief Executive Officer

The accompanying notes to the financial statements on pages 9-88 form an integral part of these financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts stated in HUF million unless otherwise noted)

	Note	31.12.2015	31.12.2014
Interest income	20	31,660	23,478
Interest expense	20	(23,153)	(18,313)
Net interest income		**8,507**	**5,165**
Fee and commission income	21	342	334
Fee and commission expense	21	(191)	(113)
Net income from fees and commissions		**151**	**221**
Provisions and impairment (losses)/reversal	12	(4,271)	(2,405)
Gains and (losses) from trading and investment activities, net	22	6,268	2,811
Operating expenses, net	23	(6,864)	(5,446)
Share of profit/(loss) of a joint venture	9	(398)	(278)
Profit/(loss) before income tax		**3,393**	**68**
Income taxes	19	(1,061)	(335)
Profit/(loss) for the period		**2,332**	**(267)**
Other comprehensive income			
Net gain/(loss) on available-for-sale securities, net of tax	24	721	(24)
Share of other comprehensive income of a joint venture, net of tax	24	55	-
Other comprehensive income for the period, net of income tax		**776**	**(24)**
Total comprehensive income/ (loss) for the period		**3,108**	**(291)**

18 April 2016

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Chief Executive Officer

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HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts stated in HUF million unless otherwise noted)

		31.12.2015	31.12.2014
OPERATING ACTIVITIES			
Profit/(loss) for the period		2,332	(267)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	24	283	212
Impairment losses on assets	12	4,878	1,861
(Profit)/loss from revaluation to fair value	8	(24,063)	(13,492)
Share of the profit and loss of the joint venture accounted for using the equity method	9	398	278
Foreign exchange (gains) and losses relating to non-operating cash-flows	15	27,242	35,108
Other non-cash items		4,163	(997)
Net interest income	20	(8,507)	(5,165)
Tax expense	19	1,061	335
Changes in operating assets and liabilities:			
Net (increase)/decrease in loans and advances to other banks and insurance companies, before impairment losses		(151,123)	(105,965)
Net (increase)/decrease in loans and advances to customers, before impairment losses		5,907	(106,738)
Net (increase)/decrease in other assets		633	629
Net increase/(decrease) in loans and deposits from other banks and insurance companies		139,489	20,551
Net increase/(decrease) in deposits from customers		15,500	-
Net increase/(decrease) other liabilities and provision		(911)	1,181
Interest received		29,214	21,169
Interest paid		(22,169)	(13,725)
Income taxes paid		(786)	(366)
Net cash provided by/(used in) operating activities		**23,541**	**(165,391)**
INVESTING ACTIVITIES			
Net (purchase of)/proceeds from available-for-sale financial assets	5	(31,313)	85
Net (purchase of)/proceeds from investing in joint venture	9	(470)	(1,055)
Proceeds from the sale of intangible assets and property and equipment	10	(649)	(696)
Disposal of intangible assets and property and equipment	10	2	1
Net cash used in investing activities		**(32,430)**	**(1,665)**
FINANCING ACTIVITIES:			
Proceeds from issue of share capital	17	30,900	48,000
Proceeds from issuance of debt securities	15	-	121,423
Net cash provided by financing activities		**30,900**	**169,423**

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts stated in HUF million unless otherwise noted)

		31.12.2015	31.12.2014
Net increase/(decrease) in cash and cash equivalents		**22,011**	**2,367**
Net foreign exchange difference		(4)	48
Cash and cash equivalents at the beginning of the year	4	3,313	898
Cash and cash equivalents at the end of the year	4	**25,320**	**3,313**

The accompanying notes to the financial statements on pages 9-88 form an integral part of these financial statements.

18 April 2016

Authorised for issue by

Zoltán Urbán
Chief Executive Officer

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts stated in HUF million unless otherwise noted)

	Share Capital	Share Premium	Retained Earnings	Statutory reserves	Fair value reserve	Total
Balance as at 1 January 2015	**58,100**	**400**	**568**	**6,405**	**-**	**65,473**
Total comprehensive income for the period						
Profit or loss for the period			2,332			2,332
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					721	721
Net change in fair value of investment in a joint venture, net of tax					55	55
Total comprehensive income for the period			*2,332*		*776*	*3,108*
Other transactions, recorded directly in equity						
Increase of share capital	30,900					30,900
Reclassification of retained earnings to general reserve (Note 3.12)			(313)	313		
Total other transactions	*30,900*		*(313)*	*313*		*30,900*
Balance as at 31 December 2015	**89,000**	**400**	**2,587**	**6,718**	**776**	**99,481**

The accompanying notes to the financial statements on pages 9-88 form an integral part of these financial statements.

18 April 2016
Authorised for issue by

Zoltán Urbán
Chief Executive Officer

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts stated in HUF million unless otherwise noted)

	Share Capital	Share Premium	Retained Earnings	Statutory reserves	Fair value reserve	Total
Balance as at 1 January 2014	**10,100**	**400**	**(489)**	**7,729**	**24**	**17,764**
Total comprehensive income for the period						
Profit or loss for the period			(267)			(267)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					(24)	(24)
Total comprehensive income for the period			*(267)*		*(24)*	*(291)*
Other transactions, recorded directly in equity						
Increase of share capital	48,000					48,000
Reclassification of general reserve to retained earnings (Note 3.12)			1,383	(1,383)		
Reclassification of retained earnings to general reserve (Note 3.12)			(59)	59		-
Total other transactions	*48,000*		*1,324*	*(1,324)*		*48,000*
Balance as at 31 December 2014	**58,100**	**400**	**568**	**6,405**	**-**	**65,473**

The accompanying notes to the financial statements on pages 9-88 form an integral part of these financial statements.

18 April 2016
Authorised for issue by

Zoltán Urbán
Chief Executive Officer

NOTE 1. GENERAL INFORMATION

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

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

On 12 April 2012, the Hungarian Government announced that the Hungarian State acquired the shares of Eximbank owned by the Hungarian Development Bank Ltd. and all the shareholders' rights were to be exercised by the Minister for National Economy. This was followed by a new announcement of the Hungarian Government in June 2014 when control of all shareholders' rights was taken over by the Minister of Foreign Affairs and Trade. The relating modification of the Act on Eximbank is effective from 6 June 2014.

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

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

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

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

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

NOTE 1. GENERAL INFORMATION (CONTINUED)

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

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

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

These financial statements for the year ended 31 December 2015 include the accounts of Eximbank. The Bank has a joint venture, which is accounted for using the equity method in accordance with *IAS 28 Investments in Associates and Joint Ventures*.
No consolidated accounts are presented by Eximbank, given that Eximbank has no subsidiaries. Therefore, IFRS 10 criteria are not met.

These financial statements were authorised for issue by the Chief Executive Officer on 18 April 2016 and are not intended to be used for statutory filing purposes.

The Bank presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the statement of financial position date and more than twelve months after statement of financial position date is presented in Note 25.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement

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

- Derivative financial instruments are measured at fair value,
- Financial instruments at fair value through profit or loss are measured at fair value,
- Available-for-sale financial assets are measured at fair value,
- Other financial instruments are measured at amortised cost,
- Investment in joint venture accounted for using the equity method.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 31.

2.3 Functional and presentation currency

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

2.4 Going concern

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial statement presentation

These financial statements for years 2015 and 2014 include the accounts of Eximbank.

3.2 Financial instruments

Any contract that gives rise to a financial asset, a financial liability or equity is classified as a financial instrument.
The Bank classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Bank classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

All financial instruments are initially recognised at their fair values in the Bank's statement of financial position. Initial fair values represent given or received considerations and all transaction costs. In case of financial assets at fair value through profit or loss, transaction costs are charged to profit or loss.
The Bank initially recognizes loans and advances, deposits, debt securities issued on the date when they are originated. The Bank initially recognizes available for sale financial assets on settlement date. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

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

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Determination of fair values

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument at initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are measured at fair value based on bid prices for assets held and ask prices for liabilities issued. When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. Determination of fair values is more detailed in Note 32.

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3.6 Available-for-sale debt and equity instruments

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Held-to-maturity debt instruments

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

3.8 Loans and advances to banks, insurance companies and customers

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

3.9 Loans and deposits form other banks and insurance companies, deposits from customers, issued debt securities

Loans and deposits from other banks and insurance companies, deposits from customers and issued debt securities are the Bank's source of debt funding.
Loans and deposits from other banks and insurance companies, deposits from customers and issued debt securities are initially measured at fair value less incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.
An analysis of the Bank issued debt is disclosed in Note 15.

3.10 Financial guarantees

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of financial assets

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

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

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

The Bank considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.
In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.
Impairment losses are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted by the financial asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3.11.2 Impairment of available-for-sale financial assets

Investments in available-for-sale securities are considered to be impaired if their carrying amount is greater than the estimated recoverable amount assessed at each balance sheet date on the basis of objective evidence such as significant financial difficulty of the issuer, actual breaches of contracts, high probability of bankruptcy or other financial reorganization of the issuer. Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.
If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity instrument is recognised in other comprehensive income.

3.12 General reserve

The provisions of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Hungarian Banking Act") prescribes that the Bank has to set a general reserve in the amount of 10 % of the current year profit after tax figure, which will be eliminated to cover the future losses. In 2015 the Bank set HUF 313 million. In 2014 the Bank reclassified HUF 59 million retained earnings into the general reserve. The general reserve cannot be distributed as dividends.
Provisions of the Government Decree 250/2000 prescribe that if there is a (statutory) loss for the current financial year, the general reserve shall be released insofar as to cover such loss, not exceeding the amount set aside in the general reserve. In accordance with this provision the Bank released HUF 1,383 million from general reserve to retained earnings in 2014.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Foreign currency translation

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

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

3.14 Intangibles, property and equipment

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

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

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

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income taxes

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

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

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

3.16 Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading are recognised in 'Interest income' and 'Interest expense' in profit or loss using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established at initial recognition or at repricing of the financial asset and liability and is not revised subsequently. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but not future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fee and commission income and expense

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

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

3.18 Provisions

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

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

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

3.19 Segment reporting

Based on the management 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. However in accordance with the requirements of IFRS 8 Operating Segments the Bank continues to show its assets, liabilities and revenues by geographical areas.

3.20 Investment in associates and joint ventures

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not mean control or joint control over those policies.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Investment in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
The Bank's investment in its associate and joint venture is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the associate or joint venture since the acquisition date.

The statement of comprehensive income reflects the Bank's share of the results of operations of the associate or joint venture. 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 associate or joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Bank's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit/(loss) of an associate and a joint venture' in the statement of comprehensive income.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Change in accounting policy

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

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 January 2015.

They include:

IFRS 3 Business Combinations: The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Bank is not a joint arrangement, and thus this amendment is not relevant for the Bank.

IFRS 13 Fair Value Measurement The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Bank does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Bank has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Bank.

These improvements are effective for annual periods beginning on or after 1 January 2015. Several other new standards and amendments apply for the first time in 2015. However they do not impact the annual financial statements of the Bank.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015. This amendment is not relevant to the Bank.

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 February 2015, all other improvements are effective for accounting periods beginning on or after 1 February 2015. The Bank has applied these improvements for the first time in these financial statements.

They include:

IFRS 2 Share-based Payment This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Bank had not granted any awards during the second half of 2014. Thus, these amendments did not impact the Bank's financial statements or accounting policies.

IFRS 3 Business Combinations: The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Bank's current accounting policy and, thus, this amendment did not impact the Bank's accounting policy.

IFRS 8 Operating Segments The amendments are applied retrospectively and clarify that: An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. This amendment is not relevant to the Bank.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 New standards and interpretations not yet adopted (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Bank during the current period.

IAS 24 Related Party Disclosures The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank as it does not receive any management services from other entities.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, EU has not yet adopted IFRS 9, but expected to do so by the end of 2016.

The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted, however EU has not yet adopted IFRS 15, but expected to do it by the end of 2016.

The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 New standards and interpretations not yet adopted (continued)

The following new or amended standards are not expected to have a significant impact on the Bank's financial statements

- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

(All amounts stated in HUF million unless otherwise noted)

NOTE 4. CASH, DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY

	31.12.2015	31.12.2014
Balances with the National Bank of Hungary (NBH) in HUF	12,489	98
Money market placements	11,250	2,365
Due from banks in foreign currency	1,569	840
Due from banks in HUF	12	10
Total	**25,320**	**3,313**

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 12,489 million as at 31 December 2015 and HUF 98 million as at 31 December 2014, respectively.

According to its accounting policy, the Bank classifies highly liquid financial assets with original maturity of less than three months as cash, due from banks and balances with the National Bank of Hungary.

Cash, due from banks and balances with the National Bank of Hungary contains cash and cash equivalent items both as at 31 December 2015 and as at 31 December 2014.

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2015	31.12.2014
Hungarian Government Bonds in HUF	28,850	-
Fair value adjustment (Note 8)	104	-
Sub-total	**28,954**	**-**
Senior Notes	87	79
Impairment loss (Note 12)	(43)	(39)
Sub-total	**44**	**40**
HUF shares	12	12
FCY shares	4,448	2,139
Impairment (Note 12)	(507)	(415)
Fair value adjustment (Note 8)	807	-
Sub-total	**4,760**	**1,736**
Total	**33,758**	**1,776**

(All amounts stated in HUF million unless otherwise noted)

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

HUF shares as at 31 December 2014 and as at 31 December 2015 are detailed below.

	Equity owned	Face Value	Cost	Unrealised gain/(loss)	Book Value
Garantiqa Hitelgarancia Ltd.	0.15%	12	12	-	12
Total		**12**	**12**		**12**

FCY shares represent the following investments:

Name of the investment	Proportion of the Bank's participation		Subscribed and paid in capital	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
China-CEE Management S.á.r.l.	10.00%	10.00%	EUR 1,250 (HUF 0.4 million)	EUR 1,250 (HUF 0.4 million)
China-Central and Eastern Europe Investment Co-Operation Fund SCS SICAV_SIF ("China-CEE Fund")	6.90%	6.90%	USD 16,262,091 (HUF 4,661 million)	USD 8,253,887 (HUF 2,139 million)
IFC Financial Institutions Growth Fund, LP ("IFC FIG Fund")	13.41%	-	USD 880,964 (HUF 253 million)	-
Kazakhstan Hungarian Investment Private Equity Fund C.V.	49.50%	-	USD 126,174 (HUF 36 million)	-

China CEE Management S.á.r.l. and China-CEE Fund: China-CEE Management S.á.r.l. ("the General Partner") was established in November 2013 by CEEF Holdings Limited and Eximbank Zrt. The share capital of the company is EUR 12,500. Its registered office is in Luxemburg. The objective of the General Partner is to render advisory, management, accounting and administrative services to China-CEE Fund.

China-CEE Fund has been set up in November 2013 as a limited partnership under the laws of Luxemburg. It is a closed-end specialized investment fund managed by the General Partner as unlimited shareholder of the Fund. The Fund's term is set at 30 November 2023. The Fund's main objective is to seek long term capital appreciation and achieve attractive return in excess of comparable public markets by investing funds available to it in private equity assets, primarly in Central and Eastern Europe for the benefit of its investors while reducing investment risks through diversification.

In accordance with the private placement memorandum of China-CEE Fund and the subscription agreement Eximbank was committed to pay USD 30,000,000 during the commitment period. By the end of December 2015 Eximbank already fulfilled payment of USD 16,262,091 (HUF 4,661 million). The remaining USD 13,737,909 (HUF 3,938 million) is classified as contingent liability as at 31 December 2015.

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

IFC FIG Fund: IFC Asset Management Company, LLC, a wholly owned subsidiary of the International Finance Corporation ("IFC"), established IFC Financial Institutions Growth Fund, LP with target commitments of US$1.0 billion. The term of the Fund is 10 years from the final closing. IFC will commit 20% of the total commitments of the Fund. The Fund will seek to make equity investments in financial institutions in IFC member countries that IFC classifies as emerging markets. Upon being admitted to the Fund, each limited partner will contribute 0.001% of its commitment to the Fund. The remainder of each limited partner's commitment will be contributed as non-interest bearing advances on an as needed basis as requested by the manager. The amount contributed by subsequent closing partners generally will be refunded to the prior closing partners in proportion to their respective funded commitments and, other than the interest component, will be added back to such partners' unfunded commitments and may be drawn down again by the Fund.
In March 2015 Eximbank joined IFC FIG Fund as a limited partner. Eximbank was committed to pay USD 50 million. By the end of December 2015, the Bank already fulfilled payment of USD 880,964. The remaining commitment of USD 49,119,036 (HUF 14,079 million) is classified as contingent liability as at 31 December 2015.

Kazakhstan Hungarian Investment Private Equity Fund C.V./Kazakhstan "Silk Road" Agriculture Growth Fund (Kazakhstan Hungarian Fund): In 2015, Eximbank and JSC "National Management Holding KazAgro" established a limited partnership under the laws of the Netherlands. The commitment of both partners is USD 20 million. Furthermore the general partner will commit 1% of the total commitments of the Fund. The primary investment objective of the partnership is to focus on equity, quasi equity and convertible debt investments into agriculture and food chain companies (including production, processing, storage and logistics) that are operating in the growth categories of meat, dairy, grains, oilseeds, vegetables, fruits and fish.
Eximbank made a capital commitment amounted to USD 126,174 in 2015. The rest of the USD 19,873,826 (HUF 5,697 million) is classified as contingent liability as at 31 December 2015.

For the funds the Bank recognised HUF 507 million impairment loss in Profit and Loss and HUF 807 million FV adjustment in OCI as at 31 December 2015.

(All amounts stated in HUF million unless otherwise noted)

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

Remaining maturity of discounted bonds issued by National Bank of Hungary, Hungarian Treasury bills and Hungarian Government bonds as at 31 December 2015 and 31 December 2014 are detailed below:

Remaining Maturity	**31.12.2015**	**31.12.2014**
Up to 1 month	-	-
1 to 3 months	-	-
3 months to 1 year	-	-
1 to 5 years	8,904	-
Over 5 years	20,050	-
Total	**28,954**	**-**

Net purchase of/proceeds from available-for-sale financial assets amounted to HUF (31,313) million, foreign exchange loss was HUF 170 million, and profit from revaluation to fair value was HUF 911 million.

(All amounts stated in HUF million unless otherwise noted)

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

	31.12.2015	31.12.2014
Short-term:		
- in foreign currency	62,537	87,473
- in HUF	1,990	6,910
Sub-total	**64,527**	**94,383**
Long-term:		
- in foreign currency	130,970	118,557
- in HUF	8,794	370
Sub-total	**139,764**	**118,927**
Total	**204,291**	**213,310**
Less: impairment losses (see Note 12)	(10,608)	(5,945)
Total	**193,683**	**207,365**

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, as agreed with the representative of the Ministry for National Economy. Eximbank receives the interest equalisation payment after applying to the Hungarian State within 15 days of the end of each quarter, and the payment for that quarter is received by Eximbank within 30 days of the application.

As at 31 December 2015, 77% of loans and advances to customers – excluding balances with the Hungarian State and the amount related to purchases of Hungarian Government bonds detailed below – (by nominal amount) qualified for interest compensation from the Hungarian State (as at 31 December 2014: 79%). In addition to receiving payments from the Hungarian State under the interest equalisation programme, Eximbank receives a form of interest support with respect to tied-aid credits. Such tied-aid loans represented 9% of total loans and advances to customers – excluding balances with Hungarian Sate - (by nominal amount) as at 31 December 2015 (as at 31 December 2014: 9%). Interest compensation and interest support received from the Hungarian State is considered to be integral part of the loans' cash flows and, as a result, the amortised cost of the loans.

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

(All amounts stated in HUF million unless otherwise noted)

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

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

The table below shows an analysis of loans and advances to customers by remaining maturity as at 31 December 2015 and 31 December 2014.

Remaining Maturity		31.12.2015 Gross value	31.12.2014 Gross value
In foreign currency:			
Up to 1 month		10,042	7,702
1 to 3 months		4,313	7,218
3 months to 1 year		48,182	72,553
1 to 5 years		82,316	107,505
Over 5 years		48,654	11,052
	Sub-total	**193,507**	**206,030**
In HUF			
Up to 1 month		1,313	6,868
1 to 3 months		-	15
3 months to 1 year		677	27
1 to 5 years		4,195	67
Over 5 years		4,599	303
	Sub-total	**10,784**	**7,280**
Total		**204,291**	**213,310**

As at 31 December 2015 out of the total HUF 204,291 million HUF 26,845 million, as at 31 December 2014 out of the total HUF 213,310 million HUF 73,814 million related to purchases of Hungarian Government Bonds during 2014. The seller has neither retained nor transferred substantially all the risks and rewards of ownership, but has retained control. Accordingly, the bonds were not recognised by the Bank as available-for-sale security. The Bank derecognized the cash paid and recognized a loan receivable from the seller.

The table below shows an analysis of the before mentioned receivable by remaining maturity as at 31 December 2015 and 31 December 2014.

	31.12.2015	31.12.2014
In foreign currency:		
3 months to 1 year	26,845	46,183
1 to 5 years	-	27,631
Total	**26,845**	**73,814**

(All amounts stated in HUF million unless otherwise noted)

NOTE 7. LOANS AND ADVANCES TO OTHER BANKS AND INSURANCE COMPANIES, NET OF IMPAIRMENT LOSSES

	31.12.2015	31.12.2014
Short-term (up to 1 year)		
- in foreign currency	163,949	100,532
- in HUF	6,115	-
Sub-total	**170,064**	**100,532**
Long-term (over 1 year), in foreign currency		
- in foreign currency	342,092	281,445
- in HUF	26,472	-
Sub-total	**368,564**	**281,445**
Total	**538,628**	**381,977**
Less: impairment losses (see Note 12)	(818)	(483)
Total	**537,810**	**381,494**

As at 31 December 2015, 99% of loans and advances to other banks and insurance companies – excluding balances with the Hungarian State – (by nominal amount) qualified for interest compensation from the Hungarian State.

A loan receivable from a foreign bank insured by Hungarian Export Credit Insurance Ltd (MEHIB) in the amount of HUF 16,471 million (EUR 60,861,115) was assigned to MEHIB due to default in 2010. Based on the agreement, MEHIB repays the loan and interest in accordance with the same conditions as the original client. As at 31 December 2014, the balance of the claim (including relating accrued interest) against MEHIB was HUF 5,240 million (EUR 16,641,690), while as at 31 December 2015 it was HUF 2,604 million (EUR 8,318,298).

(All amounts stated in HUF million unless otherwise noted)

NOTE 7. LOANS AND ADVANCES TO OTHER BANKS AND INSURANCE COMPANIES, NET OF IMPAIRMENT LOSSES (CONTINUED)

The table below shows an analysis of Loans and advances to other banks and insurance companies by remaining maturity as at 31 December 2015 and 31 December 2014.

Remaining Maturity	31.12.2015 Gross value	31.12.2014 Gross value
Placements in foreign currency:		
Up to 1 month	11,190	4,353
1 to 3 months	19,656	16,011
3 months to 1 year	133,103	80,168
1 to 5 years	325,996	268,251
Over 5 years	16,096	13,194
Sub-total	**506,041**	**381,977**
Placements in HUF		
Up to 1 month	387	-
1 to 3 months	462	-
3 months to 1 year	5,266	-
1 to 5 years	22,768	-
Over 5 years	3,704	-
Sub-total	**32,587**	**-**
Total	**538,628**	**381,977**

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

The Hungarian State will also provide interest equalisation payments to Eximbank for loans with maturity below two years that are based on EU rules (EU Commission Communication 2008/C 14/02).
Under the interest equalisation program, 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, as agreed with the representative of the Ministry for National Economy.

Loans and advances to other banks and insurance companies include refinancing loans disbursed. While 98.6% of total loans and advances to other banks and insurance companies were refinancing loans as at 31 December 2014 this ratio was 97.8% as at 31 December 2015 by nominal amount. All of the refinancing loans qualified for interest compensation from the Hungarian State. As at 31 December 2015, the aforementioned receivable from a foreign bank assigned to MEHIB represented 0.5% of the total loans and advances to other banks and insurance companies (This ratio was 1.4% as at 31 December 2014.)

(All amounts stated in HUF million unless otherwise noted)

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

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

Financial assets at fair value through profit or loss as at 31 December 2015 and 31 December 2014 are as follows:

	31.12.2015	31.12.2014
Derivative assets (trading):		
Foreign exchange swaps	504	746
Cross currency interest rate swap	32,053	9,345
Total	**32,557**	**10,091**

Financial liabilities at fair value through profit or loss as at 31 December 2015 and 31 December 2014 are as follows:

	31.12.2015	31.12.2014
Derivative liabilities (trading):		
Foreign exchange swaps	144	830
Cross currency interest rate swap	-	-
Total	**144**	**830**

(Profit)/loss from revaluation to fair value:

		31.12.2015	31.12.2014
Derivatives		(23,152)	(13,492)
AFS	Note 5	(911)	-
Total		**(24,063)**	**(13,492)**

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

The details of the cross currency interest rate swaps for the year ended 31 December 2015 and 31 December 2014 are shown below:

	31.12.2015		**31.12.2014**	
Contractual maturity	08.02.2018	28.01.2020	08.02.2018	28.01.2020
Receive notional in USD	250,000,000	400,000,000	250,000,000	400,000,000
Receive notional in HUF million	71,658	114,652	64,783	103,652
Pay notional in EUR	191,659,000	314,561,240	191,659,000	314,561,240
Pay notional in HUF million	60,012	98,495	60,352	99,052
Frequency of interest payment	semi-annually on 12th of February and August from 12 August 2013	semi-annually on 28th of January and July from 28 January 2015	semi-annually on 12th of February and August from 12 August 2013	semi-annually on 28th of January and July from 28 January 2015

Foreign exchange swaps are short term derivatives. The details of FX swaps as at 31 December 2015 are shown below:

Remaining maturity	**Receive notional**		**Notional in HUF million**	**Pay notional**		**Notional in HUF million**
Less than 1 month	7,825,012,500	HUF	7,825	25,000,000	EUR	7,828
Less than 1 month	84,923,095	USD	24,342	76,600,000	EUR	23,985
Less than 1 month	7,300,000	EUR	2,286	7,979,630	USD	2,287
1-3 months	47,932,562	USD	13,739	43,800,000	EUR	13,715
Total			**48,192**			**47,815**

The details of FX swaps as at 31 December 2014 are shown below:

Remaining maturity	**Receive notional**		**Notional in HUF million**	**Pay notional**		**Notional in HUF million**
Less than 1 month	68,592,536,000	HUF	68,593	220,000,000	EUR	69,276
Less than 1 month	157,970,789	USD	40,934	127,900,000	EUR	40,274
Less than 1 month	14,000,000	EUR	4,409	4,414,480,000	HUF	4,414
Less than 1 month	5,000,000	EUR	1,574	6,078,000	USD	1,575
1-3 months	4,419,240,000	HUF	4,419	14,000,000	EUR	4,409
1-3 months	6,079,850	USD	1,575	5,000,000	EUR	1,574
Total			**121,504**			**121,522**

(All amounts stated in HUF million unless otherwise noted)

NOTE 9. INVESTMENT IN A JOINT VENTURE

PortfoLion Regionális Magántőke-alap ("the Fund") was launched in June 2012 with a share capital of HUF 5 billion. It was established by OTP Bank Plc. In 2013, Eximbank started negotiations with OTP Bank Plc. and PortfoLion Venture Capital Fund Management Private Limited Company, the fund management company, to join as a new investor by raising the share capital with an additional HUF 5 billion to HUF 10 billion.

PortfoLion Regionális Magántőke-alap is a private equity fund. Its targets are well-established medium-sized companies that offer a promising business model, having already established product lines and a wide range of clients, but which may be facing financial difficulties. The targeted companies had demonstrated good financial results and high margins before the financial crisis of 2008. They continue to have favorable opportunities in their markets, but as a result of the crisis, an inadequate capital structure does not allow them to make full use of their potential and does not allow them to finance their future growth.

According to the principle of its legal document Eximbank undertook to pay HUF 500 million as initial contribution to the Fund in November 2013. The subscription period was completed only in January 2014 meaning that first round of Fund Interests were issued to Eximbank in January 2014. The share capital of the Fund was increased from HUF 5 billion to HUF 10 billion. According to the principal of its legal document of the Fund Eximbank committed itself to pay a total of HUF 5 billion by the end of 2018, which will represent 50% ownership interest. Payment schedule depends on investments.

Because of new investments Eximbank had to pay further HUF 1,055 million in December 2014 and HUF 470 million in 2015. According to the already paid total amount of HUF 2,025 million the proportion of Eximbank's contribution to the share capital was 50% as at 31 December 2015. The Bank classifies the unpaid HUF 2,975 million as contingent liability as at 31 December 2015. The Bank expects profit on this investment.

There weren't any other transactions between Eximbank and the Fund.

Eximbank's interest in the Fund is accounted for using the equity method in accordance with *IAS 28 Investments in Associates and Joint Ventures.*

The principal place of business of the Fund is Hungary.

Adjustment to recognise changes in the Bank's share of net assets of the Fund since the acquisition date amounted to HUF (606) million (decrease) as at 31 December 2015 and HUF (278) million (decrease) as at 31 December 2014.

	31.12.2015	31.12.2014
Initial recognition at cost	2,025	1,555
Adjustment	(606)	(278)
Carrying value	**1,419**	**1,277**

(All amounts stated in HUF million unless otherwise noted)

NOTE 9. INVESTMENT IN A JOINT VENTURE

	31.12.2015	31.12.2014
Opening Bank's share of cumulative profit and loss of the Fund	(278)	-
Bank's share of the annual loss of the Fund	(398)	(278)
Bank's share of other comprehensive income of the Fund	70	-
Total	(606)	(278)

NOTE 10. INTANGIBLES, PROPERTY AND EQUIPMENT

Movement table of intangible and tangible assets as at 31 December 2015 is as follows:

	Leasehold improve-ments	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2014	259	491	249	1,609	84	2,692
Additions	28	82	434	171	226	941
Disposals	(1)	(20)	(120)	(14)	(241)	(396)
31 December 2015	286	553	563	1,766	69	3,237
Accumulated depreciation and amortisation						
31 December 2014	158	369	167	1,328	-	2,022
Charge for year	28	85		170	-	283
Impairment (Note 12)	-	1	1	8	69	79
Disposals	-	(18)	(168)	(14)	(69)	(269)
31 December 2015	186	437	-	1,492	-	2,115
Net book value						
31 December 2014	**101**	**122**	**82**	**281**	**84**	**670**
31 December 2015	**100**	**116**	**563**	**274**	**69**	**1,122**

The following table shows acquisition of intangibles, property and equipment and proceeds from the sale of intangible assets and property and equipment in both years.

	31.12.2015	31.12.2014
Acquisition of intangibles, property and equipment	(649)	(696)
Proceeds from the sale of intangible assets and property and equipment	2	1

(All amounts stated in HUF million unless otherwise noted)

NOTE 10. INTANGIBLES, PROPERTY AND EQUIPMENT (CONTINUED)

Movement table of intangible and tangible assets as at 31 December 2014 is as follows:

	Leasehold improvements	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2013	156	453	7	1,395	14	2,025
Additions	103	66	430	214	283	1,096
Disposals	-	(28)	(188)	-	(213)	(429)
31 December 2014	259	491	249	1,609	84	2,692
Accumulated depreciation and amortisation/impairment						
31 December 2013	152	319	-	1,199	-	1,670
Charge for year	6	77	-	129	-	212
Impairment (Note 12)	-	1	167	-	-	168
Disposals	-	(28)	-	-	-	(28)
31 December 2014	158	369	167	1,328	-	2,022
Net book value						
31 December 2013	**4**	**134**	**7**	**196**	**14**	**355**
31 December 2014	**101**	**122**	**82**	**281**	**84**	**670**

NOTE 11. CURRENT TAX ASSETS AND OTHER ASSETS

	31.12.2015	31.12.2014
Accrued income	1,020	1,746
Prepaid expenses	85	175
Other	447	265
Sub-total	1,552	2,186
Less: impairment loss (see Note 12)	(16)	(148)
Total other assets	**1,536**	**2,038**
Current tax assets	234	283
Total current tax assets and other assets	**1,770**	**2,321**

(All amounts stated in HUF million unless otherwise noted)

NOTE 12. PROVISIONS AND IMPAIRMENT LOSSES

The table below shows impairment made and released during the year ended 31 December 2015 and during the year ended 31 December 2014.

	Loans and advances to other banks and insurance companies	Loans and advances to customers	Available-for-sale securities	Property and equipment	Other asset	Total
As at 31 December 2013	**419**	**5,385**	**99**	**-**	**14**	**5,917**
Write-offs	-	(580)	-	-	-	(580)
Charge for the year	1	1,512	415	168	133	2,229
Reversed during the year	-	(616)	(74)	-	-	(690)
Effect of foreign currency movements	63	244	14	-	1	322
As at 31 December 2014	**483**	**5,945**	**454**	**168**	**148**	**7,198**
Write-offs	-	(4)	-	-	-	(4)
Charge for the year	302	6,180	271	79	1	6,833
Reversed during the year	-	(1,511)	(179)	(167)	(132)	(1,989)
Effect of foreign currency movements	33	(2)	4	-	(1)	34
As at 31 December 2015	**818**	**10,608**	**550**	**80**	**16**	**12,072**

(All amounts stated in HUF million unless otherwise noted)

NOTE 12. PROVISIONS AND IMPAIRMENT LOSSES (CONTINUED)

The table below shows provisions made and reversed during the year ended 31 December 2015 and during the year ended 31 December 2014.

	Provisions
As at 31 December 2013	**321**
Provision made during the period (net)	715
Provision reversed during the period	(167)
Provision used during the period	(16)
Effect of foreign currency movements	12
As at 31 December 2014	**865**
Provision made during the period (net)	99
Provision reversed during the period	(345)
Provision used during the period	(361)
Effect of foreign currency movements	-
As at 31 December 2015	**258**

Provisions decreased by HUF 607 million from 31 December 2014 to 31 December 2015. As at 31 December 2015, out of the total HUF 258 million provisions HUF 128 million was made for management bonuses.
The remaining part of provisions – HUF 130 million – was made for commitments and contingent liabilities.
As at the end of 2014, HUF 137 million provisions was made for management bonuses and HUF 142 million was made for commitments and contingent liabilities. HUF 586 million provisions was made for present obligation derived from a property lease contract, which was reversed in 2015 due to management decision in connection with utilisation of the property.

Provisions and impairment losses for the year ended 31 December 2015

	Provisions and impairment losses
Impairments charged	6,833
Impairments reversed during the period	(1,989)
Provision made during the period (net)	99
Provision reversed during the period	(345)
Provision used during the period	(361)
Effect of foreign currency movements	34
Total	**4,271**

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. LOANS AND DEPOSITS FROM OTHER BANKS AND INSURANCE COMPANIES

		31.12.2015	31.12.2014
Short-term			
- in foreign currency		92,189	26,241
- in HUF		9,295	9,322
	Sub-total	**101,484**	**35,563**
Long-term			
- in foreign currency		202,497	129,254
- in HUF		168	-
	Sub-total	**202,665**	**129,254**
Total		**304,149**	**164,817**

The table below shows an analysis of loans and deposits from other banks by remaining maturity as at 31 December 2015 and 31 December 2014.

		31.12.2015	31.12.2014
Remaining maturity			
In foreign currency:			
Up to 1 month		53,497	7,629
1 to 3 months		22,086	4,345
3 months to 1 year		16,606	14,267
1 to 5 years		171,185	95,892
Over 5 years		31,312	33,362
	Sub-total	**294,686**	**155,495**
In HUF			
Up to 1 month		2,010	2,569
1 to 3 months		7,190	6,753
3 months to 1 year		95	-
1 to 5 years		160	-
Over 5 years		8	-
	Sub-total	**9,463**	**9,322**
Total		**304,149**	**164,817**

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. LOANS AND DEPOSITS FROM OTHER BANKS AND INSURANCE COMPANIES (CONTINUED)

The Hungarian State's obligations to Eximbank in respect of the Funding Guarantee are subject to an upper limit set by the annual budget. Under the 2015 Budget Act, the upper limit of the Funding Guarantee is currently HUF 1,200 billion. As at 31 December 2015, Eximbank had total amounts drawn, or available to be drawn but undrawn, under the Funding Guarantee (calculated as Eximbank's balance sheet liabilities plus the amount yet undrawn under the Medium Term Note Programme) of HUF 876.7 billion, representing approximately 73.1% of the HUF 1,200 billion upper limit (as at 31 December 2014: 59.1%).

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

The loans from MNB are secured over government bonds and trade receivables with a carrying amount of HUF 465 million.

NOTE 14. DEPOSITS FROM CUSTOMERS

	31.12.2015	31.12.2014
Short-term		
- in foreign currency	15,510	-
- in HUF	-	-
Total	**15,510**	**-**

The table below shows an analysis of deposits from customers by remaining maturity as at 31 December 2015 and 31 December 2014.

	31.12.2015	31.12.2014
Remaining maturity		
In foreign currency:		
Up to 1 month	3,134	-
1 to 3 months	7,833	-
3 months to 1 year	4,543	-
Total	**15,510**	**-**

(All amounts stated in HUF million unless otherwise noted)

NOTE 15. DEBT SECURITIES ISSUED

On 12 December 2012, under the 2 billion EUR Medium Term Note Program (MTN Program), the Bank issued USD 500 million 5.5% at a nominal value of USD 1,000 per bond. The issue price was 98.879% of the aggregated nominal amount.
The bonds mature 5 years from the issue date at nominal value. The bonds will be redeemed on maturity date. Interest payment dates are 12 February and 12 August in each year up to and including the maturity date. There was a long first coupon from and including 12 December 2012 up to but excluding 12 August 2013.
Bonds are listed on London Stock Exchange's regulated market with effect from the issue date.

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

On 2 October 2014, under the before-mentioned 2 billion EUR MTN Program, the Bank issued USD 500 million of fixed-rate notes. Proceeds from issuance of debt securities were HUF 121,423 million calculated with exchange rate on issue date. The rate of interest is 4% per annum payable semi-annually in arrears. The first interest payment date is 30 January 2015. Bonds are listed on London Stock Exchange's regulated market with effect from the issue date.

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

The effective interest on the bonds recorded in interest expense was HUF 19,696 million (in 2014: HUF 13,717 million) using effective rates between 4% and 6%.

Main data of bonds:

ISIN code	XS0864511588; US55977W2A95	XS0953951711	XS1115429372; US55977W2B78
Issue date	12.12.2012	01.10.2013	02.10.2014
Maturity date	12.02.2018	13.02.2019	30.01.2020
Currency	USD	EUR	USD
Nominal value	500,000,000	400,000,000	500,000,000
Rate of interest	5.50%	2.125%	4.00%
Last day of first interest period	12 August 2013	15 February 2014	30 January 2015
Frequency of interest payment after the first interest period	semi-annually	semi-annually	semi-annually
Timing of interest payment	in arrears	in advance	in arrears

The structure of the issuance in 2013 was different from standard issuances in capital markets before. The notes issued by Eximbank– that are unconditionally and irrevocably guaranteed by the government of Hungary - were completely subscribed by MAEXIM Secured Funding Ltd (MAEXIM Ltd). This company is an SPV incorporated in the Republic of Ireland with the express purpose of issuing EUR 400 million notes.

TMF Administration Services Limited acts as the corporate services provider for the SPV as well based on a corporate services agreement.

(All amounts stated in HUF million unless otherwise noted)

NOTE 15. DEBT SECURITIES ISSUED (CONTINUED)

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

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

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

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

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

Issuer	Eximbank	MAEXIM Ltd	
Issue date	01.10.2013	01.10.2013	
Maturity date	13.02.2019	13.02.2019	
Currency	EUR	EUR	
Tranche number	1	A1	A2
Nominal value	400,000,000	380,000,000	20,000,000
Collateral	Unconditional and irrevocable guarantee by Hungary	MIGA guarantee and debt issued by Eximbank	Debt issued by Eximbank
Rating at issue date	BB+	AAA	BB+
Rate of interest	2.125%	2.125%	2.125%
Last day of first interest period	15 February 2014	15 February 2014	15 February 2014
Frequency of interest payment after the first interest period	semi-annually	semi-annually	
Timing of interest payment	in advance	in arrear	

The structure resulted in significant interest savings for the Bank. Eximbank has not repurchased any of its own debt or debt issued by MAEXIM Ltd. since the issue date.

(All amounts stated in HUF million unless otherwise noted)

NOTE 15. DEBT SECURITIES ISSUED (CONTINUED)

Foreign exchange (gains) and losses relating to non-operating cash-flows

		31.12.2015	31.12.2014
FX of debt securities issued		27,068	35,357
Net foreign exchange difference		4	(49)
FX on AFS	Note 5	170	(200)
Total		**27,242**	**35,108**

NOTE 16. OTHER LIABILITIES

	31.12.2015	31.12.2014
MEHIB insurance fee	1,437	1,924
Accrued expenses	1,002	789
Accrued revenue	299	310
Current tax liabilities	101	112
Other	604	611
Total	**3,443**	**3,746**

NOTE 17. SHAREHOLDER'S EQUITY

	31.12.2015	31.12.2014
Share capital	89,000	58,100
Share premium	400	400
Retained earnings	2,587	568
Fair value reserve, net of tax	776	-
Statutory reserves	6,718	6,405
Thereof:		
General reserve	*6,718*	*6,405*
Total	**99,481**	**65,473**

The Hungarian State increased share capital by HUF 18,000 million in March 2014 and by HUF 20,000 million in December 2014. Furthermore the Hungarian State decided to increase share capital and transferred HUF 10,000 million as well in December 2014, the registration was made by the court only in 2015.
The Hungarian State increased share capital by HUF 10,900 million in December 2015. Furthermore the Hungarian State decided to increase share capital and transferred HUF 20,000 million as well in December 2015, the registration was made by the court only in 2016.

NOTE 17. SHAREHOLDER'S EQUITY (CONTINUED)

As at 31 December 2014 and as at 31 December 2015, the Bank's shareholder was the Hungarian State represented by the Minister of Foreign Affairs and Trade.
As at 31 December 2014, the Bank's share capital was comprised of 5,620 fully paid shares, each with a par value of HUF 5 million. The shares origination of HUF 30,000 million transferred in December 2014 was made formally in February 2015. As at 27 February 2015 the Bank's share capital was comprised of 11,620 fully paid shares, each with a par value of HUF 5 million.
As at 31 December 2015, the Bank's share capital was comprised of 11,620 fully paid shares, each with a par value of HUF 5 million. The shares origination of HUF 30,900 million transferred in December 2015 was made formally in March 2016. As at 10 March 2016, the Bank's share capital was comprised of 17,800 fully paid shares, each with a par value of HUF 5 million.

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

The Hungarian State's obligations in respect of this back-to-back statutory guarantee are subject to an upper limit set by the annual central budget. According to the 2015 Budget Act, the upper limit remained the same as in 2014, combined HUF 350 billion in respect of Eximbank's export-credit and other export-related guarantees. By government decree, the back-to-back statutory guarantee is also subject to certain conditions, including that any credit agreement over which Eximbank extends a state-backed export-credit guarantee must conform to OECD guidelines.

As at 31 December 2015, HUF 20,636 million ofEximbank's overall guarantee portfolio of HUF 22,915 million was backed by State guarantees.

The remaining 10% of Eximbank's guarantee portfolio (which are guarantees issued at its own risk) related to export-credit guarantees where the underlying loans, due mainly to the nature of the export or tenor, are outside OECD guidelines, and accordingly, outside the statutory guarantee.

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Commitments and contingent liabilities as at 31 December 2015 and 31 December 2014 are summarised as follows:

	31.12.2015	31.12.2014
Unutilised part of discount and credit lines	436,281	425,347
Guarantees counter-guaranteed by the Republic of Hungary	20,636	13,506
Guarantees not counter-guaranteed by the Republic of Hungary	2,279	1,390
Letter of credit	7,581	6,341
Total	**466,777**	**446,584**

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

Besides what is mentioned in Note 13, there aren't any other assets of the Bank that are pledged as collateral.

The above figures do not contain the remaining unpaid part of the commitments and contributions in respect of Portfolion Regionális Magántőkealap, China-CEE Fund, IFC Trust Fund, IFC FIG Fund, EXIM Növekedési Magántőkealap, CCL Kazakhstan "Silk Road" Agriculture Growth Fund and EXIM Növekedési Magántőkealap there are presented as follows.

Name	Contingent liability 31.12.2015	Contingent liability 31.12.2014	
Portfolion Regionális Magántőkealap	HUF 2,975 million	HUF 3,445 million	Please refer to Note 9.
China-CEE Fund	USD 13,737,909 (HUF 3,938 million)	USD 21,746,113 (HUF 5,635 million)	Please refer to Note 5.
IFC Trust Fund	USD 7,000,000 (HUF 2,006 million)	USD 14,000,000 (HUF 3,628 million)	Please refer to Note 23.
IFC FIG Fund	USD 49,119,036 (HUF 14,079 million)	-	Please refer to Note 5.
EXIM Növekedési Magántőkealap	HUF 6,000 million	-	See below
Magyar-Kazah Mezőgazdasági Befektetési Alap	USD 19,873,826 (HUF 5,697 million)	-	Please refer to Note 5.

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

EXIM Növekedési Magántőkealap: In 2015 the Bank – as international export credit agencies and development institutions - established an economic and export development fund, which is intended to provide financing to micro, small and medium enterprises operating in Hungary with strong growth potential and ability to export. The Bank made a commitment amounted to HUF 6,000 million. The total amount was contingent liability as at 31 December 2015.

In December 2015 Eximbank entered into a repo to buy Hungarian government bonds with a face value of HUF 50 million. The start date and the maturity date of the repurchase agreement are only in January 2016, therefore the Bank recognized the purchase price amounted to HUF 50,000 million as a contingent liability as at 31 December 2015.

NOTE 19. TAXATION

The components of income tax expense for the year ended 31 December 2015 and 31 December 2014 are as follows:

	31.12.2015	31.12.2014
Corporate income tax expense	552	114
Local tax expense	423	227
Innovation contribution expense	64	34
Current income tax	**1,039**	**375**
Deferred tax (income)/expense	22	(40)
Total income tax	**1,061**	**335**
Net profit before income tax	3,393	68
Effective tax rate after adjustments	**31%**	**493%**

The corporate income tax was 10 % of the positive tax base up to HUF 500 million, thereafter 19% both in 2014 and in 2015. The tax base is the net profit before tax – calculated in accordance with the Hungarian accounting rules - modified by certain tax deductible and non-deductible items, as required the local tax law.

Considering their net non-turnover character, local business tax and innovation contribution expenses are presented as an income tax expense for IFRS purposes.
In 2015 and 2014, local business tax and innovation contributions are payable 2% and 0.3% respectively on statutory net interest and fee income modified by certain cost elements.

(All amounts stated in HUF million unless otherwise noted)

NOTE 19. TAXATION (CONTINUED)

Reconciliation of the total tax charge

Reconciliation between the tax expense and the accounting profit multiplied by the Bank's domestic tax rate for the years ended 31 December 2015 and 2014 is as follows:

		31.12.2015		31.12.2014
Profit (loss) before income tax		**3,393**		**68**
Corporate income tax up to MHUF 500	10%	50	10%	7
Corporate income tax from MHUF 500	19%	550	19%	-
Average tax rate	18%	600	10%	7
Adjustments:				
Local business tax and innovation contribution		487		261
Effect of local tax and innovation contribution on income tax		(86)		(26)
Tax base increasing items		60		93
Total adjustments		461		328
Income tax reported in the Statement of Comprehensive Income		1,061		335
Effective tax		**31%**		**493%**

(All amounts stated in HUF million unless otherwise noted)

NOTE 19. TAXATION (CONTINUED)

Deferred tax

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

	31 December 2015				
	Deferred tax assets	Deferred tax liabilities	Net	Recognised in profit or loss	Recognised in other comprehensive income
Impairment allowance for loans and advances to customers	-	735	735	741	-
Financial instruments held at amortised cost	-	(127)	(127)	(71)	-
Fair value adjustments of financial instruments at fair value through profit or loss	-	(634)	(634)	(669)	-
Available-for-sale financial assets	-	(104)	(104)	36	(190)
Investment in joint venture	-	(15)	(15)	-	(15)
Other temporary differences	-	41	41	(59)	-
	-	**(104)**	**(104)**	**(22)**	**(205)**

	31 December 2014				
	Deferred tax assets	Deferred tax liabilities	Net	Recognised in profit or loss	Recognised in other comprehensive income
Impairment allowance for loans and advances to customers	(6)	-	(6)	(6)	-
Financial instruments held at amortised cost	(56)	-	(56)	(12)	-
Fair value adjustments of financial instruments at fair value through profit or loss	35	-	35	(86)	-
Available-for-sale financial assets	50	-	50	50	3
Other temporary differences	100	-	100	94	-
	123	**-**	**123**	**40**	**3**

(All amounts stated in HUF million unless otherwise noted)

NOTE 20. INTEREST INCOME AND INTEREST EXPENSE

	31.12.2015	31.12.2014
Interest income:		
Loans and advances to customers	5,513	4,176
Loans and advances to other banks and insurance companies	1,993	2,563
Interest compensation*	23,612	16,698
Securities	139	15
Other	403	26
Total	**31,660**	**23,478**
Interest expense:		
Loans and deposits from other banks	3,446	4,596
Deposits from companies	11	-
Debt securities issued	19,696	13,717
Total	**23,153**	**18,313**
Net interest income	**8,507**	**5,165**

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

The principal factor for the increase in the interest income and interest expense in the year ended 31 December 2015 compared to the year ended 31 December 2014 was the significantly higher volume of loans granted and as a result the necessary borrowings in the given period.

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. NET INCOME FROM FEES AND COMMISSIONS

	31.12.2015	31.12.2014
Fee and commission income:		
Insurance fees devolved by MEHIB	56	12
Guarantees counter-guaranteed by the state	234	269
Guarantees not counter-guaranteed by the state	41	46
Other	11	7
Total	**342**	**334**
Fee and commission expense:		
Insurance fees paid to MEHIB	122	56
Guarantees	-	47
Other	69	10
Total	**191**	**113**
Total	**151**	**221**

The functions of the state export credit agency in Hungary are divided between Eximbank and MEHIB. While Eximbank is engaged in the provision of export and export-related financing and export-related guarantees, MEHIB provides export credit insurance to exporters or their banks, including to certain of Eximbank's borrowers.

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 22. GAINS AND LOSSES FROM TRADING AND INVESTMENT ACTIVITIES, NET

	31.12.2015	31.12.2014
Gain and losses on foreign currency swap deals, net	11,962	1,781
Other foreign currency gains and losses, net	(5,686)	1,036
Foreign currency gains and losses, net *	6,276	2,817
Other trading gains and losses, net	(8)	(6)
Total	**6,268**	**2,811**

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

NOTE 23. OPERATING EXPENSES

	31.12.2015	31.12.2014
Personnel expenses*	2,927	2,324
Material expenses	1,718	1,317
Special tax of credit institution**	1,418	1,057
Bank tax***	454	454
Depreciation and amortisation	283	212
Other administration expenses	262	251
Other expenses/ (income), net****	(198)	(169)
Total	**6,864**	**5,446**

* The average number of employees in 2015 was 192 (2014: 154).

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. OPERATING EXPENSES (CONTINUED)

For credit institutions the tax base is adjusted total assets for the year ended 31 December 2009. The tax rate is 0.15% up to HUF 50,000 million and 0.53% above HUF 50,000 million. The bank tax is recorded as an expense in the financial period in which it is legally payable. As the bank tax is payable based on non-net income measures for the year ended 31 December 2009 it does not meet the definition of income tax under IFRS and is therefore presented as an operating expense in the statement of comprehensive income.
As the tax base and the tax rates remained unchanged since 2010 the Bank tax in 2015 amounts to HUF 454 million similarly to 2010-2014.

**** On 19 March 2014, Eximbank and International Finance Corporation ("IFC"), a member of the World Bank Group entered into an agreement to provide for the creation of a trust fund identified by the name Hungary-IFC Partnership trust fund to finance advisory services activities to catalyse sustainable economic growth by promoting and strengthening private sector development in emerging markets.
The total contribution of Eximbank is USD 20 million. In 2014 USD 6 million (HUF 1,324 million) and in 2015 USD 7 million (HUF 2,012 million) was paid by Eximbank. Further USD 7 million is planned to be disbursed in 2016. According to the agreement either party may at any time terminate the agreement in whole or cancel any portion of the undisbursed and uncommitted grant funds. Therefore Eximbank didn't recognize the future contributions in its financial statements.
The Bank received the already paid amount from the Hungarian State. Therefore the net balance of these transactions amounted to zero in the statement of comprehensive income in both years.
USD 7 million (HUF 2,006 million) undisbursed and uncommitted amount is classified as contingent liability as at 31 December 2015.

NOTE 24. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	31.12.2015	31.12.2014
Available for sale financial assets		
Gains (losses) arising during the year	911	(27)
Investment in a joint venture		
Fair value adjustment	70	-
Other comprehensive income	**981**	**(27)**
Income tax relating to components	(205)	3
Other comprehensive income for the year	**776**	**(24)**

All the components of other comprehensive income for the year ended 31 December 2015 and 2014 stated above are items that may be reclassified subsequently to profit or loss.

(All amounts stated in HUF million unless otherwise noted)

NOTE 25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31 December 2015	**Within 12 months**	**After 12 months**	**Total**
Assets			
Cash, due from banks and balances with the National Bank of Hungary	25,320	-	25,320
Available-for-sale financial assets, net of impairment loss	-	33,758	33,758
Loans and advances to customers, net of impairment losses	59,460	134,223	193,683
Loans and advances to other banks and insurance companies, net of impairment losses	169,457	368,353	537,810
Financial assets at fair value through profit or loss	3,393	29,164	32,557
Investment in joint venture	-	1,419	1,419
Intangibles, property and equipment, net	-	1,122	1,122
Current tax assets and other assets, net	1,770	-	1,770
Total Assets	**259,400**	**568,039**	**827,439**
Liabilities			
Loans and deposits from other banks and insurance companies	101,484	202,665	304,149
Deposits from customers	15,510	-	15,510
Financial liabilities at fair value through profit or loss	144	-	144
Debt securities issued	-	404,350	404,350
Provision for guarantees and contingencies	258	-	258
Deferred tax liabilities	104	-	104
Other liabilities	3,167	276	3,443
Total Liabilities	**120,667**	**607,291**	**727,958**
Net	**138,733**	**(39,252)**	**99,481**

(All amounts stated in HUF million unless otherwise noted)

NOTE 25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2014	Within 12 months	After 12 months	Total
Assets			
Cash, due from banks and balances with the National Bank of Hungary	3,313	-	3,313
Available-for-sale financial assets, net of impairment loss	-	1,776	1,776
Loans and advances to customers, net of impairment losses	90,022	117,343	207,365
Loans and advances to other banks and insurance companies, net of impairment losses	100,049	281,445	381,494
Financial assets at fair value through profit or loss	746	9,345	10,091
Investment in joint venture	-	1,277	1,277
Intangibles, property and equipment, net	-	670	670
Deferred tax assets	123	-	123
Current tax assets and other assets, net	2,321	-	2,321
Total Assets	**196,574**	**411,856**	**608,430**
Liabilities			
Loans and deposits from other banks and insurance companies	35,563	129,254	164,817
Financial liabilities at fair value through profit or loss	830	-	830
Debt securities issued	-	372,699	372,699
Provision for guarantees and contingencies	865	-	865
Other liabilities	3,460	286	3,746
Total Liabilities	**40,718**	**502,239**	**542,957**
Net	**155,856**	**(90,383)**	**65,473**

NOTE 26. RELATED PARTY TRANSACTIONS

26.1 Management and employees

Loans to employees of the Bank amounted to HUF 148 million and HUF 118 million as at 31 December 2015 and 31 December 2014, respectively. As at 31 December 2014 and as at 31 December 2015 there was not any loan granted to the management.

The remuneration of the Board of Directors and the Supervisory Board amended to HUF 42 million in 2015 (2014: HUF 47 million). There are no share-based payments to the Boards or the key management personnel.

The remuneration of the key management personnel amounted to HUF 99 million and HUF 141 million in 2015 and 2014, respectively. The remuneration of the management includes the termination benefits paid to the management, which amounted to HUF 42 million in 2014 and HUF 11 million in 2015.

26.2 Companies

On 12 April 2012, the Hungarian Government had announced that the Hungarian State acquired the shares in Eximbank owned by the Hungarian Development Bank Ltd. and all shareholders' rights were to be exercised by the Minister for National Economy. Following a new announcement of the Hungarian Government in June 2014 the shareholders' rights exercise were taken over by the Minister of Foreign Affairs and Trade. The relating modification of the Act on Eximbank is effective from 6 June 2014.

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

Eximbank has an investment in a joint venture, in Portfolion Regionális Magántőkealap, which is a private equity fund. The Bank's contribution to the share capital is 50% as at 31 December 2015. For further information please refer to Note 9.

Balances with related party companies as at 31 December 2015, representing 13.12% of total assets – excluding investment in a joint venture - (as at 31 December 2014: 17.43%), 7.37% of total liabilities (as at 31 December 2014: 7.99%) and 8.36% of total commitments and contingent liabilities (as at 31 December 2014: 5.27%) are presented below:

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. RELATED PARTY TRANSACTIONS (CONTINUED)

	31.12.2015	31.12.2014
Balances with other related parties	17,499	105
Cash, due from banks and balances with the National Bank of Hungary	**17,499**	**105**
Hungarian Government bonds	28,954	-
Total available for sale financial assets to related parties	**28,954**	**-**
Loans to other related parties incl. interest receivable	53,312	98,570
Receivable against the State from interest compensation systems	7,794	5,587
Total loans and advances to related parties, net of impairment losses	**61,106**	**104,157**
Foreign currency swap with other related parties	-	96
Total financial assets at fair value to related parties	**-**	**96**
Accrued income and receivable from the State in respect of tied-aid credits	538	1,332
Accrued income from other related parties	479	356
Total other assets	**1,017**	**1,688**
Total Assets	**108,576**	**106,046**
Loans and deposits from other related parties incl. accrued interest payables	51,765	41,549
Total loans and deposits from related parties	**51,765**	**41,549**
Foreign currency swap with other related parties	73	76
Total financial liabilities at fair value to related parties	**73**	**76**
Other liabilities to other related parties	1,437	1,924
Accrued expense against other related parties related to cost sharing	376	651
Total other liabilities to related parties	**1,813**	**2,575**
Total Liabilities	**53,651**	**44,200**
Guarantees provided on behalf of other state-owned company	-	7
Other commitments and contingent liabilities	39,044	24,215
Total commitments and contingent liabilities	**39,044**	**24,222**
Foreign exchange swaps	**(73)**	**-**

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. RELATED PARTY TRANSACTIONS (CONTINUED)

	31.12.2015	31.12.2014
Interest income:		
State interest compensation	23,612	16,698
Accounts receivable against the State	1,900	1,193
Hungarian discounted treasury bills, discounted bonds issued by NBH and Hungarian Government bonds	134	11
Loans to other related parties	370	479
Short-term placements to other related parties	425	67
Total	**26,441**	**18,448**
Interest expense:		
Loans and deposits from other related parties	164	377
Total	**164**	**377**
Fee and commission expense:		
Insurance fees paid to MEHIB	122	56
Total	**122**	**56**
Net interest income and net income from fees and commissions	**26,155**	**18,015**
Operating income/(expenses):		
Hungarian State: refund of insurance fees of tied-aid credits	105	45
Hungarian State: refund of contribution to IFC Trust Fund	2,012	1,324
Net operating income from MEHIB and MFB's subsidiaries	215	80
Net income/(expense) related to sharing personal type expenditures	(231)	(94)
Total	**2,101**	**1,355**

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

According to the agreement the following costs are shared between the two companies:
1) costs related to commonly used fixed assets
2) personal type expenditures of employees employed by both Eximbank and MEHIB
3) other personal type expenditures
4) intermediary services
5) material type expenditures and other administration expenses

Effects of the cost sharing to the Bank's profit and loss in 2014 and in 2015 are the following:

1) Commonly used fixed assets:

Income and (expense) related to commonly used fixed assets		**31.12.2015**	**31.12.2014**
a) Asset usage/rental fee invoiced by the Bank to MEHIB	– Other income	172	106
b) Asset usage fee/ rental invoiced by MEHIB to the Bank	– Other expenses	(17)	(116)

2) Personnel type expenditures: jointly employed employees

Income and (expense) related to sharing personal type expenditures		**31.12.2015**	**31.12.2014**
a) Personnel type expenditures invoiced by the Bank to MEHIB	– Personal type expenditures (cost decreasing item)	672	547
b) Personnel type expenditures invoiced by MEHIB to the Bank	– Personal type expenditures	(903)	(641)

3) Other personal type expenditures

Income and (expense) related to sharing other personal type expenditures		**31.12.2015**	**31.12.2014**
a) Personal type expenditures invoiced by the Bank to MEHIB	– Other income	52	75
b) Personal type expenditures invoiced by MEHIB to the Bank	– Other administration expenses	(42)	(31)

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. RELATED PARTY TRANSACTIONS (CONTINUED)

4) Intermediary services

Income and (expense) related to sharing intermediary services		31.12.2015	31.12.2014
a) Expenses invoiced by the Bank to MEHIB	– Other income	132	140
b) Expenses incurred by MEHIB and invoiced to the Bank	– Other expenses	(186)	(184)

5) Material type expenditures and other administration expenses

Income and (expense) related to sharing material type expenditures and other administration expenses		31.12.2015	31.12.2014
a) Expenses invoiced by the Bank to MEHIB	– Other income	141	117
b) Expenses incurred by MEHIB and invoiced to the Bank	– Other expenses	(72)	(64)

NOTE 27. CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2015 and 2014. In case of non-derivative financial assets and liabilities the undiscounted cash flows include estimated interest payments. Trading derivatives are shown at fair value in a separate column. For further information about maturity of them please refer to Note 8.
Repayments which are subject to notice are treated as if notice were to be given immediately.
For contingent liabilities and commitments the maximum amount of them are allocated to the earliest period in which they could be called. However unrecognised loan commitments are not all expected to be drawn down immediately.
The table below does not contain other liabilities, from which MEHIB insurance fee will mature in 1 month.
As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents. In addition the Bank maintains agreed lines of credit with other banks amounted to HUF 34,145 million as at 31 December 2015 and HUF 226,794 million as at 31 December 2014.

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2015	Carrying amount	Gross nominal inflow / outflow*	Trading derivatives**	Up to 1 months	1-3 months	3 months to 1 year	1- 5 years	Over 5 years
Cash, due from banks and balances with National Bank of Hungary	25,320	25,323	-	22,970	2,353	-	-	-
Available-for sale financial assets	33,758	34,941	-	-	-	-	9,057	25,884
Loans and advances to customers, net of impairment losses	193,683	228,697	-	11,279	5,203	53,055	98,603	60,557
Loans and advances to other banks, net of impairment losses	537,810	543,155	-	11,573	21,596	137,873	351,081	21,032
Financial assets at fair value through profit or loss	32,557	32,557	32,557	-	-	-	-	-
Foreign exchange contracts	*504*	*504*	*504*	-	-	-	-	-
Cross currency interest rate swaps	*32,053*	*32,053*	*32,053*	-	-	-	-	-
Investment in joint venture	1,419	1,419	-	-	-	-	-	1,419
Other financial assets	1,098	1,098	-	1,098	-	-	-	-
Financial assets	**825,645**	**867,190**	**32,557**	**46,920**	**29,152**	**190,928**	**458,741**	**108,892**
Loans and deposits from other banks	304,149	311,402	-	55,559	29,522	18,300	176,407	31,614
Deposits from customers	15,510	15,520	-	3,134	7,838	4,548	-	-
Financial liabilities at fair value through profit or loss	144	144	144	-	-	-	-	-
Foreign exchange contracts	*144*	*144*	*144*	-	-	-	-	-
Debt securities issued	404,350	465,021	-	2,866	5,272	8,138	302,564	146,181
Other financial liabilities	3,154	3,154	-	3,154	-	-	-	-
Financial liabilities	**727,307**	**795,241**	**144**	**64,713**	**42,632**	**30,986**	**478,971**	**177,795**
Liquidity (deficiency)/excess	**98,338**	**71,949**	**32,413**	**(17,793)**	**(13,480)**	**159,942**	**(20,230)**	**(68,903)**
Unutilised loan commitments	-	436,281	-	436,281	-	-	-	-
Financial guarantee contracts	-	22,915	-	22,915	-	-	-	-
Letter of credit	-	7,581	-	7,581	-	-	-	-

*Gross amount without impairment,
**FV at the date of the statement of financial position, for CFs please refer to Note 8

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2014	Carrying amount	Gross nominal inflow / outflow	Trading derivatives	Up to 1 months	1-3 months	3 months to 1 year	1- 5 years	Over 5 years
Cash, due from banks and balances with National Bank of Hungary	3,313	3,321	-	948	2,373	-	-	-
Available-for sale financial assets	1,776	1,776	-	-	-	-	-	1,776
Loans and advances to customers, net of impairment losses	207,365	215,406	-	10,859	7,340	75,866	109,553	11,788
Loans and advances to other banks, net of impairment losses	381,494	385,688	-	3,481	16,121	81,381	270,655	14,050
Financial assets at fair value through profit or loss	10,091	10,091	10,091	-	-	-	-	-
Foreign exchange contracts	*746*	*746*	*746*	-	-	-	-	-
Cross currency interest rate swaps	*9,345*	*9,345*	*9,345*	-	-	-	-	-
Investment in a joint venture	1,277	1,277	-	-	-	-	-	1,277
Financial assets	**605,316**	**617,559**	**10,091**	**15,288**	**25,834**	**157,247**	**380,208**	**28,891**
Loans and deposits from other banks	164,817	175,078	-	10,267	11,333	16,277	102,917	34,284
Financial liabilities at fair value through profit or loss	830	830	830	-	-	-	-	-
Foreign exchange contracts	*830*	*830*	*830*	-	-	-	-	-
Debt securities issued	372,699	448,000	-	1,699	4,901	7,493	301,751	132,156
Financial liabilities	**538,346**	**623,908**	**830**	**11,966**	**16,234**	**23,770**	**404,668**	**166,440**
Liquidity (deficiency)/excess	**66,970**	**(6,349)**	**9,261**	**3,322**	**9,600**	**133,477**	**(24,460)**	**(137,549)**
Unutilised loan commitments		425,347	-	425,347	-	-	-	-
Financial guarantee contracts		14,896	-	14,896	-	-	-	-
Letter of credit		6,341	-	6,341	-	-	-	-

*Gross amount without impairment,
**FV at the date of the statement of financial position, for CFs please refer to Note 8

NOTE 28. FINANCIAL RISK MANAGEMENT

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

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

Risk management policies

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

Risk strategy and risk profile

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1. Credit risk

Management of credit risk, credit rating systems

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

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

Due to Hungarian legal regulations it is not allowed to derive risk assessment directly from international ratings under BBB- Baa3 level. As Eximbank's business focus is on emerging market countries, it is usual to make risk assessment based on the Bank's own internal rating model. Eximbank also builds up business partnerships with some local emerging market banks that are not essentially rated by international rating agencies. Eximbank used a 5 scale internal rating system for banks until the first half of 2015. Now Eximbank uses a 7 scale internal rating system for banks. The tables below contain credit exposures to banks grouped by the internal rating categories by nominal amount as at 31 December 2014 and 31 December 2015:

Bank's internal rating	Rating definition	31.12.2014
1	Banks with extremely good financial conditions, and/or high possibility of efficient external support.	8,891
2	Banks with good financial conditions, and/or possibility of appropriate external support.	181,278
3	Banks with medium grade financial performance, and/or limited access to external support.	187,987
4	Banks with bellow average financial performance without any possible external support.	-
5	Banks with very weak financial performance and/or that are effectively in default.	466
Total		**378,622**

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1. Credit risk (continued)

Bank's internal rating	Rating definition	31.12.2015
1	Banks with extremely good financial conditions, and/or high possibility of efficient external support.	-
2	Banks with good financial conditions, and/or possibility of substantial access to external support.	3,445
3	Banks with above average financial performance, and/or appropriate access to external support.	479,521
4	Banks with medium grade financial performance, and/or limited access to external support.	57,770
5	Banks with bellow average financial performance, and/or limited access to external support.	-
6	Banks with weak financial performance without any possible external support.	222
7	Banks with very weak financial performance and/or that are effectively in default.	499
Total		**541,457**

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

Global limits for banks are divided into sublimits:

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

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

Regarding customers, Eximbank uses a 7 grade scale classification system for corporates, where 1 represents the lowest risk and 7 represents the highest risk. Beyond client risk classification loan quality analysis takes collaterals into consideration as well as it is shown below by nominal amount as at 31 December 2015.

Customer's internal rating	Levels of collaterals supporting claims			
	less than 50%	50%-70%	more than 70%	Total
1	-	-	-	-
2	1,444	714	851	3,009
3	7,114	17,707	30,736	55,557
4	4,279	2,521	11,971	18,771
5	1,874	1,427	17,211	20,512
6	24,010	3,931	34,036	61,977
7	8,860	1,268	5,291	15,419
Total	**47,581**	**27,568**	**100,096**	**175,245**

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1. Credit risk (continued)

The table above does not contain the balances with the Hungarian State from interest compensation systems and the loan receivable that relates to purchases of Hungarian Government bonds. For further information please refer to Note 6.

According to the Bank internal policy, all classified outstanding and off-balance sheet items have to be categorised into 5 categories.

Eximbank does not apply credit risk assessment process on an aggregated basis, as a consequence all of the items affected by credit risk are evaluated individually. Impairment rate for each item is derived from the estimated value of loss offset by the estimated recoveries with reference to the value of the credit risk exposure (using a discounted cash-flow model). The risk categories of the relevant items are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1. Credit risk (continued)

Exposure to credit risk

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

	Loans and advances to banks and insurance companies		Loans and advances to customers	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Loans with renegotiated terms:				
Gross amount	358	324	7,477	6,611
Allowance for impairment	(358)	(324)	(3,999)	(2,173)
Carrying amount	-	-	3,478	4,438
Individually impaired:				
Watch list	-	-	3,669	8,261
Substandard	-	-	1,940	1,899
Doubtful	-	-	-	4,560
Loss	148	159	2,755	1,497
Gross amount	148	159	8,364	16,217
Allowance for impairment	(148)	(159)	(3,040)	(3,772)
Carrying amount	-	-	5,324	12,445
Past due but not impaired:	1,426	-	27,043	632
Neither past due nor impaired:	536,696	381,494	161,407	189,850
Allowance for impairment				
Individual	506	483	7,039	5,945
Collective	312	-	3,569	-
Total allowance for impairment	818	483	10,608	5,945
Total carrying amount	**537,810**	**381,494**	**193,683**	**207,365**

At 31 December 2015, *Financial assets at fair value through profit or loss* with a carrying value of HUF 32,557 million (as at 31 December 2014: 10,091 million), *Cash, due from banks and balances with National Bank of Hungary*" with a carrying value of HUF 25,320 million (as at 31 December 2014: HUF 3,313 million) and *Available-for-sale financial assets* with a carrying value of HUF 28,966 million (as at 31 December 2014: HUF 12 million) are neither past due nor impaired. However the securities acquired in exchange for a loan with a carrying value of HUF 44 million (as at 31 December 2014: HUF 40 million) and investments among available-for-sale financial assets are individually impaired (Note 5).

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1. Credit risk (continued)

Loans with renegotiated terms

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

Write-off policy

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

Collaterals

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

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

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

Where a MEHIB-insured loan is non-performing, MEHIB continues to make interest and principal payments including delinquent payments according to the terms agreed by the original borrower up to its coverage amount. Under the 2015 Budget Act, MEHIB can underwrite export credit insurance up to a limit of HUF 600 billion with a direct state guarantee.

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1. Credit risk (continued)

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

	Loans and advances to banks and insurance companies		Loans and advances to customers	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Against individually impaired:				
Insured by MEHIB	-	-	9,396	7,964
Cash Collateral	-	-	8	26
Bank guarantees	-	-	1,410	1,430
Property	-	-	280	1,409
Other	-	-	327	1,385
Against past due but not impaired:				
Insured by MEHIB	-	-	-	-
Cash Collateral	-	-	202	-
Bank guarantees	-	-	-	-
Property	-	-	11,847	2
Other	815	-	5,238	-
Against neither past due nor impaired:				
Insured by MEHIB	8,231	8,446	17,357	18,958
Cash Collateral	-	-	6,768	447
Bank guarantees	-	-	23,171	33,378
Property	-	-	17,453	12,427
Other	33,613	-	21,032	19,734
Against accounts with renegotiated terms:				
Insured by MEHIB	-	-	276	358
Cash Collateral	-	-	9	15
Bank guarantees	-	-	-	-
Property	-	-	848	1,196
Other	-	-	772	676
Total	**42,659**	**8,446**	**116,394**	**99,405**

As described in Note 7, a loan originally granted to a foreign bank insured by MEHIB was assigned to MEHIB due to default in 2010. The carrying value of the loan amounted to HUF 2,586 million as at 31 December 2015 (as at 31 December 2014: HUF 5,202 million). The total amount of the loan is guaranteed by the Hungarian State. This amount is not included in the table above.

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

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2. Liquidity risk

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

The maturity analysis table set out in Note 27 shows the undiscounted, gross nominal cash in- and outflows on the Bank's non-derivative financial liabilities, the related total expected undiscounted interest cash-flows up to the date of maturity when they are due and the issued financial guarantee contracts on the basis of their earliest possible maturity. Trading derivatives are shown at fair value in a separate column. The gross nominal inflow / (outflow) disclosed in the table is the remaining contractual, undiscounted cash flow on the non-derivative financial liability and the issued financial guarantees.

The maturity analysis table shows gross nominal in- and out-cash flows of both the financial assets and the financial liabilities.
The Bank considers maturity gap significant if the cash outflow becomes due 180 days earlier than it is defined in the given loan agreement irrespectively of the extent of the amount. During year 2015 and also 2014 there were not any significant maturity gaps.

Loans borrowed from domestic and foreign banks and the global medium-term notes issued in December 2012, in October 2013 and in October 2014 are secured by the general guarantee of the Government of Hungary as defined in the Act on the Budget of Hungary with respect to the maximum amount of guarantee. Some loan agreements define maturity extension option in favour of the Bank. Termination of short term money market deals is not possible due to its market characteristic. Based on the legal background of the Bank and its experiences, Eximbank reckons the probability of the premature termination of funds as extremely low. There is a limited liquidity risk regarding the state backed bank guarantees issued by the Bank, which are 90% of the total guarantee portfolio of the Bank, as state backed bank guarantees can be paid after the total amount received from the State Budget. It is possible to terminate the unutilized loan commitments based on the 'Material Adverse Changes Clause' defined in all loan agreements, which can mitigate the liquidity risk if necessary.

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Market risk

Eximbank does not undertake speculative positions.

In 2014 and in 2015 according to Article 351 of EU Regulations 575/2013 capital requirement was not generated.

The following table shows the capital requirement covering risks from the trading book as at 31 December 2015 and 2014:

	31.12.2015	**31.12.2014**
Capital requirement of the trading book	-	-
Solvency margin	89,244	71,543
Capital requirement of the trading book as a percentage of solvency margin	-	-

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3.1. Interest rate risk

Interest rate risk is the current or prospective risk to both the Bank's earnings and capital from adverse movements in interest rates. The Bank measures the interest rate risk in the banking book under re-pricing of the loans, furthermore using gap analysis shows the assets and liabilities at different re-pricing dates. Besides the re-pricing risk and shifts in the yield curve the Bank also faces basis risk and inherent risk in banking products. One of the most important elements of government support for exporters through Eximbank is the interest equalisation system that largely reduces interest rate risk occurs in Eximbank's operation. That kind of interest rate compensation system, covers the risk arising from fixed interest-bearing assets compared to floating and fixed rate funds with a certain amount approved by the Parliament for a one year period in the budgetary law.

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

Under the 2015 Budget Act, interest equalisation payments are budgeted at HUF 23 billion; however, the actual amounts paid could be higher than the budgeted amount due to the fact that this budget item is considered to be an ''open-ended appropriation'' in the sense that additional amounts may be provided if interest equalisation requirements total more HUF 23 billion in a given year.

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

Under the interest equalisation programme, the amount of interest compensation provided by the Hungarian state is determined by the difference between (i) the interest rate paid by the borrower and (ii) the sum of Eximbank's funding costs, operating expenses and the applicable risk premium, as agreed with the representative of the Ministry for National Economy.
Eximbank receives the interest equalisation payment after applying to the Hungarian state within 15 days of the end of each quarter, and the payment for that quarter is received by Eximbank within 30 days of the application.

In addition to receiving payments from the Hungarian state under the interest equalisation programme, Eximbank receives a form of interest support with respect to tied-aid credits.

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3.1. Interest rate risk (continued)

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

	31.12.2015	31.12.2014
Fixed rate financial instruments		
Financial assets	76,952	17,088
Financial liabilities	456,433	422,306
Total fixed rate instruments	**533,385**	**439,394**
Variable rate financial instruments		
Financial assets	60,537	85,791
Financial liabilities	267,720	116,039
Total variable rate instruments	**328,257**	**201,830**
Financial assets under interest compensation system	**663,888**	**478,447**
Tied-aid credits	**16,988**	**12,072**

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

Net interest rate risk is assessed using a static gap model regarding parallel shift for the entire statement of financial position calculated by VAR based estimation of changes of interest rates of different currencies in a three month term. The VAR based estimation of decrease in the market interest rates using a confidence level of 99 % would affect negatively the net interest income for the next twelve months by HUF 94 million (it was HUF 144 million in previous year). The calculation assumes that other conditions (including foreign exchange rates) are unchanged during the period. The magnitude of changes in interest rates are: EUR: 0.08%; USD: 0.09%; HUF: 0.17%). Needs of capital requirement in respect of interest rate risk are calculated with duration gap methodology based on a basis point value model regarding VAR of changes in interest rates. Stress test is used for monitoring interest rate risks monthly.

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3.2. Foreign currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ALCO also sets limits to the level of exposure by currency and in aggregate both for overnight and intra-day positions, which are monitored and reported daily. Furthermore, calculating foreign currency exchange risk conforms to the norms of the standard method. The Bank's overall open foreign currency position cannot exceed HUF 1,100 million. The Bank manages its foreign currency risk and position based on its financial position kept calculated in accordance with Hungarian accounting regulation and rules. Eximbank does not speculate on the FX market and opens FX positions within the frameworks of highly restricted rules. Foreign currency positions are subject to stress test to ensure that the Bank would withstand an extreme market event.

Foreign currency exposure and foreign currency risk as at 31 December 2015 are as follows:

	EUR	USD
Foreign currency assets:		
Loans and advances to customers, net of impairment losses	179,247	3,136
Loans and advances to other banks and insurance companies, net of impairment losses	442,942	57,304
Other	3,975	4,763
Total foreign currency assets	626,164	65,203
Total foreign currency liabilities	424,910	290,281
Foreign currency assets and liabilities, net	**201,254**	**(225,078)**
Effect of derivatives	(201,750)	222,103
Net exposure	**(496)**	**(2,975)**

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3.2. Foreign currency risk (continued)

Foreign currency exposure and foreign currency risk as at 31 December 2014 are as follows:

	EUR	USD	GBP
Foreign currency assets:			
Loans and advances to customers, net of impairment losses	198,568	2,804	-
Loans and advances to other banks and insurance companies, net of impairment losses	337,037	44,457	-
Other	3,336	1,768	4
Total foreign currency assets	538,941	49,029	4
Total foreign currency liabilities	267,731	260,999	-
Foreign currency assets and liabilities, net	**271,210**	**(211,970)**	**4**
Effect of derivatives	(268,954)	209,370	-
Net exposure	**2,256**	**(2,600)**	**4**

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3.2. Foreign currency risk (continued)

The Bank's net currency exposure was subject to a stress test examining how it would react to extreme exchange rates. The following tables show the change in the Bank's net foreign currency exposure at the extreme currency situations explained above compared with the actual exposure as at 31 December 2015 and as at 31 December 2014 resulting in profit or loss. In equity there is no foreign currency position, therefore the effect of an extreme change in exchange rates on equity cannot be examined. The calculation assumes that other conditions are unchanged during the period.

Extreme foreign currency risk calculation as at 31 December 2015

	EUR	USD	Total
Foreign currency exchange rate as at 31 December 2015	313.12	286.63	
Exchange rates at strong HUF (minimum of historical rates in 2015)	296.10	266.77	
Effect on profit or (loss)	**920**	**1,243**	**2,163**
Exchange rates at weak HUF (maximum of historical rates in 2015)	321.34	294.58	
Effect on profit or (loss)	**(444)**	**(520)**	**(964)**
Effect on OCI		**22**	**22**

Extreme foreign currency risk calculation as at 31 December 2014

	EUR	USD	Total
Foreign currency exchange rate as at 31 December 2014	314.89	259.13	
Exchange rates at strong HUF (minimum of historical rates in 2014)	297.79	216.89	
Effect on profit or (loss)	**1,059**	**(3,171)**	**(2,112)**
Exchange rates at weak HUF (maximum of historical rates in 2014)	316.61	259.23	
Effect on profit or (loss)	**(107)**	**7**	**(100)**

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.4. Capital management

In 2014 "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 (ie. CIRR)" is fulfilled. Measures on own funds are laid down in Part Two of CIRR. Capital requirements are kept according to Part Three.
Own funds requirements (capital ratios) are satisfied as of Article 92. Subordinated loan is taken into consideration according to Article 64 by an amortised value.
In 2007 MFB has provided to the Bank a subordinated loan capital in the amount of EUR 100 million. The maturity of this particular loan is 12th of September 2017.
In line with the referred provisions, the amount of the subordinated loan capital is to be considered as a positive component of the guarantee capital of Eximbank. On 31st of December 2015 and as at 31 December 2014 the amount of the long-term liability arising from the loan agreement is HUF 31,312 million and HUF 31,489 million, respectively.

The Bank fulfilled the legal and prudential requirements in 2015 and in 2014, the capital adequacy ratio has always significantly exceeded the 8 percent required by the law as stated above.

The provision of capital handling is controlled by the National Bank of Hungary.

	31.12.2015	31.12.2014
Core capital	78,595	54,540
Supplementary capital	10,649	17,003
Solvency capital	89,244	71,543
Total risk-weighted exposure to credit risk	779,172	644,238
Total risk exposure amount for operational risk	16,303	12,422
Total risk exposure amount	795,475	656,660
Solvency ratio	11.22%	10.89%

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(All amounts stated in HUF million unless otherwise noted)

NOTE 29. GEOGRAPHICAL INFORMATION

Concentration of assets and liabilities by geographical areas as at 31 December 2015

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with NBH	24,409	896	-	15	25,320
Available-for-sale financial assets	28,966	4,748	-	44	33,758
Loans and advances to customers, net of impairment losses	164,087	-	13,802	15,794	193,683
Loans and advances to other banks and insurance companies net of impairment losses	528,874	186	8,523	227	537,810
Financial assets at fair value through profit or loss	12,753	19,804	-	-	32,557
Investment in joint venture	1,419	-	-	-	1,419
Intangibles, property and equipment, net	1,122	-	-	-	1,122
Current tax- and other assets	1,186	38	8	538	1,770
Total Assets	**762,816**	**25,672**	**22,333**	**16,618**	**827,439**
Loans and deposits from other banks	155,157	117,521	-	31,471	304,149
Deposits from customers	15,510	-	-	-	15,510
Financial liabilities at fair value through profit or loss	73	71	-	-	144
Debt securities issued	-	114,325	-	290,025	404,350
Other liabilities incl. provision	3,426	23	252	-	3,701
Deferred tax liability	104	-	-	-	104
Total Liabilities	**174,270**	**231,940**	**252**	**321,496**	**727,958**
Share capital	89,000	-	-	-	89,000
Reserves	10,481	-	-	-	10,481
Total Shareholder's Equity	**99,481**	**-**	**-**	**-**	**99,481**
Total Liabilities and Equity	**273,751**	**231,940**	**252**	**321,496**	**827,439**
Off-balance sheet financial instruments					
Unutilised part of credit lines	414,665	3,131	8,391	10,094	436,281
Guarantees insured by the state	15,698	-	4,938	-	20,636
Guarantees not counter-guaranteed by the state	2,019	-	260	-	2,279
Letter of Credit	4,632	1,338	-	1,611	7,581
Funds	8,975	9,634	-	16,086	34,695
Repo	50,000	-	-	-	50,000
Total	**495,989**	**14,103**	**13,589**	**27,791**	**551,472**

* Bonds issued in December 2012 and in October 2014 are actively traded on London Stock Exchange and on OTC markets. The Bank has no detailed information about the breakdown of investors by geographical segments as at 31 December 2014. As a result the Bank classified debt securities issued into Other Countries segment. Bonds issued in October 2013 were wholly subscribed by MAEXIM Ltd incorporated in Ireland.

(All amounts stated in HUF million unless otherwise noted)

NOTE 29. GEOGRAPHICAL INFORMATION (CONTINUED)

Concentration of assets and liabilities by geographical areas as at 31 December 2014

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with NBH	3,134	179	-	-	3,313
Available-for-sale financial assets	12	1,724	-	40	1,776
Loans and advances to customers, net of impairment losses	178,958	-	17,972	10,435	207,365
Loans and advances to other banks and insurance companies net of impairment losses	372,359	233	8,901	1	381,494
Financial assets at fair value through profit or loss	4,129	5,962	-	-	10,091
Investment in joint venture	1,277	-	-	-	1,277
Intangibles, property and equipment, net	670	-	-	-	670
Deferred tax assets	123	-	-	-	123
Current tax- and other assets	2,245	74	2	-	2,321
Total Assets	**562,907**	**8,172**	**26,875**	**10,476**	**608,430**
Loans and deposits from other banks	101,278	31,556	-	31,983	164,817
Financial liabilities at fair value through profit or loss	829	1	-	-	830
Debt securities issued	-	111,982	-	260,717	372,699
Other liabilities incl. provision	4,282	64	263	2	4,611
Total Liabilities	**106,389**	**143,603**	**263**	**292,702**	**542,957**
Share capital	58,100	-	-	-	58,100
Reserves	7,373	-	-	-	7,373
Total Shareholder's Equity	**65,473**	**-**	**-**	**-**	**65,473**
Total Liabilities and Equity	**171,862**	**143,603**	**263**	**292,702**	**608,430**
Off-balance sheet financial instruments					
Unutilised part of credit lines	379,342	10,864	21,535	13,606	425,347
Guarantees insured by the state	7,704	847	4,955	-	13,506
Guarantees not counter-guaranteed by the state	1,110	45	235	-	1,390
Letter of Credit	-	1,943	-	4,398	6,341
Funds	3,445	5,635	-	3,628	12,708
Total	**391,601**	**19,334**	**26,725**	**21,632**	**459,292**

* Bonds issued in December 2012 and in October 2014 are actively traded on London Stock Exchange and on OTC markets. The Bank has no detailed information about the breakdown of investors by geographical segments as at 31 December 2014. As a result the Bank classified debt securities issued into Other Countries segment. Bonds issued in October 2013 were wholly subscribed by MAEXIM Ltd incorporated in Ireland.

(All amounts stated in HUF million unless otherwise noted)

NOTE 29. GEOGRAPHICAL INFORMATION (CONTINUED)

Segmented revenue by geographical areas for the year ended 31 December 2015

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans to customers	4,989	-	387	137	5,513
Loans and advances to other banks and insurance companies	2,001	-	394	1	2,396
Interest compensation system	23,612	-	-	-	23,612
Securities	134	-	-	5	139
Total interest income	**30,736**	**-**	**781**	**143**	**31,660**
Income from fees and commissions:					
Guarantees counter-guaranteed by the state	176	7	51	-	234
Insurance fees devolved by MEHIB	-	-	-	56	56
Guarantees not counter-guaranteed by the state	38	-	3	-	41
Other	1	1	-	9	11
Total income from fees and commissions	**215**	**8**	**54**	**65**	**342**
Total income	**30,951**	**8**	**835**	**208**	**32,002**

(All amounts stated in HUF million unless otherwise noted)

NOTE 29. GEOGRAPHICAL INFORMATION (CONTINUED)

Segmented revenue by geographical areas for the year ended 31 December 2014

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans to customers	3,404	2	635	135	4,176
Loans and advances to other banks and insurance companies	2,121	-	465	3	2,589
Interest compensation system	16,698	-	-	-	16,698
Securities	11	-	-	4	15
Total interest income	**22,234**	**2**	**1,100**	**142**	**23,478**
Income from fees and commissions:					
Guarantees counter-guaranteed by the state	204	3	62	-	269
Insurance fees devolved by MEHIB	-	-	-	12	12
Guarantees not counter-guaranteed by the state	43	-	3	-	46
Other	-	1	-	6	7
Total income from fees and commissions	**247**	**4**	**65**	**18**	**334**
Total Income	**22,481**	**6**	**1,165**	**160**	**23,812**

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2015 or 2014 excluding the Hungarian State. For details please refer to Note 26.

NOTE 30. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that would have a significant effect on figures in the financial statements for year 2015. Non-adjusting events after the reporting date are not material.

NOTE 31. USE OF ESTIMATES AND JUDGEMENTS

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

These disclosures supplement the commentary on financial risk management (see Note 28.).

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

Allowances for credit losses

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

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

Impairment of available-for-sale financial assets

Investments in available-for-sale securities are considered to be impaired if their carrying amount is greater than the estimated recoverable amount assessed at each balance sheet date on the basis of objective evidence such as significant financial difficulty of the issuer, actual breaches of contracts, high probability of bankruptcy or other financial reorganization of the issuer. Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.
If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity instrument is recognised in other comprehensive income.

Provisions

In connection with recognition and measurement of provisions and contingencies the key assumptions are the likelihood and magnitude of an outflow of resources.

NOTE 31. USE OF ESTIMATES AND JUDGEMENTS

Determining fair values

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

Critical accounting judgements in applying the Bank's accounting policies

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

Valuation of financial instruments, fair value hierarchy

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

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are measured at fair value based on bid prices for assets held and ask prices for liabilities issued. When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data.

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 31. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

31 December 2015	Level 1	Level 2	Total
Financial assets at fair value through profit or loss			
Derivative instruments	-	32,557	32,557
Available-for-sale financial assets	33,758	-	33,758
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	144	144

31 December 2014	Level 1	Level 2	Total
Financial assets at fair value through profit or loss			
Derivative instruments	-	10,091	10,091
Available-for-sale financial assets	1,776	-	1,776
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	830	830

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

Valuation techniques

Level 1:

- 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 investments in private equity funds is determined the net asset value presented by the investment fund managements.

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.
- 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.

(All amounts stated in HUF million unless otherwise noted)

NOTE 32. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

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 of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of the estimated future cash flows and discount rates, which reflect varying degrees of risk. Furthermore, due to the use of subjective judgement and uncertainties, the aggregate fair value amounts should not be interpreted as being realisable in an immediate settlement of the instruments.

As at 31 December 2015, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available-for-sale	Other	Carrying amount	Fair value including CF from interest compensation
Cash due from banks and balances with National Bank of Hungary	-	25,320	-	-	25,320	25,302
Available-for-sale financial assets	-	-	33,758	-	33,758	33,758
Loans and advances to customers	-	193,683	-	-	193,683	197,990
Loans and advances to other banks and insurance companies	-	537,810	-	-	537,810	540,870
Financial assets at fair value through profit or loss	32,557	-	-	-	32,557	32,557
Other financial assets	-	-	-	1,098	1,098	1,098
Total	**32,557**	**756,813**	**33,758**	**1,098**	**824,226**	**831,575**
Loans and deposits from other banks	-	304,149	-	-	304,149	312,112
Deposits from customers	-	15,510	-	-	15,510	15,524
Financial liabilities at fair value through profit or loss	144	-	-	-	144	144
Debt securities issued	-	-	-	404,350	404,350	428,539
Other financial liabilities				3,154	3,154	3,154
Total	**144**	**319,659**	**-**	**407,504**	**727,307**	**759,473**

(All amounts stated in HUF million unless otherwise noted)

NOTE 32. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

As at 31 December 2014, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available-for-sale	Other	Carrying amount	Fair value including CF from interest compensation
Cash due from banks and balances with National Bank of Hungary	-	3,313	-	-	3,313	3,305
Available-for-sale financial assets	-	-	1,776	-	1,776	1,776
Loans and advances to customers	-	207,365	-	-	207,365	202,104
Loans and advances to other banks and insurance companies	-	381,494	-	-	381,494	386,096
Financial assets at fair value through profit or loss	10,091	-	-	-	10,091	10,091
Total	**10,091**	**592,172**	**1,776**	**-**	**604,039**	**603,372**
Loans and deposits from other banks	-	164,817	-	-	164,817	164,271
Financial liabilities at fair value through profit or loss	830	-	-	-	830	830
Debt securities issued	-	-	-	372,699	372,699	395,701
Total	**830**	**164,817**	**-**	**372,699**	**538,346**	**560,802**

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

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

NOTE 32. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

Loans and advances to other banks and insurance companies and Loans and advances to customers

Where available the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash-flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of underlying collateral.
To improve the accuracy of the valuation estimate homogeneous loans are grouped into portfolios with similar characteristics such as maturity, quality of collaterals, product and borrower type.

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

- In the first column the Bank calculated fair value as net present value of future cash-flows that contain future cash-flows from interest compensation system.

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

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss (derivative financial instruments) are carried at their fair values in the statement of financial position. The fair value of derivative financial instruments is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

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

Financial liabilities valued at amortised cost

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

Debt securities issued
The bonds issued by the Bank in December 2012 and in October 2014 are traded on London Stock Exchange and on OTC markets. Fair value of these bonds is determined based on the observable market prices.
The bonds issued by the Bank in October 2013 are not actively traded. The fair value of these bonds is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

(All amounts stated in HUF million unless otherwise noted)

NOTE 32. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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 2014	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash due from banks and balances with National Bank of Hungary	-	3,305	-	3,305	3,313
Loans and advances to customers	-	-	202,104	202,104	207,365
Loans and advances to other banks and insurance companies	-	-	386,096	386,096	381,494
Total	**-**	**3,305**	**588,200**	**591,505**	**592,172**
Loans and deposits from other banks	-	164,271	-	164,271	164,817
Debt securities issued	271,671	124,030	-	395,701	372,699
Total	**271,671**	**288,301**	**-**	**559,972**	**537,516**

As at 31 December 2015	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash due from banks and balances with National Bank of Hungary	-	25,302	-	25,302	25,320
Loans and advances to customers	-	-	197,990	197,990	193,683
Loans and advances to other banks and insurance companies	-	-	540,870	540,870	537,810
Other financial assets	-	1,098	-	1,098	1,098
Total	**-**	**26,400**	**738,860**	**765,260**	**757,911**
Loans and deposits from other banks	-	312,112	-	312,112	304,149
Deposits from customers	-	15,524	-	15,524	15,510
Debt securities issued	301,914	126,625	-	428,539	404,350
Other financial liabilities	-	3,154		3,154	3,154
Total	**301,914**	**457,415**	**-**	**759,329**	**727,163**

18 April 2016
Authorised for issue by

Zoltán Urbán
Chief Executive Officer