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Confirmation of your Representation: In order to be eligible to view the attached Offering Circular you must be (i) a person other than a US person (within the meaning of Regulation S under the Securities Act) or (ii) a QIB. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and UniCredit Bank AG (the "**Arrangers**" and "**Joint Lead Managers**") and Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság (in English: Hungarian Export-Import Bank Private Limited Company) ("**Eximbank**" or the "**Issuer**") that you are not a US person or that you are a QIB and that you consent to delivery of such Offering Circular by electronic transmission.

The attached Offering Circular may only be provided to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer. Accordingly, the attached Offering Circular is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (the "**Order**"), (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) those persons to whom it may otherwise lawfully be distributed in accordance with the Order (all such persons together being referred to as "relevant persons"). The Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Under no circumstances shall the attached Offering Circular constitute an offer to sell or the solicitation of an offer to buy, and there shall not be a sale of the securities being offered, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular to any other person.

The attached Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of that

Joint Lead Manager is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**"), a prospectus for the purposes of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") nor listing particulars given in compliance with the listing rules under Part VI of the FSMA by the Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**UKLA**").

No representation, warranty or undertaking is made hereby or to be implied by any person as to the completeness, accuracy or fairness of the information contained in the Offering Circular and none of the Issuer, any Arranger, any Joint Lead Manager or any affiliate accepts any liability or responsibility whatsoever in respect hereof.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, the Joint Lead Managers or any person who controls any of them nor any director, officer, employee nor agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Arrangers or the Joint Lead Managers.

OFFERING CIRCULAR

Magyar Export-Import Bank

Zártkörűen Működő Részvénytársaság

(incorporated with limited liability in Hungary)

EUR 2,000,000,000
Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság (in English: Hungarian Export-Import Bank Private Limited Company) ("**Eximbank**" or the "**Issuer**") may from time to time, and subject to compliance with all relevant laws, regulations and directives, issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). Notes will be issued in Series, as further set out in "*Overview of the Programme*" below. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 2,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Issuer's obligations under the Notes have the benefit of a statutory guarantee in the form of an absolute and direct suretyship from the Hungarian state relating to the Issuer's funding activities (the "Funding Guarantee") in accordance with Articles 6:420 and 6:429 of the Civil Code of Hungary ("készfizető kezességvállalás") (the "Civil Code") and pursuant to Paragraph (1)(a) of Article 6 of Act XLII of 1994 on the Hungarian Export-Import Bank Private Limited Company and the Hungarian Export Credit Insurance Private Limited Company, as amended, (the "Eximbank Act").

PURSUANT TO SECTION 18 OF ACT CXX OF 2001 ON THE CAPITAL MARKETS (THE "**CAPITAL MARKETS ACT**"), TO THE EXTENT THIS OFFERING CIRCULAR IS USED IN HUNGARY IT MAY ONLY BE SO USED IN CONNECTION WITH A PRIVATE PLACEMENT IN HUNGARY IN ACCORDANCE WITH THE CAPITAL MARKETS ACT. THIS OFFERING CIRCULAR IS NOT A PROSPECTUS ("*TÁJÉKOZTATÓ*") AS DEFINED IN SECTION 21(1) OF THE CAPITAL MARKETS ACT.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

This Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**"), a prospectus for the purposes of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") nor listing particulars given in compliance with the listing rules under Part VI of the FSMA by the Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**UKLA**"). The Prospectus Directive does not apply to this Offering Circular pursuant to Article 1(2)(d) thereof.

Application may be made to the UKLA for one or more Series of Notes to be issued under the Programme to be listed on its official list and admitted to the official list of the UKLA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market. References in this Offering Circular to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purpose of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). The Issuer may also issue unlisted Notes under the Programme.

The Programme has been rated "BB" by Standard & Poor's Credit Market Services Europe Ltd ("**S&P**") and "BB+" by Fitch Ratings Limited ("**Fitch**"). As at the date of this Offering Circular, Hungary's foreign currency long-term debt was rated "BB" by S&P (with stable outlook), "Ba1" (with negative outlook) by Moody's Investors Service, Inc. ("**Moody's**") and "BB+" by Fitch (with stable outlook). Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to Notes already issued under the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to any Notes may adversely affect the market price of such Notes.

Notes may be issued in bearer form ("**Bearer Notes**") or registered form ("**Registered Notes**"). Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**"). If the Global Notes are stated in the applicable Pricing Supplement to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Global Note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Note will bear a legend regarding such restrictions on transfer. The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended, (the "**U.S. Securities Act**"). The Registered Notes of each Tranche sold to QIBs will initially be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Arrangers and Dealers

J.P. Morgan | **Deutsche Bank** | **UniCredit Bank**

Offering Circular dated 16 September 2014

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IMPORTANT INFORMATION

In this Offering Circular, "**Eximbank**" or the "**Issuer**" refers to Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság (in English: Hungarian Export-Import Bank Private Limited Company).

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Neither Deutsche Bank AG, London Branch, J.P. Morgan Securities plc nor UniCredit Bank AG in their capacities as arrangers (the "**Arrangers**") and Dealers (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers or the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the issue and sale of the Notes. The Arrangers and the Dealers accept no liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the issue and sale of the Notes.

In connection with the issue and sale of Notes, no person is or has been authorised by the Issuer, the Arrangers or the Dealers to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issue and sale of Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers or the Dealers.

The Notes will be issued on a continuing basis to one or more of the Dealers specified on page 2 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an on-going basis (each a "**Dealer**" and together, the "**Dealers**"). References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for, or purchase, any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or Hungary since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or Hungary since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The Issuer, the Arrangers and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the relevant Pricing Supplement (as defined below), no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes outside the European Economic Area or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Hungary, Japan, the Republic of Singapore and Hong Kong (see "*Subscription and Sale*" and "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*" below).

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of the financial markets in which they participate; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic conditions, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In connection with the issue of any Tranche (as defined in "*Overview of the Programme*") of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or any person acting on behalf of any Stabilising Manager(s)) may purchase and sell Notes in the open market, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. Over-allotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the Dealers in this offering, which creates a short position for the Dealers. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Dealers may conduct these transactions in the over-the-counter market or otherwise. If the Dealers commence any of these transactions, they may discontinue them at any time. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The Notes have not been and will not be registered under the U.S. Securities Act or any other applicable U.S. state securities laws, and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale — United States of America*" and "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*" below). Any offer or sale of any Notes (including re-sales thereof) in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the U.S. Securities Act or pursuant to an exemption therefrom.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. The Issuer may also make forward-looking statements in its audited annual financial statements, in its interim financial statements, in its prospectuses, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements are typically identified by words or phrases such as, without limitation, "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as, without limitation, "will", "should", "would" and "could."

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements and so undue reliance should not be placed on such statements.

The Issuer has identified some of the risks inherent in forward-looking statements under "*Risk Factors*" in this Offering Circular. Important factors that could cause actual results to differ materially from those in forward-looking statements include, among others:

- changes in the Hungarian economy, in particular changes to the demand for Hungarian exports;
- changes in the banking and financial markets in Hungary;
- changes in the Issuer's ownership by the government of Hungary or other changes in policy or regulation by the Hungarian government, including the status of the Funding Guarantee provided by Hungary;
- change to Hungary's willingness to contribute capital or other financial support;
- the Issuer's credit exposure to financial institutions in Hungary;
- changes in applicable laws and regulations, including sanctions regimes, tax regulations, or accounting standards or practices;
- the monetary, interest rate and other policies of central banks in Hungary, the European Union, the United States and elsewhere;
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation;
- the Issuer's exposure to the credit risk of its borrowers and counterparties;
- the Issuer's ability to hedge certain risks economically;
- the Issuer's ability to manage any mismatches between the Issuer's interest-earning assets and the Issuer's interest-bearing liabilities;
- the Issuer's ability to manage operational risks and prevent security breaches;
- the Issuer's ability to maintain reliable and secure information technology systems;
- the Issuer's ability to attract and retain key management and qualified personnel;
- the Issuer's ability to grow its loan portfolio;
- the Issuer's ability to control expenses;
- the Issuer's ability to manage liquidity risks and to access credit and capital markets;
- the Issuer's success in managing the risks involved in the foregoing, which depends, among other things, on the Issuer's ability to anticipate events that cannot be captured by the statistical models the Issuer uses; and
- force majeure and other events beyond the Issuer's control.

There may be other risks, including some risks of which the Issuer is unaware, that could adversely affect the Issuer's results or the accuracy of forward-looking statements in this Offering Circular.

Therefore, you should not consider the factors discussed here or under "*Risk Factors*" to be a complete set of all potential risks or uncertainties.

The Issuer does not have any intention or obligation to update the forward-looking statements in this Offering Circular or in other disclosure to reflect new information, future events or risks that may cause the forward-looking events the Issuer presents in this Offering Circular not to occur or to occur in a manner different from what the Issuer expects.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Issuer

The financial information for the Issuer as at and for the six-month periods ended 30 June 2014 and 30 June 2013 has been extracted from the Issuer's unaudited interim financial statements for the six months ended 30 June 2014 and the related notes (the "**Interim Financial Statements**"). The financial information for the Issuer as at and for the year ended 31 December 2013 has been extracted from the Issuer's audited financial statements for the year ended 31 December 2013 and the related notes therein (the "**2013 Financial Statements**"). The financial information for the Issuer as at and for the year ended 31 December 2012 has been extracted from the Issuer's audited financial statements for the year ended 31 December 2012 and the related notes therein (the "**2012 Financial Statements**"). The financial information for the Issuer as at and for the year ended 31 December 2011 has been extracted from the Issuer's audited financial statements for the year ended 31 December 2011 and the related notes therein (the "**2011 Financial Statements**"). Together, the 2013 Financial Statements, the 2012 Financial Statements and the 2011 Financial Statements are hereinafter, the "**Audited Financial Statements**". The Audited Financial Statements and the Interim Financial Statements, together, are hereinafter the "**Financial Statements**". The Financial Statements were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IFRS**"), as adopted by the European Union. Neither the Financial Statements nor the other financial information presented in this document has been prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"), or audited in accordance with auditing standards generally accepted in the United States ("**U.S. GAAS**"). Accordingly, no opinion or any other assurance with regard to any financial information has been expressed under U.S. GAAP or U.S. GAAS. The Hungarian Forint is the measurement currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this Offering Circular have, unless otherwise noted, been presented in Forints.

Certain financial and other information presented in various tables in this Offering Circular, including certain tables in "*Description of Eximbank*", have been prepared on the basis of the Issuer's own internal accounts, which are prepared under Hungarian Accounting Standards ("**HAS**"). Unless otherwise indicated specifically as IFRS data, the sources for statements and data concerning the Issuer and its business are based on the best estimates and assumptions of the Issuer's management, which believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or prepared using HAS as the basis for the internal estimates and assumptions of the Issuer's management, constitute the best current estimates of the information provided.

Hungary

Unless otherwise indicated, all data relating to Hungary contained or incorporated by reference in this Offering Circular is presented for comparison purposes in accordance with the methodology of the International Monetary Fund (the "**IMF**") (as set forth in the Manual on Governance Finance Statistics, IMF 1986) ("**GFS**"). In order to comply with its EU accession obligations, Hungary produces certain data on the basis of the European System of Accounts 95 ("**ESA**"). ESA methodology monitors revenues and expenditures on an accrual basis, whereas GFS methodology monitors revenues and expenditures on a cash basis. Under ESA, certain issued state guarantees are reclassified as government debt and increase the deficit, and the definition of the general government sector is extended to include certain quasi-governmental institutions.

Currency

In this Offering Circular, the following currency terms are used:

- "**HUF**", "**Hungarian Forints**" or "**Forints**" means the lawful currency of Hungary;
- "**U.S. dollars**", **U.S.$** or "**USD**" means the lawful currency of the United States;
- "**EUR**", "**euro**" "**Euro**" or "**€**" means the lawful currency of the Member States of the European Union that have adopted the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

- "**GBP**", "**£**" or "**pound sterling**" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland; and
- "**JPY**", "**¥**" or "**Japanese Yen**" means the lawful currency of Japan.

The Issuer's Auditors

As at the date of this Offering Circular, the Issuer's auditors are KPMG Hungária Kft ("**KPMG**"), a member of KPMG International. KPMG's address is Váci út 31, Budapest, Hungary and KPMG's company registration number is 01-09-063183. KPMG are certified public accountants operating under authorised auditors' licence number 000202 and have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Hungary for the financial periods ending 31 December 2013, 31 December 2012 and 31 December 2011. KPMG have reviewed the Issuer's interim financial statements and have issued their review report thereon, without qualification, in accordance with generally accepted auditing standards in Hungary as at and for the six months ending 30 June 2014. However, as stated in their report for the six-month period ended 30 June 2014, they did not audit and they did not express an opinion on the interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Exchange Rates

Except as otherwise specified, all amounts in this Offering Circular are expressed in Forints, in Euro, or in U.S. dollars. All currency conversions in this Offering Circular are at the National Bank of Hungary (the "**NBH**") official middle rate of exchange on a particular date or calculated at the average of the middle rates of exchange for a particular period. For convenience, certain amounts have been converted from Forint into USD and/or Euro at the average exchange rate for each relevant period or the exchange rate in effect on a given date.

The following table sets forth the Forint/Euro exchange rates for the last day of the periods indicated and the average exchange rates during the periods indicated:

	6 months ended 30 June	12 months ended 31 December		
	2014	2013	2012	2011
	(HUF per EUR)			
Period-end date	310.19	296.91	291.29	311.13
Average for period	306.94	296.92	289.42	279.21

Source: NBH

The following table sets forth the Forint/USD exchange rates for the last day of the periods indicated and the average exchange rates during the periods indicated:

	6 months ended 30 June	12 months ended 31 December		
	2014	2013	2012	2011
	(HUF per EUR)			
Period-end date	227.13	215.67	220.93	240.68
Average for period	223.93	223.70	225.37	200.94

Source: NBH

As at 15 September 2014, the official exchange rates were HUF 243.7 = USD 1.00 and HUF 314.93 = EUR 1.00. For information on the convertibility of the Forint, see "*Monetary and Financial System – Exchange Rate Policy – Foreign Exchange and Convertibility of the Forint*" in Exhibit 99.D "*Description of Hungary*" included in the form 18-K annual report filing made by Hungary with the U.S. Securities and Exchange Commission dated 12 September 2014, which is incorporated by reference into this Offering Circular.

Rounding

Totals in certain tables in this Offering Circular may differ from the sum of the individual items in such tables due to rounding. In addition, certain figures contained or incorporated by reference in this Offering Circular are estimates prepared in accordance with procedures customarily used in Hungary for the reporting of data. Certain other figures are preliminary in nature. In each case, the actual figures may vary from the estimated or preliminary figures contained or incorporated by reference in this Offering Circular. Unless otherwise specified, all percentages have been rounded to the nearest one tenth of one per cent.

SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGEMENTS

The Issuer is a private limited company incorporated under the laws of Hungary. All directors and executive officers of the Issuer are resident in Hungary and a substantial portion of their assets are located in Hungary. Although the Issuer has agreed, in accordance with the terms of the fiscal and paying agency agreement governing the Notes (the "**Agency Agreement**"), to accept service of process in the United Kingdom by agents designated for such purpose, it may not be possible for Noteholders to:

- effect service of process within the United Kingdom or the United States upon the Issuer or its directors or executive officers named in this Offering Circular; or
- enforce against the Issuer or any such persons judgments obtained in English or U.S. courts.

Notwithstanding the above, judgments obtained in English courts are, subject to the limitations set out in the regulation mentioned below, recognised and enforceable in Hungary under Council Regulation (EC) No 44/2001 of 22 December 2000 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Judgments obtained in U.S. courts are recognised and enforceable in Hungary under Law-Decree No. 13 of 1979 on international private law, subject to the limitations set out in the decree.

OVERVIEW OF EXIMBANK

Purpose and Authority

Eximbank is a specialised credit institution wholly owned by the Hungarian state. It was established by Act XLII of 1994 on the Hungarian Export-Import Bank and the Hungarian Export Credit Insurance Company in order to facilitate the sale of Hungarian goods and services in foreign markets and commenced operation on 10 August 1994 on the basis of resolution 63/1994 issued by the State Bank Supervisory Authority.

As Eximbank is a specialised credit institution wholly owned by the Hungarian state and maintained for the purpose of financing the export of Hungarian goods and services, the primary aim of its operations is not to achieve the highest possible profit, but to make sustainable, efficient and effective use of Hungarian state central budgetary resources in support of its mandate. As such, the Hungarian state is responsible for ensuring the long-term and stable operation of Eximbank in accordance with Eximbank's legislative charter. Eximbank's operations are conducted in accordance with the relevant provisions of the WTO Agreement on Subsidies and Countervailing Measures requiring long-term financial sustainability. In addition, Eximbank also benefits from various forms of support from the Hungarian state, including the Funding Guarantee, a statutory back-to-back guarantee relating to certain of Eximbank's guarantees, interest equalisation and support payments covering the majority of loans which Eximbank provides, credit insurance with respect to a portion of Eximbank's loan portfolio and funding and liquidity support.

Business Overview and Strategy

Eximbank provides seven main export finance-related products: (1) refinancing facilities to domestic and foreign commercial banks providing financing for Hungarian export transactions, (2) buyer's credit facilities (including "tied aid" loans) to foreign purchasers or partners of Hungarian exporters, (3) discounting facilities to Hungarian exporters, (4) direct pre-export financing credit to Hungarian exporters, (5) export-credit and export-related guarantees, (6) supply chain financing and (7) capital asset investment financing. In addition, in the past Eximbank has provided, to a limited extent, loans with respect to Hungarian investments abroad.

Historically, Eximbank financed a substantial portion of its operations from loans and advances provided by the Hungarian Development Bank, which is wholly owned by the Hungarian state and was Eximbank's majority shareholder until 23 May 2012, when it transferred its stake to the Hungarian state, thereby resulting in the Hungarian state holding a direct 100% ownership in Eximbank. Since the change in ownership, Eximbank has sought to meet its medium- and long-term funding needs primarily through issuing debt securities in the international capital markets and money markets, including through the issuance of Notes under the Programme, rather than loans from the Hungarian state or state-owned entities.

In support of its mandate to finance the export of Hungarian goods and services, Eximbank's historical strategy has been to focus on those market segments or export destinations which, in the view of the Hungarian state, are in need of official support or are under-penetrated by Hungarian exports. Going forward, Eximbank expects to expand this strategy to encompass a wider range of borrowers and export-related transactions as it seeks to grow its loan portfolio. As a result, Eximbank intends to significantly grow its loan portfolio, given attractive opportunities and in line with its risk management criteria, up to the HUF 1,200 billion upper limit of the Funding Guarantee over the next several years. In addition, in line with its objective to support Hungarian export activity and increase job creation, Eximbank also indirectly provides, and intends to continue to provide, equity financing to Hungarian exporting companies through investment in certain selected equity funds.

OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole and the relevant Pricing Supplement.

Issuer:	Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság.
Guarantor:	Hungary (in accordance with the terms of the Funding Guarantee, as defined and described under "*Overview of the Programme – Guarantee*" below).
Description:	Global Medium Term Note Programme.
Arrangers:	Deutsche Bank AG, London Branch; J.P. Morgan Securities plc; and UniCredit Bank AG.
Dealers:	Deutsche Bank AG, London Branch; J.P. Morgan Securities plc; and UniCredit Bank AG. any other Dealers appointed in accordance with the Programme Agreement.
Fiscal Agent, Paying and Transfer Agent and Exchange Agent:	Citibank, N.A., London Branch.
Registrar:	Citigroup Global Markets Deutschland AG.
Risk Factors:	An investment in the Notes involves certain risks relating to the Issuer, the Guarantor and the Notes. While all of these risk factors are contingencies which may or may not occur, potential investors should be aware that the risks involved with investing in any Notes may (i) affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme and/or (ii) affect the ability of the Guarantor to fulfil its obligations under the Funding Guarantee and/or (iii) lead to a volatility and/or decrease in the market value of the relevant Notes whereby the market value falls short of the expectations (financial or otherwise) of an investor upon making an investment in such Notes. There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under the heading "*Risk Factors*". Investors should carefully consider these risk factors and all of the information in this Offering Circular before deciding to buy Notes.
Programme Size:	Up to EUR 2,000,000,000 (or its equivalent in other currencies). The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement, in connection with which a new offering circular will be published (see "*General Description of the Programme*" below for further detail).
Method of Issue:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Euro and U.S. dollars, and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any other currency agreed between the Issuer and the relevant Dealer.

Certain Restrictions:

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see "*Subscription and Sale*" below).

Maturities:

The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Except as provided above, the Notes are not subject to any maximum maturity.

Issue Price:

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Form of Notes:

The Notes may be issued in bearer form or registered form, as specified in the relevant Pricing Supplement, and in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s).

In respect of Notes issued in bearer form, the Notes will on issue be represented by either a temporary Global Note or a permanent Global Note as specified in the applicable Pricing Supplement. Temporary Global Notes will be exchangeable either for (i) interests in a permanent Global Note or (ii) definitive Notes as indicated in the applicable Pricing Supplement.

Bearer Notes may either be issued as classic global notes ("**Classic Global Notes**" or "**CGNs**") or through Euroclear and Clearstream, Luxembourg in NGN form. Bearer Notes are only eligible as collateral for Eurosystem monetary policy and intra-day credit operations if they are issued in NGN form.

Notes may also be issued in the form of registered Notes in restricted or unrestricted form. Registered Notes in global form may be held under the New Safekeeping Structure ("**NSS**").

Notes in registered form will not be exchangeable for Notes in bearer form and *vice versa*. Permanent Global Notes will be exchangeable for definitive Notes only upon the occurrence of an Exchange Event.

Clearing Systems:

Notes in CGN form will normally be initially deposited with a common depositary for Euroclear and Clearstream Luxembourg (the "**Common Depositary**"). Notes may also be deposited with a custodian for any other clearing system agreed by the Issuer, the relevant Dealer and the Fiscal Agent.

Notes issued in NGN form will be deposited and safekept by a Common Safekeeper and serviced by a common service provider.

Notes in NGN form that the Issuer wishes to make potentially eligible as collateral for Eurosystem monetary policy or intra-day credit operations will be deposited and safekept throughout their lives by Euroclear or Clearstream, Luxembourg as Common Safekeeper.

Registered Notes will either (i) be deposited with a custodian for, and registered in the name of Cede & Co as nominee of The Depository Trust Company ("**DTC**") or (ii) be deposited with, and registered in the name of a nominee of a common depositary or Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement.

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the relevant Pricing Supplement) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer and indicated in the relevant Pricing Supplement.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined either:

(i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer,

as indicated in the relevant Pricing Supplement.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Other Provisions in relation to Floating Rate Notes: Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the relevant Pricing Supplement). Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Pricing Supplement).

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount or at par and will not bear interest.

Redemption: The Pricing Supplement relating to each Tranche of Notes will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the relevant Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the relevant Pricing Supplement.

Events of Default:	The Notes will be redeemable prior to their stated maturity upon the acceleration of the Notes following any Event of Default in the circumstances specified in Condition 10. The Events of Default include, without limitation, the following events: (a) failure to pay by the Issuer; (b) breach of other obligations under the Programme by the Issuer; (c) insolvency and other analogous events under the laws of Hungary relating to the Issuer; (d) default by Hungary or the NBH; (e) cross-acceleration and cross default by the Issuer under other indebtedness (subject to certain minimum thresholds); (f) it becomes unlawful for the Issuer to perform its obligations under the Notes or the Agency Agreement; (g) the Funding Guarantee no longer being in existence or otherwise ceasing to constitute a guarantee of all of the Issuer's obligations under the Notes; (h) the Issuer ceasing to be owned, directly or indirectly, by Hungary; and (i) Hungary ceasing to be a member in good standing of the IMF. A full list of the Events of Default and the circumstances in which the Notes will be accelerated following an Event of Default are set out in Condition 10 of the Notes.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the relevant Pricing Supplement except that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Overview of the Programme – Certain Restrictions*" above.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes levied in Hungary as provided in Condition 7 of the Notes. In the event that any such deduction is made, the Issuer will, except in certain circumstances, be required to pay additional amounts to cover the amounts so deducted, as described under the Conditions of the Notes below.
Status of the Notes:	Unless otherwise specified in the relevant Pricing Supplement, the Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 9.1) unsecured obligations of the Issuer and will rank *pari passu* and without preference among themselves and (except for certain debts required to be preferred by law) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Negative Pledge:	So long as any Note remains outstanding, the Issuer shall not create or permit to subsist any Security Interest (as defined in Condition 9.2) upon the whole or any part of its present or future undertaking, assets or revenues to secure either any Relevant Indebtedness (as defined in Condition 9.2) or any guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing any such Security Interest for the Notes as may be approved by the Noteholders in accordance with the provisions of the Agency Agreement.

Further Issues:	The Notes will be issued in series ("**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable and fungible with all other Notes of that Series. Each Series of Notes may be issued in tranches (each a "**Tranche**") on the same date. The Issuer may from time to time issue further Notes of any Series of the type and on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series.
Guarantee:	The Notes have the benefit of a statutory guarantee from the Hungarian state relating to the Issuer's funding activities in accordance with Articles 6:420 and 6:429 of the Civil Code ("*készfizető kezességvállalás*") and pursuant to Paragraph (1)(a) of Article 6 of the Eximbank Act (the "**Funding Guarantee**"). *See "Description of Funding Guarantee".*
Other Credit Support	Notes may be issued with the benefit of additional guarantees other than the Funding Guarantee or other forms of credit enhancement, in each case as specified in the relevant Pricing Supplement.
Listing:	Application may be made to the UKLA for the Notes to be issued under the Programme to be listed on the official list of the UKLA, and to the London Stock Exchange for the Notes to be admitted to trading on, the London Stock Exchange's regulated market. Unlisted Notes may also be issued. The relevant Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Credit Ratings:	The Programme has been rated "BB" by S&P and "BB+" by Fitch. Each of S&P and Fitch is established in the EU and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Governing Law:	The Notes and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes and the Agency Agreement will be governed by, and construed in accordance with, English law. The Funding Guarantee is provided for under Hungarian law.

Selling Restrictions:	There are selling restrictions in relation to the United States, the European Economic Area, the United Kingdom, Hungary, Japan, Republic of Singapore and Hong Kong and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*" below). Notes in bearer form will be issued, sold, or exchanged in compliance with (i) U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") or (i) U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**") (the C Rules and D Rules referred to collectively herein as "**TEFRA**").
Transfer Restrictions	Notes issued under the Programme will not be registered under the U.S. Securities Act and so will be subject to significant restrictions on re-sale and transfer (see "*Subscription and Sale*" and "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*" below).
Certain ERISA Considerations:	Subject to certain conditions, the Notes (or any beneficial interest therein) may be purchased by an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), a "plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or any entity whose underlying assets are deemed for the purposes of ERISA or the Code to include "plan assets" by reason of such employee benefit plan's or plan's investment in the entity (see "*Certain ERISA Considerations*").
Description of Eximbank:	Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság is a private limited company. It was established by Act XLII of 1994 on the Hungarian Export-Import Bank and the Hungarian Export Credit Insurance Company and commenced operation on 10 August 1994 on the basis of resolution 63/1994 issued by the State Bank Supervisory Authority. Pursuant to its legislative charter, Eximbank's mandate is to act as a specialised credit institution to facilitate the sale of Hungarian goods and services in foreign markets. The registered office of the Issuer is located at Nagymező utca 46-48, 1065 Budapest, Hungary.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the Programme and the Conditions of the Notes appears above. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Conditions of the Notes endorsed on, attached to or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes.

Notes may only be issued under the Programme in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed EUR 2,000,000,000 or its equivalent in other currencies. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement, in connection with which a new offering circular will be published, provided that the Notes issued under the Programme benefit from the Funding Guarantee from Hungary. For the purpose of calculating the EUR equivalent of the aggregate amount of Notes issued under the Programme from time to time:

(a) the EUR equivalent of Notes denominated in another Specified Currency (as specified in the relevant Pricing Supplement in relation to the relevant issue of Notes set out under ''*Form of Pricing Supplement*'') shall be determined as of the date of issue of such Notes (the ''**Agreement Date**'') at the official exchange rate(s) published by the NBH on such issue date; and

(b) the EUR equivalent of Zero Coupon Notes and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the original nominal amount of such Notes.

The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable and fungible with all other Notes of that Series. Each Series of Notes may be issued in Tranches on the same date.

RISK FACTORS

Before making an investment in the Notes, prospective purchasers should read the entire Offering Circular and carefully consider the following risks relating to Eximbank, Hungary and the Notes. If any of the following risks actually occurs, Eximbank's business, financial condition, results of operations and prospects may be materially and adversely affected and the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. Eximbank believes that the factors described below represent the principal risks inherent in investing in the Notes, but Eximbank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks relating to Eximbank

Eximbank is entirely Hungarian state-owned and is subject to government control.

Eximbank is wholly owned by the Hungarian state, with shareholder's rights exercised by the Minister of Foreign Affairs and Trade. Eximbank is Hungary's official export credit agency ("**ECA**") and, accordingly, is an instrument of economic policy for the Hungarian state rather than a for-profit commercial bank. Under Act XLII of 1994 on the Hungarian Export-Import Bank and the Hungarian Export Credit Insurance Company (the "**Eximbank Act**"), Eximbank is charged with the public task of financing the export of Hungarian goods and services, as well as financing Hungarian investments abroad, thereby enabling companies operating in Hungary – primarily small or medium-sized enterprises but also large corporations – to maximise their export opportunities, while assisting in the maintenance and creation of jobs in Hungary, and also promoting the development of the national economy by improving the competitiveness of Hungarian exports in foreign markets. Eximbank's mandate has been widened to encompass financing transactions within the supply chains of domestic exporters, as well as domestic export-related investments, and certain investments made by domestic or foreign entities in Hungary.

Due to its role as a significant instrument of Hungary's economic policy, Eximbank's risk-taking limits may exceed those of commercial banks. Although to date Eximbank has not experienced pressure from the Hungarian state to conduct transactions upon more favourable terms with Hungarian state-owned or state-controlled legal entities or to deviate from its credit and lending policies and procedures for public policy reasons, there can be no assurance that Eximbank will not be directed or come under pressure to engage in activities with a higher credit risk than it would otherwise pursue or to provide financing to certain companies or entities on favourable terms. Furthermore, any new strategy that Eximbank pursues as a result of the Hungarian state's direct ownership (including financing a wider range of borrowers and export-related transactions in order to grow its loan portfolio, which will be part of Eximbank's strategy going forward (see "*Description of Eximbank—Overview—Strategy*")) may result in Eximbank taking on increased risk and may not be successful. As a result of the above or other factors, Eximbank may pursue policies or undertake decisions at the direction of the Hungarian state which conflict with the interest of Noteholders, any of which could have a material adverse effect on Eximbank's financial condition and result of operations.

The support that Eximbank currently receives from the Hungarian state, including the Funding Guarantee, may be reduced or withdrawn.

Eximbank relies upon various forms of support from the Hungarian state, any of which could be reduced or withdrawn:

- The Hungarian state is liable, as absolute guarantor, for the fulfilment of Eximbank's obligations to pay principal and interest arising from certain of its borrowings as specified by the Eximbank Act, including (but not limited to) capital markets debt instruments issued by Eximbank under the Programme, certain loans to Eximbank from Hungarian or foreign credit institutions with the aim of raising finance and Eximbank's payment obligations arising from the replacement costs of foreign exchange and interest rate swap transactions, up to an aggregate limit of HUF 1,200 billion as currently specified in section 41(1) of Act CCXXX of 2013 on the Annual Budget of Hungary for the Year 2014 (the "**2014 Budget Act**"). As at 30 June 2014, 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 but available under the Programme) of HUF 748.2 billion (EUR 2.4 billion), representing 62.4% of the HUF 1,200 billion upper limit. In line with the calculation method for statutory guarantees, the total amount drawn, or available to be drawn but undrawn, under the Funding Guarantee includes the maximum amount of Notes that can be issued under the

Programme (EUR 2 billion). Although under current Hungarian law the Funding Guarantee is irrevocable, it may nevertheless be changed or revoked, or may prove insufficient to cover the full amount of Eximbank's borrowings, including the Notes. See "*Risk Factors—Risks relating to the Notes—The Funding Guarantee, although designated as irrevocable under Hungarian law, may in the future be changed or revoked*" and "*Risk Factors—Risks relating to the Notes—The Funding Guarantee may be insufficient to cover the full amount of Eximbank's borrowings*" below.

- The Hungarian state also provides a back-to-back statutory guarantee in respect of certain export-credit guarantees that conform to Organisation for Economic Co-operation and Development ("**OECD**") Arrangement on Officially Supported Export Credits (the "**OECD Arrangement**") (issued primarily to banks) and certain other export-related guarantees (issued primarily to corporate customers), up to a combined limit of HUF 350 billion under the 2014 Budget Act. As at 30 June 2014, some 91.2%, or HUF 14.5 billion, of Eximbank's overall guarantee portfolio of HUF 15.9 billion was backed by state guarantees, representing 4.1% of the state's budgetary limit. Should the Hungarian state cease to back Eximbank's guarantees, or reduce its level of support for Eximbank's guarantees, Eximbank would be subject to additional credit risk, potentially resulting in losses under its guarantees for which no provisions have been made.

- Where Eximbank provides loans according to the OECD Arrangement 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 2014 Budget Act, interest equalisation payments are budgeted at HUF 14 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 14 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 Communication 2008/C 14/02 for setting the reference and discount rates. In addition, Eximbank receives interest support payments from the Hungarian state with respect to tied aid loans provided by Eximbank, under a separate budget appropriation. As at 30 June 2014 and 31 December 2013, Eximbank received interest equalisation from the Hungarian state in respect of 93.6% and 92.3% of its total loans and advances (by nominal amount), respectively. As at 30 June 2014, interest equalisation payments and claims totalled 80% of the budgeted amount under the 2014 Budget Act, and interest equalisation payments and claims in 2013 totalled 117% of the budgeted amount under the 2013 Budget Act. Including tied aid loans, as at 30 June 2014, Eximbank had received some form of interest compensation in respect of 96.1% of its total loans and advances (by nominal amount), compared to 95.3% of its total loans and advances (by nominal amount) as at 31 December 2013. If the Hungarian state's interest equalisation or support is reduced or eliminated, or is modified such that it ceases to provide interest payments to Eximbank matching Eximbank's costs (including its funding costs, operating expenses and applicable risk premium), Eximbank would have a higher cost base, reduced profitability and exposure to greater interest rate risk.

- With respect to its buyer's credit and discounting portfolios, Eximbank also benefits from export credit insurance policies issued by Hungarian Export Credit Insurance Pte Ltd. ("**MEHIB**"), Eximbank's sister agency, which was also established under the Eximbank Act, is also owned by the Hungarian state and which currently shares management with Eximbank. MEHIB may underwrite insurance policies up to a limit of HUF 600 billion. As at 30 June 2014, HUF 35.6 billion of Eximbank's total loans and advances (by nominal amount) were covered by MEHIB credit insurance (up to 100% of principal and interest amounts) representing 8.7% of Eximbank's total portfolio, and 33.0% of Eximbank's direct credit portfolio. If credit insurance from MEHIB is reduced, made unavailable, or subject to significantly higher fees or other requirements, including if MEHIB and Eximbank were no longer to share the same management in the future, Eximbank may be subject to substantially higher levels of credit risk with respect to its buyer's credit and discounting portfolios.

- Historically, Eximbank financed a substantial portion of its operations from loans and advances provided by the Hungarian Development Bank ("**MFB**"), which is wholly owned by the Hungarian state and was Eximbank's majority shareholder until 23 May 2012, when it transferred its stake to the Hungarian state, thereby resulting in the Hungarian state holding a direct 100%

ownership in Eximbank. The Hungarian state has also provided capital contributions to Eximbank in the first half of 2014, and in the second half of 2012 it acted to support Eximbank's liquidity requirements. Although under the Eximbank Act the government is responsible for ensuring the long-term and stable operation of Eximbank, there can be no assurance that the same levels of funding or liquidity support will be available to Eximbank in the future.

In the absence of Eximbank's relationship with the Hungarian state, it would be difficult for Eximbank to obtain similar guarantees, backstop funding and other forms of support in the commercial market at similar levels, or at all. In addition, without additional capital contributions from the Hungarian state, Eximbank may be unable to maintain its capital ratios as it seeks to pursue its strategy of expanding its loan portfolio. If any of these arrangements with the Hungarian state are significantly altered or discontinued, and in particular if the Eximbank Act is amended in the future such that the Hungarian state's general responsibilities towards Eximbank are reduced or withdrawn, there may be a material adverse effect on Eximbank's financial condition and results of operations.

In addition, the level of support that Eximbank receives from the Hungarian state could be scrutinised by the European Commission from a state-aid perspective. Any such investigation could result in the requirement for reduction or withdrawal of state support of Eximbank, including the Funding Guarantee.

Eximbank has substantial credit exposure to commercial banks in Hungary.

As at 30 June 2014, refinancing facilities to commercial banks in Hungary represented HUF 291.8 billion, or 71.3%, of Eximbank's total loans and advances (by nominal amount). In particular, at such date Eximbank's two largest borrowers were commercial banks in Hungary which accounted for 23.5% and 14.1% (by nominal amount) of Eximbank's outstanding loans, respectively. With respect to its bank refinancing facilities, Eximbank is exposed to the credit risk of the Hungarian commercial banks which it lends to (and which on-lend to end-borrowers in the export sector), rather than being exposed to the credit risk of end-borrowers directly. Eximbank's refinancing portfolio, representing 71.3% of Eximbank's total loans and advances (by nominal amount) as at 30 June 2014, is not covered by MEHIB or other forms of credit insurance, and these facilities are generally not secured by any collateral from the banks. Accordingly, Eximbank's business significantly depends upon the ability of Hungarian commercial banks and other financial institutions accurately to assess the credit risk of their end-borrowers and make payments and meet their other obligations to Eximbank.

New government regulations or measures (including the proposed legislation (i) retroactively declaring certain standard contractual terms of consumer foreign-currency-linked loans and financial leases granted by Hungarian financial institutions to be unfair or establishing a statutory presumption according to which such standard contractual terms are unfair; and (ii) requiring Hungarian financial institution lenders to make appropriate restitutory reimbursements to their relevant consumer borrowers in relation to the use of such unfair standard contractual terms) may result in significant impairment or losses by Hungarian banks or otherwise impact the profitability of the Hungarian banking sector, see "*Description of Eximbank—Operations—Credit Exposure by Industry Sector*". Negative developments within the Hungarian banking sector could result in higher impairment charges, impede growth in Eximbank's loan portfolio and have an adverse effect on Eximbank's business, financial condition and results of operations.

Eximbank is subject to credit risk in relation to its borrowers, counterparties and the entities to which its guarantee portfolio relates.

Eximbank's business is subject to inherent risks concerning the credit quality of its borrowers, particularly Hungarian commercial banks (see "*Risk Factors—Risks relating to Eximbank—Eximbank has substantial credit exposure to commercial banks in Hungary*" above), but also Hungarian exporters and foreign purchasers of Hungarian exports, as well as risks relating to the credit quality of the entities to which Eximbank's guarantee portfolio relates and financial institutions with which Eximbank has entered into short- and long-term foreign exchange swaps.

As at 30 June 2014, of Eximbank's total loans and advances (by nominal amount) of HUF 409.0 billion, HUF 373.3 billion, or 91.3%, was not covered by MEHIB insurance, and therefore represented uninsured credit risk exposure of Eximbank. Of this HUF 373.3 billion, HUF 291.8 billion was uninsured credit risk to Hungarian commercial banks through refinancing. The balance of HUF 81.5 billion represented uninsured credit risk exposure to Hungarian exporters through Eximbank's direct pre-export financing portfolio, as well as the uninsured portion of its MEHIB-insured buyer's credit and standard discounting portfolios. In addition, as at 30 June 2014, 8.8% of Eximbank's guarantee portfolio was issued at its own risk (i.e., not supported by a back-to-back statutory guarantee provided by the Hungarian state).

In general, changes in the credit quality of banks and other customers to which Eximbank lends, or in the credit quality of Eximbank's other counterparties and entities to which its guarantee portfolio relates, can negatively affect the value of Eximbank's assets, and lead to increased provisions and/or loan losses. Many factors affect Eximbank's credit portfolio quality. Some of these factors, including adverse changes in the economy and foreign trade due to local, national and global factors, foreign exchange rates and increased market volatility, may be difficult to anticipate and are outside of Eximbank's control. Other factors are dependent upon Eximbank's policies and the viability of Eximbank's internal credit application and monitoring systems. Eximbank may experience credit losses or delinquency in debt repayments even in normal economic circumstances.

Eximbank's credit exposures are concentrated by industry sector, including domestic banking, foreign entities, manufacturing, construction, and trade/vehicle repair (see "*Description of Eximbank—Credit Exposure by Industry Sector*"). Eximbank's loans are also concentrated by export destination market (see "*Description of Eximbank—Loans by Destination Markets*"). Economic performance and operating results of companies in the sectors and markets to which Eximbank lends can be volatile, and global and domestic trends in these sectors and markets may have an impact on Eximbank's financial position. There can be no assurance that the customers to which Eximbank or its domestic bank borrowers lends funds will be successful, or that such customers will be able to repay their loans in a timely manner or at all. Any downturn or financial difficulties in the industry sectors to which Eximbank has significant exposure in terms of its loan portfolio could increase the level of Eximbank's problem loans, and adversely affect Eximbank's business and its future financial performance.

Eximbank's activities are highly regulated.

Eximbank's activities are limited to its mandate under the Eximbank Act. As with all credit institutions operating in Hungary, Eximbank is subject to Act No CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the "**Banking Act**") and is regulated by the NBH, with respect to liquidity, solvency and capital adequacy ratios and compliance with money laundering standards. As an institution engaged in officially-supported export lending, Eximbank also has to comply with the prevailing guidelines and directives of the World Trade Organisation ("**WTO**") (particularly the Agreement on Subsidies and Countervailing Measures), the OECD (particularly the OECD Arrangement) and the European Union (particularly the EU Commission Communication 2008/C 14/02).

Future policy decisions by the Hungarian state or by regulators may result in additional regulation and monitoring of Eximbank's functions and operations and Eximbank may be unable to comply with all applicable rules and regulations on a continuous basis. In particular, any change in regulation of Eximbank to increase the requirements for capital adequacy or liquidity could have an adverse effect on its business. See also "*Risk Factors—Risks relating to Eximbank—Changes in the Hungarian banking regulatory framework may require Eximbank to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all*." Any significant changes to Eximbank's regulatory regime or to the Hungarian state's monitoring and enforcement policies may impact Eximbank's ability to lend funds and have an adverse effect on Eximbank's results of operations and financial condition.

Changes in the Hungarian banking regulatory framework may require Eximbank to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all.

Pursuant to the Banking Act and to EU Regulation No 575/2013, Eximbank applies the standard approach under Basel III ("**Basel III**"), subject to certain exemptions from provisions of Basel III which do not apply given Eximbank's business. Basel III includes requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. Though Eximbank is exempt from the liquidity adequacy and leverage ratio regulations of Basel III, there can be no assurance that the full provisions of Basel III will not apply to Eximbank, in whole in the future. If Eximbank is unable to maintain its capital adequacy ratios above the minimum levels required by the NBH for any reason (including as a result of increased lending activity, see "*Description of Eximbank—Risk Management—Capital Adequacy*"), the Hungarian regulatory authorities may impose various corrective measures ranging from management improvement recommendations to emergency measures such as requiring the disposal of assets, which could have a material adverse effect on Eximbank's business, financial condition and/or results of operations.

Eximbank's business is subject to global and regional macroeconomic and financial market conditions.

Global and regional economic conditions have a significant impact on the level of Hungarian exports and Eximbank's business. The global financial crisis and subsequent economic recession resulted in high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity among major financial institutions, widening of credit spreads, lack of price transparency in certain markets, the failure of a number of financial institutions in the United States and Europe, and economic contraction, all of which have had, and may continue to have, a negative effect on the Hungarian economy and Eximbank's customers.

In response to the global financial crisis, the United States, a number of European countries and international monetary organisations took steps intended to help stabilise the financial system and increase the flow of credit in the global economy. However, there can be no assurance as to the actual impact that these measures and related actions will have. The failure of these measures and related actions to maintain stability in the financial markets and a worsening of current financial market conditions could lead to declines in investor and consumer confidence, increased market volatility and economic disruption. Failure to maintain stability in the financial markets could disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding. The outlook for the global economy over the near to medium term remains challenging, which also impacts prospects for improvement of economic and financial conditions in Hungary.

Economic conditions in many of the export markets of Eximbank's direct and indirect customers remain fragile. Adverse changes in the level of Hungarian exports could affect demand for Eximbank's products and services, and reduce the size of Eximbank's loan portfolio. Any deterioration of the political and economic conditions in Hungary's export markets, individually or in the aggregate, may adversely affect the demand for Hungarian exports and the financial condition of the companies operating in such sectors and may result in, among other things, a decrease in loans to exporters, higher levels of non-performing loans or impairment losses, any of which could have an adverse effect on Eximbank's business, financial condition and results of operations. Weakness in or material deterioration of the economies of EU member states or in the economies of Hungary's other principal trading partners could have negative effects on the Hungarian economy and in particular on the health of the Hungarian export market sector and consequently on customer demand for export financing.

In addition, developments in emerging market countries may adversely affect Eximbank's business. Eximbank conducts operations with respect to a number of emerging markets, including Russia. Economic and political developments in emerging markets, including economic crises or political instability may have material adverse effects on Eximbank's business prospects or results of operations.

Eximbank's business and results of operations may be impacted by sanctions imposed by the United States and the EU against certain Ukrainian and Russian entities and by sanctions imposed by Russia on the United States, the EU and on some Western countries.

Since the start of March 2014, there have been heightened levels of tension between Russia and Ukraine, in particular relating to the Crimean peninsula and, more recently, eastern Ukraine and military action is continuing on the border of Ukraine and Russia. These events, in turn, have led to a deterioration in the relationship between Russia, on the one hand, and the European Union and the United States, on the other. International scrutiny of the conflict increased following the destruction of a civilian airliner over separatist-held territory in eastern Ukraine in July 2014. Despite the current ceasefire which was negotiated between Ukraine, Russia and the separatists' and came into effect on 5 September 2014, the current military and political situation is volatile and any further escalation of the conflict could have a destabilising effect on the region and the impact of any such escalation is inherently unpredictable.

These events have resulted in the imposition by the United States, the European Union and a number of other countries of sanctions, asset freezes, travel limitations and certain other measures against specified Ukrainian and Russian individuals and entities. In July 2014 and September 2014, the European Union and the United States both imposed 'sectoral' sanctions restricting certain transactions involving Russia's finance, energy and defence sectors- in particular, such sanctions prohibit the facilitation of transactions designed to raise finance with a maturity of longer than 30 days via the capital markets or bilateral loan agreements for certain proscribed Russian energy companies and state-owned banks. As a response to sanctions imposed by the United States and the EU against Russian entities the Russian government decided on 7 August 2014 to impose an import ban on most food products from the United States, the European Union and other Western states. The ban went into effect immediately and will last for one year.

As a result of an ongoing dispute between Russia and Ukraine regarding the price of gas supplied by Russia to Ukraine and outstanding amounts payable to Russia in respect thereof, Russia ceased all gas supplies to Ukraine on and from 16 June 2014. In September 2014, following the commencement of 'reverse' deliveries of gas to Ukraine, Poland and Slovakia reported significant reductions in gas supply volumes from Gazprom. Hungary also provides 'reverse' deliveries of gas to Ukraine but as yet has not experienced any reduction in volumes of gas supplied to it by Gazprom. Any escalation of the conflict between Russia and Ukraine and/or further sanctions imposed by Russia, the European Union and/or the United States may result in the disruption of Russian gas supplies to Europe. Any such disruption could adversely impact the economies of Russia, Hungary and Europe, which, in turn, could have a material adverse effect on Eximbank's business and results of operations.

Eximbank has limited direct uncovered exposure to Russia, however Russia is Eximbank's single largest export reference market as at 30 June 2014 (see "*Description of Eximbank—Operations—Loans by Destination Markets*"). Some of the current sanctions also target Eximbank's existing counterparties, and these sanctions may have an adverse financial effect directly or indirectly on these counterparties resulting in a material adverse effect on Eximbank's business and results of operations. In addition, the Hungarian banking sector has significant exposure to Russia and Ukraine making it more vulnerable to a deteriorating business environment triggered by broader financial sanctions targeting Russia or deposit runs or sustained ruble and/or hryvnia depreciation. If sanction measures were extended, particularly to export financing this would result in additional financial pressure on Eximbank's counterparties or affect Eximbank, which could have a material adverse effect on Eximbank's business and results of operations.

Eximbank may face increasing levels of problem loans and provisions for possible losses.

As at 30 June 2014, Eximbank had established provisions and impairment of HUF 6,913 million for possible losses, representing 1.7% of its total loans and advances (by nominal amount), compared to HUF 6,238 million (2.0%) and HUF 5,337 million (2.6%) as at 31 December 2013 and 31 December 2012, respectively. While Eximbank regularly monitors its problem loan levels and has strict credit monitoring processes in place, a number of factors could result in an increased number of problem loans in the future and require Eximbank to record additional provisions for possible losses. In addition, Eximbank's future problem loan recovery rates may not be similar to Eximbank's historical recovery rates and the overall quality of its loan portfolio may deteriorate in the future, particularly as the loan portfolio increases in line with Eximbank's strategy. Any significant increase in Eximbank's problem loans would have a material adverse effect on its financial condition, capital adequacy and results of operations.

Eximbank's provisioning policies in respect of problem loans require significant subjective determinations, and provisions may not be sufficient to cover actual losses.

Eximbank establishes provisions for possible losses with respect to problem loans, based primarily on the value of collateral (if any) including MEHIB insurance, the length of any non-performing periods, the economic conditions of the destination markets and sectors, and the nature of the lending arrangement. Determining the appropriate level of provisions for possible losses therefore requires exercise of judgment, including assumptions and estimates made in the context of changing political and economic conditions in the destination markets and sectors to which Eximbank lends. If Eximbank's evaluations or determinations are inaccurate, the level of Eximbank's provisions may not be adequate to cover actual losses resulting from its existing problem loan portfolio. Furthermore, Eximbank may have to increase its level of provisions if there is any deterioration in the overall credit quality of Eximbank's existing loan portfolio, including the value of the underlying collateral.

Any future unavailability of capital markets financing or loan financing from the Hungarian state or state-owned entities could have an adverse effect on Eximbank's business, financial condition and results of operations.

Recently, loans from the MFB, Eximbank's previous majority shareholder, supported by the Hungarian state's statutory guarantee, have provided a significant, albeit decreasing, proportion of Eximbank's financial resources. As at 30 June 2014, total loans and deposits from the MFB, including accrued interest payables, constituted 7.09% of Eximbank's total funding and 54.3% of Eximbank's total funding was derived from the capital markets.

Since the change in ownership, Eximbank has sought to meet its medium- and long-term funding needs primarily through international money and capital markets issuances, including through the further issuance of Notes, rather than loans from the Hungarian state or state-owned entities. However, there can be no assurance that capital markets financing will continue to be available to Eximbank on attractive terms, or at all (see "*Risk Factors—Risks relating to Eximbank—The support that Eximbank currently receives from the Hungarian state, including the Funding Guarantee, may be reduced or withdrawn*"). The market turmoil that accompanied the adverse economic conditions in certain major countries made it difficult for many companies to obtain capital markets financing. Market disruption may make such funding more expensive and difficult to obtain (see "*Risk Factors—Risks relating to Eximbank—Eximbank's business is subject to global and regional macroeconomic and financial market conditions*"). Furthermore, if capital markets funding is not available, there can be no assurance that loan financing from the MFB or other affiliates of the Hungarian state, or bank financing, will be available to Eximbank in its place.

If at some point in the future, adequate financing is unavailable to Eximbank, this would limit Eximbank's ability to meet customer demand and grow its loan portfolio, which could have an adverse effect on Eximbank's business, financial condition, results of operations and prospects.

Eximbank is exposed to liquidity risk, including the risk that access to short-term funding sources may not be available in the event of liquidity gaps.

Eximbank may be adversely affected by liquidity risk. Liquidity risk comprises uncertainties in relation to Eximbank's ability to access funding necessary to cover short-term obligations to borrowers, satisfy maturing liabilities and maintain capital and other regulatory requirements. Eximbank may be subject to liquidity risk as a result of both unexpected increases in the cost of financing and being unable to structure the maturity dates of Eximbank's liabilities reasonably in line with the maturity profile of its assets, as well as the risk of not being able to refinance short-term obligations on time at a reasonable price due to liquidity pressures (see "*Description of Eximbank—Credit Policies and Risk Management—Liquidity Risk and Management*").

Eximbank's principal liquidity demands consist of short-term loans and deposits from other banks. Eximbank also issues guarantees, a portion of which are not backed by the Hungarian state and which could consequently present a demand for additional liquidity if such guarantees are called. With respect to the portion of Eximbank's guarantees portfolio backed by the Hungarian state, Eximbank is paid only after it applies for funds from the Hungarian state central budget, which could be subject to delay and thereby present a further source of liquidity risk. Furthermore, Eximbank has committed to provide refinancing facilities, totalling, as of 30 June 2014, EUR 695.1 million and USD 103 million (combined HUF 239 billion) to seventeen domestic commercial banks. Eximbank may also be exposed to maturity mismatches between its assets and liabilities, which may lead to a lack of liquidity. Any liquidity deficiency faced by Eximbank may require it to apply to the Hungarian state on a short term basis for liquidity management support, and there can be no assurance such support would be available in the future.

Eximbank's liquidity risk could be increased by market disruptions or credit downgrades of Eximbank or of Hungary or as a result of budgetary constraints of Hungary, which may reduce the availability of funding. Eximbank's inability to meet its net funding requirements due to inadequate liquidity could adversely affect its business, financial condition and results of operations.

Eximbank may be adversely affected by volatility in interest rates.

Net interest income represents substantially all of Eximbank's revenues. As at 30 June 2014, Eximbank received interest equalisation or support payments from the Hungarian state in respect of 93.6% of its total loans and advances (by nominal amount), which mitigated interest rate risk as to this portion of Eximbank's loan portfolio. With respect to the portion of Eximbank's loan portfolio not covered by the interest equalisation or support programmes, such loans bear variable interest rates based on LIBOR/EURIBOR/Budapest Interbank Offering Rate ("**BUBOR**") (see "*Description of Eximbank—Credit Policies and Risk Management—Interest Rate Risk*").

In general, interest rates are highly sensitive to many factors beyond Eximbank's control, including the monetary policies pursued by central banks, domestic and international economic and political conditions and other factors. To the extent that a mismatch exists in the re-pricing dates of Eximbank's liabilities and assets not covered by the interest compensation programmes, or the interest equalisation and support programmes do not completely mitigate interest rate risk as expected, or these forms of state support are reduced or withdrawn, interest rate volatility may cause Eximbank to face increased net interest expense or require Eximbank to enter into hedging arrangements (see "*Risk Factors—Risks relating to Eximbank—The support that Eximbank currently receives from the Hungarian state, including the Funding Guarantee, may be reduced or withdrawn*"). An increase in interest rates may also decrease the value of Eximbank's available-for-sale financial assets, raise the cost of any future capital markets funding and increase the risk of default by customers borrowing at variable rates.

If any of the foregoing occurs, it could have a material adverse effect on Eximbank's business, financial condition and results of operations.

Fluctuations in foreign exchange rates may adversely affect Eximbank's business, financial condition and results of operations.

As an international lending institution, Eximbank is subject to risk as a result of adverse movements in foreign currency exchange rates. Although the substantial majority of Eximbank's assets and liabilities are denominated in foreign currencies, primarily the Euro and to a significantly lesser extent the U.S. dollar, Eximbank's functional and operational currency is the Hungarian Forint. The overall effect of exchange rate movements on Eximbank's results of operations and financial position depends primarily on the rate of depreciation or appreciation of the Hungarian Forint relative to the Euro. For the six months ended 30 June 2014, Eximbank recorded IFRS net foreign exchange loss of HUF 95 million as a result of fluctuations in the exchange rate between the Euro and the Hungarian Forint, compared to net foreign exchange loss of HUF 651 million in 2013 and net foreign exchange gain of HUF 844 million in 2012, respectively, which were principally the result of fluctuations in the exchange rate between the Euro and the Hungarian Forint. Although Eximbank has adopted procedures and policies aimed at managing its foreign exchange risks (see "*Description of Eximbank—Credit Policies and Risk Management—Currency Risk*"), these may prove ineffective in hedging Eximbank's exposure to currency fluctuations, which could have an adverse effect on Eximbank's business, financial condition and results of operations.

Eximbank's hedging strategies may not prevent losses.

Eximbank may use hedging instruments in an attempt to manage interest rate, currency, credit and other market-related risks. If any of the variety of instruments and strategies Eximbank uses to hedge its exposure to these various types of risk is not effective, Eximbank may incur losses, impairing its ability to timely repay or refinance its debts. In addition, there can be no assurance that Eximbank will continue to be able to hedge risks related to current or future assets or liabilities in accordance with its current policies in an efficient manner or at all. Disruptions such as market crises and economic recessions may limit the availability and effectiveness of Eximbank's hedging instruments or strategies and could have an adverse effect on Eximbank's financial condition and its ability to fulfil its obligations.

Operational problems or errors could have a material adverse impact on Eximbank's business, financial condition and results of operations.

Eximbank is exposed to operational risks of loss resulting from inadequacy or failure of internal processes or systems or from external events. Eximbank is susceptible to, among other things, fraud by employees or third parties, including unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Although Eximbank maintains a system of internal controls and takes steps to back-up its information technology ("**IT**") systems, there can be no assurance that operational problems or errors will not occur and that their occurrence will not result in a loss of income or decreased consumer confidence in Eximbank.

Furthermore, Eximbank depends upon the reliability and security of its information technology systems, and the reliability and security of these systems depend upon human operators and future investments that may be required by evolving technology. There can be no assurance that delays in increasing the capacity of Eximbank's IT systems will not have an adverse effect on Eximbank's business, financial condition or results of operations.

Eximbank's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks.

Eximbank engages in risk management activities to systematically monitor and manage credit, currency interest rate and liquidity risk. To manage these risks, Eximbank depends on its evaluation of market information, which may be inaccurate, incomplete, out-of-date or improperly evaluated, and as a result Eximbank's policies and procedures may not be fully effective in identifying, monitoring and managing these risks (see "*Description of Eximbank—Credit Policies and Risk Management*" for a more detailed description of the risks Eximbank faces as well as the policies and procedures it has implemented to address these risks). If any of the variety of strategies Eximbank uses to manage its risks are ineffective, Eximbank may incur losses. Unexpected market developments may in the future also affect a number of Eximbank's risk management strategies. Certain of Eximbank's hedging strategies and other methods of managing risk are based upon observed historical market behaviour. As a result, these methods may not correctly predict future risk exposures, which could be significantly greater than historical results indicate. If the measures which Eximbank uses to identify, monitor and manage risks prove insufficient, it may experience unanticipated disruption of its operations and consequent losses which could have a material adverse effect on Eximbank's business, results of operations and financial condition.

Eximbank's business depends on Eximbank's ability to retain and attract qualified personnel.

The successful operation of Eximbank depends, among other things, on the continued employment of key personnel, as well as Eximbank's ability to continually attract and retain talented and skilled personnel with relevant banking sector experience. Eximbank faces significant competition for trained and professional personnel with relevant banking experience and may be unable to attract or retain such personnel in the future. A failure to recruit, train and/or retain necessary personnel could have an adverse effect on Eximbank's business, financial condition and results of operations.

Eximbank intends to increase its equity funding activity to support Hungarian exports.

In line with its objective to support Hungarian export activity and increase job creation, Eximbank provides equity financing to Hungarian exporting companies through investment in certain selected equity funds. Eximbank has already invested in a domestic and a regional equity fund. Eximbank's commitment for participation in these two funds is a combined HUF 11.8 billion in equity funding (2.5% of Eximbank's total assets). As at 30 June 2014, Eximbank has paid HUF 583 million (0.12% of its total assets) into these funds. Going forward Eximbank expects to participate in further equity funds to support Hungarian exporting companies by providing equity financing. While in relation to equity fund participations Eximbank applies strict risk management rules and commitments are made on a case-by-case basis, investment into equity funds increase Eximbank's capital requirements and there is no general upper limit to the total amount of equity investments Eximbank may enter into. Due to the nature of equity capital financing, there can be no assurance that Eximbank will realize any return of its capital on these investments.

Eximbank's direct lending customers may have access to financing from a variety of sources, creating indirect competition for Eximbank which may limit its growth and profitability.

Depending on the lending environment and the risk appetite of private commercial banks in Hungary, these banks may choose to target Eximbank's direct lending customers with offers of export financing at competitive rates of interest. The Hungarian banking sector is highly competitive and dominated by a small number of banks. In addition, a significant portion of the Hungarian export sector consists of local subsidiaries of multinational corporations, which may have access to internationally-sourced funding from within their corporate groups on more favourable terms than Eximbank can provide. There can be no assurance that competitive pressures, including as a result of increased foreign interest in the banking sector in Hungary and increased access to sources of internal funding, will not result in net interest margin compression and downward pressure on Eximbank's revenues with respect to its direct lending, which could adversely affect Eximbank's business, financial condition and results of operations.

Risks relating to Hungary

Certain risks relating to Hungary are set forth in the documents incorporated by reference to this Offering Circular, see "Description of Hungary". These risks include, but are not limited to, those set out below.

Hungary's economy and economic growth are vulnerable to adverse external factors, including the economic difficulties of its major trading partners.

The ability of Hungary to pay amounts of principal or interest under the Notes (pursuant to the Funding Guarantee) and Hungary's economy and macroeconomic goals are vulnerable to adverse external factors, including instability in the international financial markets and turmoil in the European banking system and the sovereign debt market of certain members of the European Monetary System. Hungary relies on exports as a significant driver of GDP growth, and 88% of Hungary's exports were concentrated within Europe in 2013, particularly Germany, which is Hungary's largest export market. If there is a global or regional recession which impacts Hungary's primary trading partners, or if euro area members experience difficulties issuing securities in the sovereign debt market, servicing existing debt or implementing budget austerity measures, or if the Hungarian Forint significantly appreciates relative to foreign currencies, it could result in fewer exports by Hungary. Such a decline in demand for Hungarian exports by Hungary's major trading partners, particularly Germany and other European Union member states, could have a material adverse impact on Hungary's balance of trade and adversely affect Hungary's economic growth. Any such impact could also adversely affect the rating of Eximbank, the trading price of the Notes, and/or the ability of Hungary to meet its obligations under the Funding Guarantee in respect of Eximbank's payment obligations under the Notes.

Any downgrade of Hungary's credit rating could have a material adverse effect on Eximbank.

As at the date of this Offering Circular, the long-term foreign currency and local currency debt of Hungary was rated BB by S&P, with a stable outlook, and Ba1 by Moody's, with a negative outlook, and Hungary's foreign currency and local currency sovereign credit ratings issued by Fitch were BB+ and BBB-, respectively, with a stable outlook. A credit rating may not reflect the potential impact of all risks related to structure, market, additional factors above, and other factors that may affect the value of the Notes issued under the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Hungary's credit ratings are a key factor affecting the cost and availability of financing for Eximbank. Any decision by a rating agency to downgrade Hungary's sovereign rating or place Hungary on ratings watch may have an adverse effect on the market value and trading price of the Notes issued under the Programme. Such an action may result in higher interest expense for interbank market transactions and lead to a restriction of Eximbank's access to funds in the interbank markets generally and, consequently, to higher refinancing costs. Such negative changes may also result in, among other things, a requirement for Eximbank to provide collateral under existing foreign exchange swaps, which may, in turn, require additional liquidity. Furthermore, as a consequence of any downgrade, Hungary's ability to obtain external funding to meet its obligations under the Funding Guarantee in respect of Eximbank's payment obligations under the Notes may be adversely affected.

High public debt and budgetary deficits have prompted a series of restrictive fiscal measures by the government.

Hungary's GDP contracted by 6.7% in 2009, grew by 1.3% in 2010 and 1.6% in 2011, contracted by 1.8% in 2012, and grew by 1.1% in 2013 and by 3.8% in the first half of 2014 (annualized). Hungary's total public debt at year-end as a percentage of the year's nominal GDP was 79.7% in 2009, 81.3% in 2010, 81.4% in 2011, 79.0% in 2012 and 79.8% in 2013. Hungary's budget deficit as a percentage of GDP was 4.0% in 2009, 4.2% in 2010, 5.7% in 2011, 2.1% in 2012 and 2.4% in 2013. For background on the calculation of these figures, see "*Presentation of Financial and Other Information*."

The European Commission recommended in May 2013 that the Excessive Deficit Procedure against Hungary be lifted and it was formally abrogated by the Council of the European Union on 21 June 2013. In order to meet the target deficit ratio of 2.9% of GDP for 2014, in July 2014 the government of Hungary announced a HUF 110 billion (or 0.36% of GDP) freeze in governmental expenditures. The Government has also imposed special taxes in different sectors of the economy, such as the banking sector, media and public utilities in order to stabilise the state budget.

If the government does not succeed in meeting the targeted budget deficit ratio of 2.9% of GDP or below for 2014, Hungary may face a reinstatement of the Excess Deficit Procedure by the European Commission, see "—*Any reinstatement of the European Commission's Excessive Deficit Procedure against Hungary could result in temporary suspension or termination of Hungary's Cohesion Fund allocations*". In addition, Hungary may face difficulties in obtaining necessary funding from external sources and the price of funding may further increase, particularly if GDP growth and budget balances do not improve.

Negative economic developments in Hungary may adversely affect Eximbank's ability to raise funds necessary to finance its activities and to meet its payment obligations with respect to interest and principal under the Notes, as well as affect Hungary's ability to meet its obligations under the Funding Guarantee in respect of Eximbank's payment obligations under the Notes.

Significant volatility in the value of the Hungarian Forint may adversely affect the Hungarian economic and financial condition.

A significant portion of Hungary's public debt and contingent liabilities are denominated in or linked to foreign currencies, particularly the Euro. Accordingly, a devaluation of the Hungarian Forint relative to foreign currencies, particularly the Euro, could have a negative impact on Hungary's foreign-currency debt service obligations and repayment amounts that may outweigh any positive impact on Hungary's Hungarian Forint-denominated debt service obligations and repayment amounts, and any increased competitiveness of Hungarian exports due to such a devaluation. Conversely, any significant appreciation of the Hungarian Forint as compared to foreign currencies, particularly the Euro, could have a negative impact on Hungarian exports that outweighs any positive impact on Hungary's foreign-currency debt service obligations. Any significant appreciation or depreciation of the Hungarian Forint relative to foreign currencies, particularly the Euro, may therefore have a material adverse effect on the economic and financial condition of Hungary.

Any reinstatement of the European Commission's Excessive Deficit Procedure against Hungary could result in temporary suspension or termination of Hungary's Cohesion Fund allocations.

From 2004 to June 2013, the European Union's Excessive Deficit Procedure was ongoing against Hungary. In 2012 the procedure resulted in the unprecedented measure of temporarily suspending part of Hungary's allocations from the EU Cohesion Fund (to have taken effect from 1 January 2013). The Cohesion Fund finances activities regarding trans-European transport networks and the environment, and is aimed at less developed member states of the European Union, intending to bolster their economic and social development, as well as to stabilise their economies. The financial assistance of the Cohesion Fund can be suspended by a European Economic Council decision if, in the view of the Council, a member state shows excessive public deficit and has not taken the appropriate action to resolve the situation. Although the suspension in relation to Hungary was lifted later in 2012 (without coming into effect) and the Excessive Deficit Procedure against Hungary was abrogated in June 2013, if Hungary is unable or unwilling to comply with the recommendations of the European Commission with respect to, amongst other things, the level of its budgetary deficit in the future, a new Excessive Deficit Procedure could be opened against Hungary and this could result in its Cohesion Fund allocation being delayed, suspended or terminated, thus hindering further development of key sectors of the Hungarian economy.

Non-compliance procedures by the European Commission may have a detrimental fiscal effect on Hungary.

The European Commission may take whatever action it deems appropriate in response to either a complaint or indications of infringements which it detects with respect to a member state not correctly implementing or applying European Law. Under the Commission's non-compliance procedures, the first phase is the pre-litigation administrative phase, also called "infringement proceedings," which are intended to enable the member state to conform voluntarily with the relevant requirements. If infringement proceedings fail, referral by the European Commission to the European Court of Justice opens litigation proceedings.

There are a number of infringement proceedings currently ongoing in front of the European Commission against Hungary, and some have already been referred to the European Court of Justice for litigation. If, as has been the case in the past, Hungary loses its case in the European Court of Justice, then Hungary may face potentially significant payment obligations. Such obligations may have an adverse effect on Hungary's budget deficit which may necessitate further restrictive fiscal measures by the government.

Investment protection related proceedings may affect fiscal policy

As a result of the implementation by the Hungarian government in the period since 2010 of various fiscal and taxation measures designed to support and stabilise the Hungarian economy, certain investors have launched arbitral proceedings against Hungary in international courts (e.g. in the International Centre for the Settlement of Investment Disputes and in the European Court of Human Rights), alleging breaches of bilateral investment agreements and other investor protection rights. Although all such proceedings are still pending, if some or all of such proceedings are resolved in a manner adverse to Hungary, the government may be required to pay significant damages to such investors and may conclude it is necessary to reverse certain implemented stabilisation measures, all of which may have a detrimental effect on Hungary's budget deficit which could adversely affect the trading price for the Notes.

Risks relating to the Notes

The Funding Guarantee, although designated as irrevocable under Hungarian law, may in the future be changed or revoked.

The obligations of Eximbank under the Notes are secured by the Funding Guarantee, as provided for in the Eximbank Act. Although the Funding Guarantee is irrevocable under an amendment to the Eximbank Act which was passed on 12 November 2012 and came into effect on 28 November 2012 following publication in the Hungarian Official Gazette (*Magyar Közlöny*), and any change of law which may negatively impact the Funding Guarantee extended over already issued Notes would almost certainly be unlawful under current Hungarian law, there is no assurance that a future Hungarian Parliament, or the Hungarian Constitutional Court, will not seek to amend the law or interpret the Hungarian Constitution in such a manner as to revoke the Funding Guarantee with retrospective effect, resulting in amendment, restriction and/or full or partial withdrawal of the Funding Guarantee. In any such case Noteholders would only be able to pursue a claim of enforcement by suing the Hungarian state under Hungarian constitutional, contract or other laws. No assurances can be given as to the impact of any changes to the Eximbank Act or other legislative provisions of Hungarian law which may affect the Funding Guarantee, or its enforcement, following the date of this Offering Circular. See also "—*The support that Eximbank currently receives from the Hungarian state, including the Funding Guarantee, may be reduced or withdrawn*."

The Funding Guarantee may be insufficient to cover the full amount of Eximbank's borrowings.

The Hungarian state's Funding Guarantee (including in respect of the Notes) is subject to an upper limit set by the annual budget (which as of the date of this Offering Circular is HUF 1,200 billion). A substantial majority of Eximbank's borrowings are denominated in foreign currencies, particularly the Euro. If the value of certain of Eximbank's borrowings exceeds HUF 1,200 billion, or the relevant limit set by any future annual budget act approved each year by the Hungarian Parliament, at any time during the lifetime of such borrowings, the Funding Guarantee may not be completely effective.

Noteholders may have difficulty enforcing foreign judgments against the Hungarian state in connection with the Funding Guarantee, or against Eximbank.

The Hungarian state, based on Paragraph (1) of Article 3:405 of the Civil Code, is a legal person and, based on Article 48 of Act III of 1952 on civil procedure, is capable of suing and being sued. Hungarian law does not limit a Noteholder's ability to pursue a claim in respect of the Notes or the Funding Guarantee before English courts and the recognition or enforcement in Hungary of any judgment so rendered by an English court may only be limited in accordance with Article 34 of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Nonetheless, if sued, the Hungarian state could seek to claim the exclusive jurisdiction of the Hungarian courts in respect of any claims submitted against it in connection with the Funding Guarantee. This may affect the enforcement of any foreign judgement against the Hungarian state in Hungary.

Furthermore, all of Eximbank's directors and executive officers are residents of Hungary and a substantial portion of the assets of Eximbank and such persons are located in Hungary. As a result, it may be difficult for Noteholders to effect service of process upon Eximbank or such persons outside Hungary, or to enforce judgments or arbitral awards obtained against such parties outside Hungary (see "*Service of Process and Enforceability of Judgments*").

Ratings could affect the market price of the Notes.

As at the date of this Offering Circular, the long-term foreign currency and local currency debt of Hungary was rated BB by S&P, with a stable outlook, and Ba1 by Moody's, with a negative outlook, and Hungary's foreign currency and local currency sovereign credit ratings issued by Fitch were BB+ and BBB-, respectively, with a stable outlook. As at the date of this Offering Circular, Eximbank was rated "BB+" by Fitch with a stable outlook and "BB" by S&P with a stable outlook. In addition, one or more additional independent credit rating agencies may assign credit ratings to an issue of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Eximbank's credit ratings depend on many factors, some of which are outside of Eximbank's control. Factors that are significant in determining Eximbank's credit ratings or that otherwise could affect its ability to raise financing include its ownership structure, asset quality, liquidity profile, short- and long-term financial prospects, risk exposures, capital ratios, and prudential measures, as well as government support and Eximbank's public policy role. Deterioration in any of these factors or any combination of these factors may lead rating agencies to downgrade Eximbank's credit ratings.

Adverse changes of law may affect the Notes.

The Notes are governed by English law and the terms are specified with reference to that law as in effect as at the date of this Offering Circular. Similarly, the enforcement rights of the Noteholders against Eximbank and its assets in Hungary assume the application of Hungarian law as presently in effect. No assurance can be given as to the impact on these Notes of any possible judicial decision or change to English or Hungarian law or administrative practice after the date of this Offering Circular.

Exchange rate risks and exchange controls may adversely affect Eximbank's ability to make payments on the Notes.

Eximbank will pay principal and interest on the Notes in Euros, U.S. dollars, or any other applicable currency specified in the applicable Pricing Supplement relating to the relevant Series. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euros or U.S. dollars (or the applicable currency). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or U.S. dollar (or the applicable currency) or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro or U.S. dollar (or the applicable currency) would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, any Noteholder whose Investor Currency is not the Euro or U.S. dollar (or the applicable currency) may receive less interest or principal than expected, or no interest or principal.

The Notes constitute unsecured obligations of Eximbank and could be effectively junior to those of certain other creditors.

Eximbank's obligations under the Notes constitute unsecured and unsubordinated obligations of Eximbank. Accordingly, any claims against Eximbank under the Notes would be unsecured claims. Subject to statutory preferences, the Notes will rank equally with any of Eximbank's other unsecured and unsubordinated indebtedness. However, the Notes will be effectively subordinated to any of Eximbank's future secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Hungarian law. The ability of Eximbank to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, and the continued availability of the Hungarian state's surety guarantee.

Further Notes may be issued without the consent of the Noteholders.

Eximbank may from time to time create and issue further Notes without the consent of the Noteholders, subject to terms and conditions which are the same as those of the Notes, or the same except for the date and amount of the first new payment of interest. Such new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

Transfer of the Notes will be subject to certain restrictions and interests in Global Notes can only be held through a clearing system.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Prospective investors should read the discussion under the heading "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*" for further information about these transfer restrictions. It is their obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

Because transfers of interests in the Global Notes can be effected only through book entries at DTC, Clearstream, Luxembourg and/or Euroclear (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Notes may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg, Euroclear or DTC, as applicable. The ability to pledge interests in the Notes (or beneficial interests therein) may be limited due to the lack of a physical certificate. In the event of the insolvency of Clearstream, Luxembourg, Euroclear, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

There may not be an active trading market for the Notes.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued and for which there is such a market). If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Eximbank and/or Hungary. Although application has been made for the Notes issued under the Programme to be admitted to listing and to trading on the Regulated Market of the London Stock Exchange, there can be no assurance that such application will be approved or that an active trading market will develop. Accordingly, Eximbank can give no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to Eximbank's actual or anticipated operating results, adverse business developments, changes to the regulatory environment in which Eximbank operates, changes in ratings or in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for Hungarian sovereign debt and market interest rates. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes irrespective of factors specific to Eximbank or the Notes.

The Notes may be subject to optional redemption by Eximbank.

An optional redemption feature of Notes is likely to limit their market value. During any period when Eximbank may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Eximbank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The EU Savings Directive may require tax withholding of certain payments, and such payments will not be subject to grossing up by Eximbank.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or to certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, under the terms of the Notes neither the Issuer nor any Paying and Transfer Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying and Transfer Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Modification, waivers and substitutions of the Notes approved by certain Noteholders may adversely affect other dissenting Noteholders.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. As a result, decisions might be taken by the Noteholders as a whole that are contrary to the interests of any particular Noteholder.

FATCA may affect certain payments related to the Notes

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once the paying agent has paid to the order of the Common Depositary or Common Safekeeper for the ICSDs (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section "*Taxation—Foreign Account Tax Compliance Act*."

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

SELECTED FINANCIAL INFORMATION

The selected balance sheet and comprehensive income data presented below are extracted from the Financial Statements of the Issuer. The selected consolidated financial data presented below should be read in conjunction with and are qualified in their entirety by reference to the Financial Statements and notes thereto. The Financial Statements have been prepared in accordance with IFRS.

Statement of Financial Position

	As at 30 June 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
	(HUF in millions)			
Cash, due from banks and balances with the National Bank of Hungary	1,645	898	2,505	162
Loans and advances to other banks, net of impairment losses	309,603	275,753	165,380	128,893
Loans and advances to customers, net of impairment losses	106,388	99,265	63,282	54,589
Financial assets at fair value through profit or loss	311	43	130	47
Available-for-sale financial assets, net of impairment loss	48,449	2,105	25,840	11,088
Investment in a joint venture	389	—	—	—
Intangibles, property and equipment, net	363	355	214	176
Deferred tax assets	55	79	—	—
Other assets, net	2,797	3,093	1,218	826
Total Assets	**470,000**	**381,591**	**258,569**	**195,781**
Loans and deposits from other banks	200,890	144,156	128,855	175,696
Financial liabilities at fair value through profit or loss	5,561	4,274	856	1,407
Debt securities issued	223,864	211,967	109,148	—
Provision for guarantees and contingencies	522	321	246	21
Deferred tax liabilities	—	—	76	—
Other liabilities	3,387	3,109	875	992
Total Liabilities	**434,224**	**363,827**	**240,056**	**178,116**
Share capital	28,100	10,100	10,100	10,100
Reserves	7,676	7,664	8,413	7,565
Total Shareholder's Equity	**35,776**	**17,764**	**18,513**	**17,665**
Total Liabilities and Equity	**470,000**	**381,591**	**258,569**	**195,781**

Statement of Comprehensive Income

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the year ended 31 December 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
			(HUF in millions)		
Interest income	10,603	7,394	16,078	10,399	10,849
Interest expense	(8,200)	(5,309)	(11,747)	(6,148)	(6,230)
Net interest income	**2,403**	**2,085**	**4,331**	**4,251**	**4,619**
Net income from fees and commissions	126	(224)	193	206	186
Provisions and impairment (losses)/reversal	(675)	(625)	(901)	15	(452)
Gains and losses from trading and investment activities, net	(97)	(263)	(656)	840	(756)
Operating expenses, net	(2,593)	(1,498)	(3,532)	(3,991)	(2,795)
Share of profit/(loss) of a joint venture	(111)	—	—	—	—
Profit/(loss) before income tax	**(947)**	**(525)**	**(565)**	**1,321**	**802**
Income taxes	(21)	25	(194)	(522)	(268)
Profit/(loss) for the period	**(968)**	**(500)**	**(759)**	**799**	**534**
Other comprehensive income					
Fair value adjustment of available-for-sale securities, net of tax	980	4	9	49	45
Other comprehensive income for the period, net of income tax	**980**	**4**	**9**	**49**	**45**
Total comprehensive income for the period	**12**	**(496)**	**(750)**	**848**	**579**

Statement of Cash Flows

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the year ended 31 December 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
			(HUF in millions)		
OPERATING ACTIVITIES					
Profit/(loss) before income taxes	(968)	(500)	(759)	1,321	802
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortisation	92	75	161	105	99
Provision charged/(released) for impairment losses	474	608	826	(255)	1,552
(Profit)/loss from revaluation to fair value	(97)	(733)	3,497	(694)	315
Share of the profit and loss of the joint venture	111	—	—	—	—
Foreign exchange gains and (losses) relating to non-operating cash-flows	15,827	3,873	(710)	—	—
Other non-cash items	349	7	8	49	—
Net interest income	(2,403)	(2,085)	(4,331)	(4,251)	(4,619)
Tax expense	21	(25)	194	—	—
Interest received	9,523	8,083	15,723	8,659	11,632
Interest paid	(6,247)	(2,165)	(9,976)	(5,932)	(6,994)
Income taxes paid	(64)	(117)	(269)	(522)	(268)
Dividend paid	—	—	—	—	—
Changes in operating assets and liabilities:					
Net (increase)/decrease in loans and advances to other banks, before impairment losses	(33,896)	(7,132)	(110,591)	(36,437)	(21,104)
Net (increase)/decrease in loans and advances to customers, before impairment losses	(6,526)	(4,890)	(36,232)	(7,853)	12,527
Net (increase)/decrease in financial assets at fair value through profit or loss	—	—	—	—	589
Net (increase)/decrease in available-for-sale financial assets	(45,172)	9,971	23,739	(13,587)	5,422
Net (increase)/decrease in other assets	319	441	(1,952)	(390)	(838)
Net increase/(decrease) other liabilities	522	479	2,307	184	(645)
Net cash provided by/(used in) operating activities	**(68,135)**	**5,890**	**(118,365)**	**(59,603)**	**(1,530)**
INVESTING ACTIVITIES					
Net (increase)/decrease in held-to-maturity securities	—	—	—	—	—
Purchases of intangibles, property and equipment	(99)	(163)	(302)	(143)	(87)
Net cash used in investing activities	**(99)**	**(163)**	**(302)**	**(143)**	**(87)**

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the year ended 31 December 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
			(HUF in millions)		
FINANCING ACTIVITIES:					
Proceeds from issue of share capital	18,000	—	—	—	—
Proceeds from due to banks and deposits from banks	206,721	141,275	475,596	1,665,360	414,378
Repayment of due to banks and deposits from banks	(155,780)	(148,817)	(461,617)	(1,712,277)	(412,666)
Proceeds from issuance of debt securities	—	—	103,065	109,011	—
Net cash provided by financing activities	**68,941**	**(7,542)**	**117,044**	**62,094**	**1,712**
Net increase/(decrease) in cash and cash equivalents	**707**	**(1,815)**	**(1,623)**	**2,348**	**95**
Net foreign exchange difference	40	9	16	(5)	—
Cash and cash equivalents at the beginning of the period	898	2,505	2,505	162	67
Cash and cash equivalents at the end of the period	**1,645**	**699**	**898**	**2,505**	**162**

DESCRIPTION OF EXIMBANK

Overview

Purpose and Authority

Eximbank is a specialised credit institution wholly owned by the Hungarian state. It was established by Act XLII of 1994 on the Hungarian Export-Import Bank and the Hungarian Export Credit Insurance Company (the "**Eximbank Act**") in order to facilitate the sale of Hungarian goods and services in foreign markets and commenced operation on 10 August 1994 on the basis of resolution 63/1994 issued by the State Bank Supervisory Authority. Since May 2012, shareholder's rights have been exercised on behalf of the Hungarian state first by the Minister for National Economy and since 6 June 2014, by the Minister of Foreign Affairs and Trade, with the aim of promoting Eximbank's role as an instrument of economic policy in support of Hungarian exports. Eximbank's registered office is located at 1065 Budapest, Nagymezo utca 46-48, Hungary.

Under the Eximbank Act, Eximbank is charged, in particular, with the public task of financing the export of Hungarian goods and services, as well as financing Hungarian investments abroad and export-related investments in Hungary, thereby enabling companies operating in Hungary – primarily small or medium-sized enterprises but also large corporations – to maximise their export opportunities, while assisting in the maintenance and creation of jobs in Hungary, and also promoting the development of the national economy by improving the competitiveness of Hungarian exports in foreign markets. In support of its mandate, Eximbank may lend directly to the exporters of Hungarian products and services, to their suppliers or their foreign purchasers, or, as is more prevalent, indirectly through refinancing facilities to domestic commercial banks (and, to a lesser extent, foreign commercial banks) providing financing related to Hungarian export transactions. Eximbank provides the majority of its loans according to the OECD Arrangement in the form of medium- to long-term credit at favourable fixed interest rates. These rates are based on the Commercial Interest Reference Rate ("**CIRR**"), which is the OECD minimum interest rate for officially-supported financing of exports, in effect on the date of the loan contract.

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

The functions of the state export credit agency in Hungary are divided between Eximbank and the Hungarian Export Credit Insurance Pte Ltd. ("**MEHIB**"). While Eximbank is engaged in the provision of export and export-related financing and export-related guarantees, MEHIB provides export credit insurance to exporters or their banks, including to certain of Eximbank's borrowers.

Eximbank's statutory mandate also allows it to provide equity funding in support of development goals for Hungarian exports and job creation. In addition, Eximbank may establish international cooperation funds with international agencies (such as the International Finance Corporation ("**IFC**") with development goals on behalf of the Hungarian state.

Strategy

In support of its mandate to finance the export of Hungarian goods and services, Eximbank's historical strategy has been to focus on those market segments or export destinations which, in the view of the Hungarian state, are in need of official support or are under-penetrated by Hungarian exports. Going forward, Eximbank expects to expand this strategy to encompass a wider range of borrowers and export-related transactions as it seeks to grow its loan portfolio. As a result, Eximbank intends to significantly grow its loan portfolio, given attractive opportunities and in line with its risk management criteria, up to the HUF 1,200 billion upper limit of the Funding Guarantee over the next several years. In line with its objective to support Hungarian export activity and increase job creation, Eximbank indirectly provides, and intends to continue to provide, equity financing to Hungarian exporting companies through investment in certain selected equity funds.

Relationship with the Government

As Eximbank is a specialised credit institution wholly owned by the Hungarian state and maintained for the purpose of financing the export of Hungarian goods and services, the primary aim of its operations is not to achieve the highest possible profit, but to make sustainable, efficient and effective use of Hungarian state central budgetary resources in support of its mandate. As such, the Hungarian state is responsible for ensuring the long-term and stable operation of Eximbank in accordance with the Eximbank Act. In addition, Eximbank also benefits from various forms of support from the Hungarian state, as described below.

Statutory Guarantee (törvényi készfizető kezesség) relating to Eximbank's Funding Activities

Under the Eximbank Act, the Hungarian state is liable, as absolute direct surety, for the fulfilment of Eximbank's obligations to pay principal and interest arising from certain of Eximbank's borrowings, including capital markets debt instruments issued by Eximbank with the aim of raising finance (such as the Notes), certain loans to Eximbank from Hungarian and foreign credit institutions with the aim of raising finance and Eximbank's payment obligations arising from the replacement costs of foreign exchange and interest rate swap transactions. For the purposes of calculating the amounts drawn under the Funding Guarantee, payment obligations denominated in U.S. dollars or euro are converted into Hungarian Forints at the official exchange rate published by the NBH on (i) the date of the conclusion of the relevant agreement raising finance or the date of the issue of the relevant notes which were issued on a standalone basis (or in case of notes issued under a programme, the date of first issue of notes under that programme), or (ii) 28 November 2012 if the relevant agreement raising finance was entered into or the relevant notes were issued on or prior to 28 November 2012.

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 2014 Budget Act, the upper limit of the Funding Guarantee is currently HUF 1,200 billion. As at 30 June 2014, 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 Programme) of HUF 748.2 billion (EUR 2.4 billion), representing 62.4% of the HUF 1,200 billion upper limit. In line with the calculation method for statutory guarantees, the total amount drawn, or available to be drawn but undrawn, under the Funding Guarantee includes the maximum amount of Notes that can be issued under the Programme (EUR 2 billion), thus any future issues of Notes under the Programme will not cause further increases in the overall utilisation level of the Funding Guarantee.

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 who have served Eximbank with an acceleration notice and not received payment within the grace period specified in that notice, or who are in possession of documents evidencing that the deadline for payment of instalments, interest or other amounts under the Notes passed without payment, may seek to recover directly from the Hungarian state by filing a petition with the minister responsible for public finances without first exhausting legal remedies against Eximbank. Within 30 days of receipt of a valid petition and the documents required under the Government Decree no. 110/2006 (V.5.), the minister responsible for public finances is required to arrange payment to the relevant creditor.

Statutory Guarantee (törvényi készfizető kezesség) relating to Eximbank's Guarantees (bankgarancia)

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

The Hungarian state's obligations in respect of this back-to-back statutory guarantee are subject to an upper limit set by the annual budget. According to the 2014 Budget Act, the upper limit applicable in 2014 is a combined HUF 350 billion in respect of Eximbank's export-credit and other export-related guarantees. By government decree, the back-to-back statutory guarantee is also subject to certain conditions, including that any credit agreement over which Eximbank extends a state-backed export-credit guarantee must conform to OECD guidelines. As at 30 June 2014, Eximbank had outstanding state-backed export-credit guarantees totalling HUF 7.8 billion and state-backed export-related guarantees totalling HUF 6.7 billion, together representing 4.1% of the HUF 350 billion combined upper limit. As at 30 June 2014, some 91.2%, or HUF 14.5 billion, of Eximbank's overall guarantee portfolio of HUF 15.9 billion was backed by state guarantees. The remaining 8.8% 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 the scope of the OECD Arrangement, and accordingly, outside the statutory guarantee.

Interest Equalisation and Support

Where Eximbank provides loans according to the OECD Arrangement 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 2014 Budget Act, interest equalisation payments are budgeted at HUF 14 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 than HUF 14 billion in a given year. The Hungarian state also provides interest equalisation payments to Eximbank for loans with a maturity below two years, based on EU Communication 2008/C 14/02 for setting the reference and discount rates.

During the six months ended 30 June 2014 and the year ended 31 December 2013, Eximbank received interest equalisation from the Hungarian state in respect of 93.6% and 92.3% of its total loans and advances (by nominal amount), respectively, with payments of interest equalisation totalling 80% and 117%, respectively, of the open-ended budgeted appropriation for interest equalisation payments. When compared to the corresponding 2013 figures, the increased interest equalisation payments through 2014 reflect Eximbank's increased lending activity.

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

In addition to receiving payments from the Hungarian state under the interest equalisation programme, Eximbank receives a form of interest support with respect to tied aid loans, which tied aid loans represented 2.5% of Eximbank's total loans and advances (by nominal amount) as at 30 June 2014. Including these tied aid loans covered by interest support, Eximbank received some form of interest compensation from the Hungarian state in respect of 96.1% of its total loans and advances (by nominal amount) as at 30 June 2014 and in respect of 95.3% of its total loans and advances (by nominal amount) as at 31 December 2013. Interest support payments for tied aid loans 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/BUBOR according to Eximbank's average costs.

Interest equalisation and support are intended to promote stability and sustainability for Eximbank, and contribute to interest risk management (see also "*Description of Eximbank—Credit Policies and Risk Management—Interest Rate 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.

MEHIB Credit Insurance

The functions of the state export credit agency in Hungary are divided between Eximbank and 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 issued by MEHIB with respect to its buyer's credit and discounting portfolios. As at 30 June 2014, HUF 35.6 billion, or 8.7%, of Eximbank's loans and advances (by nominal amount) consisted of loans for which typically up to 95% of principal and interest amounts were covered by MEHIB credit insurance. See "*Description of Eximbank—Operations—Product Breakdown*" below. 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 2014 Budget Act, MEHIB can underwrite export credit insurance up to a limit of HUF 600 billion with a direct state guarantee. As at 31 December 2013 (the most recent date for which information is available), MEHIB had HUF 205.6 billion of insurance policies outstanding.

Funding Support and Liquidity Support

Historically, Eximbank financed a substantial portion of its operations from loans and advances provided by MFB, which is wholly owned by the Hungarian state and was Eximbank's majority shareholder until 23 May 2012, when it transferred its stake to the Hungarian state, thereby resulting in the Hungarian state holding a direct 100% ownership in Eximbank. All funding transactions between Eximbank and the MFB have been conducted at market rates. To pursue its strategy of expanding its loan portfolio, Eximbank requires capital contributions from time to time in light of the fact that Eximbank's profits and retained earnings are near zero, reflecting Eximbank's role as an instrument of economic policy for the Hungarian state. The Hungarian state has in the past provided capital contributions to Eximbank, most recently in the form of an increase in share capital of HUF 18.0 billion, increasing the Hungarian state's total capital investment from HUF 10.1 billion to HUF 28.1 billion, in the first half of 2014.

Since the change in ownership, Eximbank has sought to meet its medium- and long-term funding needs primarily through international money and capital markets issuances, including through the further issuance of Notes under the Programme, rather than loans from the Hungarian state or state-owned entities. However, if Eximbank were to face a liquidity shortage, the Hungarian state may support Eximbank's operations by lending government bonds to Eximbank or taking other measures. For example, on 5 October 2012, Eximbank entered into an agreement with the Hungarian state under which it could draw up to HUF 150 billion in government bonds, to be returned by the end of the year. See "*Description of Eximbank—Funding—Liquidity Portfolio*" below.

Regulatory and Legislative Supervision

Eximbank was established, together with MEHIB, by the Eximbank Act and commenced operations on 10 August 1994 on the basis of resolution 63/1994 issued by the State Bank Supervisory Authority.

As a state agency for the promotion of exports, Eximbank is regulated by the Eximbank Act and a number of government and ministerial decrees and provisions that are specific to Eximbank. In addition to these, Eximbank is governed by the Banking Act, which applies to all credit institutions operating in Hungary.

The prudential supervision of Eximbank is carried out by the NBH. Eximbank currently operates on the basis of operating license 188/1998/F, issued on 9 February 1998 by the Hungarian Money and Capital Markets Supervisory Authority, the legal predecessor to the NBH. Pursuant to the Banking Act and to EU Regulation No 575/2013), Eximbank applies the standard approach under Basel III, subject to certain exemptions from provisions of Basel III which do not apply given Eximbank's business (including liquidity adequacy and leverage ratio regulations), in calculating credit risk and its capital requirement, which are revised annually by the NBH.

As an institution engaged in officially-supported export lending, Eximbank is also required to comply with the prevailing guidelines and directives of the WTO (in particular, the WTO Agreement on Subsidies and Countervailing Measures), the OECD (in particular the OECD Arrangement), and the European Union.

Capitalisation

As at 30 June 2014, Eximbank's registered share capital amounted to HUF 28.1 billion. Eximbank is wholly owned by the Hungarian state, with shareholder's rights exercised on behalf of the Hungarian state by the Minister of Foreign Affairs and Trade.

As at 30 June 2014, Eximbank's capitalisation was as follows (under IFRS):

	Historical (HUF millions)
Liabilities:	
Loans and deposits from other banks	200,890
Financial liabilities at fair value through profit or loss	5,561
Provision for guarantees and contingencies	522
Other liabilities including deferred tax liabilities	3,387
Debt securities issued	223,864
Total liabilities	**434,224**
Capital:	
Share capital	28,100
Share premium	400
Retained earnings	(1,515)
Fair value reserve, net of tax	1,004
General reserve	7,787
Total capital	**35,776**

Operations

Overview

Eximbank currently provides seven main export finance-related products: (1) refinancing facilities to domestic and foreign commercial banks providing financing for Hungarian export transactions, (2) buyer's credit facilities (including "tied aid" loans) to foreign purchasers or partners of Hungarian exporters, (3) discounting facilities to Hungarian exporters, (4) direct pre-export financing credit to Hungarian exporters and (5) export-credit and export-related guarantees (6) supply chain financing and (7) capital asset investment financing. In addition, in the past Eximbank has provided, to a limited extent, loans with respect to Hungarian investments abroad.

The following table provides a breakdown of Eximbank's loan products:

Category of loan product	Category of borrower	MEHIB insurance (max %)	Interest equalisation/ support	As at 30 June 2014	As at 31 December 2013	2012	2011
				(HUF millions)			
Refinancing:							
Refinancing of short-term pre-export credit..................	Bank	N/A	Full	7,962	1,086	0	0
Refinancing of medium- to long-term pre-export financing credit..................	Bank	N/A	Full(1)	257,551	172,569	120,269	67,079
Refinancing of post-shipment financing credit..................	Bank	N/A	Full	25,207	24,668	20,376	20,871
Capital asset investment refinancing	Bank	N/A	Full	1,110	297	0	0
Subtotal:.................				**291,830**	**198,620**	**140,645**	**87,950**
Buyer's credit facilities (including tied aid loans):							
Classic buyer's credit.	Municipality; Corporate	95%	Partial(2)	10,436	11,145	12,093	15,883
Interbank buyer's credit..................	Bank	95%	Partial	9,228	7,838	1,144	1,894
Project risk buyer's credit..................	Corporate	95%	Full	0	0	0	3,829
Tied aid....................	Sovereign	100%	Full	10,273	9,161	6,352	7,399
Subtotal:.................				**29,937**	**28,144**	**19,589**	**29,005**
Discounting facilities:							
Discounting of supplier's credit..................	Municipality; Corporate	95%	Partial	9,512	10,718	22,255	18,668
Forfaiting	Municipality; Corporate	N/A	N/A	815	617	21	210
Subtotal:.................				**10,327**	**11,335**	**22,276**	**18,878**
Direct pre-export financing:							
Short-term pre-export financing	Corporate	N/A	N/A	5,759	5,298	2,055	2,253
Medium- and long-term pre-export financing	Corporate	N/A	Partial	67,781	62,397	21,794	8,923
Subtotal:.................				**73,540**	**67,695**	**23,849**	**11,176**
Investment credit for foreign investments(3):	**N/A**	N/A	N/A	531	558	644	782
Supply chain financing............	**Corporate**	N/A	Partial	889	472	0	0
Capital asset investment financing............	**Corporate**	N/A	Partial	1,927	1,046	0	0
Total loans and advances (nominal amount):				**408,981**	**307,870**	**207,003**	**147,791**

Notes:

(1) Indicates all the loans in this category receive interest compensation from the Hungarian state.

(2) Indicates a portion of the loans in this category qualify for and receive interest compensation from the Hungarian state.

(3) Represents loans extended in support of cross-border acquisitions in the export sector.

The table above does not contain impairment and defaulted loans under which MEHIB is making regular payments, or "forced loans" (which are deemed loans reflecting unpaid guarantee fees owed to Eximbank by customers under bank guarantees). See "—*Maturities and Amortisation of Outstanding Loans*". The table above also excludes Eximbank's overall guarantee portfolio of HUF 15.9 billion and total undrawn loan commitments under Eximbank's existing loan agreements of HUF 281.0 billion, each as at 30 June 2014.

In addition, Eximbank recently entered into its first equity investments by participating in one domestic and one foreign equity fund. Eximbank has committed to invest a total of HUF 5 billion by the end of 2018 in Fordulat Tokealap, a Hungarian private equity fund that invests in well-established medium-sized Hungarian companies that have demonstrated good financial results and high margins before the financial crisis of 2008, but which have inadequate capital following the crisis to take advantage of favourable opportunities or to finance their future growth. As at 30 June 2014, Eximbank had invested HUF 500 million in Fordulat Tokealap. Eximbank has also committed to invest USD 30 million in the China-Central and Eastern Europe Investment Cooperation Fund SCS SICAV_SIF ("**China-CEE Fund**"), a specialised investment fund, which invests in private equity assets, principally in Central and Eastern Europe. As at 30 June 2014, Eximbank had invested USD 365,517 (HUF 83 million) in the China-CEE Fund. The table above does not include these equity investments or the unpaid commitments in respect of Fordulat Tokealap and the China-CEE Fund.

Product Breakdown

Refinancing Facilities to Domestic Banks

Eximbank indirectly provides Hungarian exporters with access to fixed-rate, short-, medium- and long-term pre-export, post-shipment and investment financing loans via Hungarian commercial banks, which draw funding for these loans through refinancing credit agreements with Eximbank. Refinancing credit line products are the most popular of Eximbank's portfolio, accounting for 71.4% of its total portfolio of loans and advances (by nominal amount) as at 30 June 2014. Eximbank's refinancing portfolio has grown 46.9% from HUF 198,620 million as at 31 December 2013 to HUF 291,830 million as at 30 June 2014 as a result of Eximbank's strategy to encompass a wider range of borrowers and export-related transactions. The Hungarian commercial banks extend the loans to exporters according to their own credit scoring criteria, and Eximbank is exposed to the direct credit risk of the Hungarian commercial banks rather than the credit risk of the exporter.

Eximbank currently has umbrella credit lines in place with seventeen Hungarian commercial banks (UniCredit Bank Hungary Zrt., Raiffeisen Bank Zrt., Budapest Bank Zrt., MKB Bank Zrt., K&H Bank Zrt., OTP Bank Nyrt., CIB Bank Zrt., Takarekbank Zrt., Commerzbank Zrt., Erste Bank Zrt, Hungária Takarékszövetkezet, Szentlorinc-Ormánság Tksz, FHB Kereskedelmi Bank Zrt, Fókusz Takarékszövetkezet, Gránit Bank Zrt, KDB Bank Európa Zrt. and Sberbank Magyarország) under which these banks can draw funds from Eximbank to refinance loans for exporters up to a certain level of turnover without individual approval by Eximbank. Eximbank has committed to lend EUR 695.1 million and USD 103 million (combined HUF 239 billion) to these banks. Specific refinancing loans are agreed with the Hungarian commercial banks for companies or loan contracts that do not qualify under one of the umbrella credit lines.

In addition to providing refinancing facilities to domestic banks, Eximbank provides (to a lesser extent) foreign banks with access to refinancing facilities through interbank buyer's credit.

Since the second quarter of 2014, Eximbank also provides leasing and factoring refinancing credit facilities to credit institutions.

The leasing refinancing credit facility is available at a preferential fixed rate directly to credit institutions providing leasing services to the public that generate export revenue or indirectly to leasing companies through their controlling credit institution partners.

The factoring refinancing facility is available at a preferential rate for export receivables financing. Under these arrangements, Eximbank provides short term funding (up to one year) for the refinancing of short term export receivables to small enterprises companies that lack appropriate collateral to avail themselves of commercial factoring services.

As of 30 June 2014, Eximbank had not yet concluded any transactions under these new refinancing facilities but has committed to lend EUR 60 million to a Hungarian credit institution under the leasing refinancing credit facility.

Buyer's Credit (including Tied Aid)

Eximbank provides direct and indirect post-shipment financing to foreign purchasers of Hungarian exporters or the purchaser's bank through its buyer's credit facilities. These facilities are typically medium- or long-term (i.e., with a tenor of two years or longer), are denominated in EUR or USD and in amounts of generally at least EUR 1 million. Buyer's credit financing, together with MEHIB insurance, is intended to reduce the risk of non-payment faced by Hungarian exporters, and enable foreign purchasers to fund their purchases of Hungarian goods and services using low-interest credit supported by the Hungarian state. When extending buyer's credit to a foreign purchaser (as opposed to tied aid, discussed below), Eximbank lends up to 85% of the value of the goods and/or services to the purchaser, generally with a maximum tenor of 10 years. Buyer's credit includes (i) classic buyer's credit, which is financing applied to and repaid by a foreign purchaser, (ii) interbank buyer's credit arrangements, which is arranged simultaneously through a single foreign bank for multiple Hungarian exporters selling to multiple foreign purchasers and (iii) project risk buyer's credit, which is financing repaid from a project income stream.

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 loans based on intergovernmental agreements, with the aim of reaching new markets in developing countries. Tied aid loans 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. Under the OECD Arrangement, borrowers under tied aid loans must benefit from a concession of at least 35% compared to the outstanding nominal value of the loan, which is reached by offering a lower interest rate or a longer tenor than those under Eximbank's standard buyer's credit facility or by offering the borrower a grant element (which can include the MEHIB insurance premium).

In accordance with the OECD Arrangement, MEHIB insurance covers up to 100% of principal and interest amounts under Eximbank's buyer's credit and tied aid loans.

Discounting Facilities

Eximbank offers post-shipment financing via discounting of supplier's credit and forfaiting. Through these facilities, Eximbank purchases from Hungarian exporters accounts receivable which represent future payments from a foreign purchaser of exports, discounted to present value including an applicable risk premium. Discounting facilities are intended to relieve Hungarian exporters of credit risk as well as exchange rate and interest rate risk during the periods these receivables remain outstanding, and improve their competitive position.

Under its standard (non-forfaiting) discounting facilities, Eximbank purchases accounts receivable denominated in EUR or USD from Hungarian exporters with a maximum tenor of 10 years, in amounts of generally at least EUR 1 million. When the receivable falls due, the foreign purchaser pays Eximbank instead of the exporter. Eximbank is subject to the credit risk of the foreign purchaser once it purchases a receivable from an exporter. In accordance with the OECD Arrangement, MEHIB insurance covers up to 95% of principal and interest amounts under Eximbank's standard discounting facilities.

Through its forfaiting portfolio, Eximbank purchases export-derived receivables that are guaranteed by a bank. Forfaited receivables are denominated in EUR or USD, generally have a tenor of between 90 and 365 days and have a value of at least EUR 100,000. MEHIB credit insurance does not cover forfaited receivables but these products are non-recourse to Eximbank as a result of the accompanying bank guarantees.

Direct Pre-export Financing Credit

The pre-export financing provided by Eximbank is a specialised form of primarily medium/long term (i.e., with a tenor of two years or longer) export-related working capital lending in which Hungarian companies are lent funds in connection with planned or documented sales orders (up to one year in advance of the date upon which delivery is to occur). Eximbank lends a maximum of 85% of the value of a given export sale to the exporter, and all of these loans are collateralised.

Investment Credit for Foreign Investments

Eximbank extends investment loans in support of cross-border acquisitions in the export sector.

Supply Chain and Capital Asset Investment Financing

Eximbank provides supply chain and capital asset investment financing in addition to its other products.

The aim of Eximbank's supply chain financing facility is to provide domestic suppliers with funding for the period preceding payment on their supply contracts. Eximbank primarily offers supply chain financing to domestic small- and medium-sized corporations with high value-add manufacturing production or service processes. In order for a domestic supplier to be eligible for supply chain financing, Eximbank requires the existence of an executed supply contract with a Hungarian exporter.

Eximbank's capital asset investment financing facility for small- and medium-sized corporations is designed to promote increased domestic supply production that in turn generates additional export revenue for the investing entity. Capital asset investment financing is available from the date of investment through to the full repayment of the loan. The facility is available for capacity improvements, add-on investment, refurbishment and modernization.

Guarantee Products

Eximbank extends export-credit guarantees, primarily to Hungarian banks, to facilitate exporters' borrowings, and extends other export-related guarantees (including tender guarantees, advance repayment guarantees, performance guarantees and warranty guarantees) primarily to corporate customers to provide assurance to foreign purchasers of Hungarian exports. As at 30 June 2014, Eximbank had outstanding state-backed export-credit guarantees totalling HUF 7.8 billion and state-backed export-related guarantees totalling HUF 6.7 billion, together representing 4.1% of the HUF 350 billion combined upper limit.

As at 30 June 2014, some 91.2%, or HUF 14.5 billion, of Eximbank's overall guarantee portfolio of HUF 15.9 billion was backed by state guarantees. See "*Description of Eximbank — Overview — Relationship with the Government*". The remaining 8.8% of Eximbank's guarantee portfolio 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 the scope of the OECD Arrangement, and accordingly, not covered by the statutory guarantee.

The following table shows Eximbank's outstanding guarantees (by nominal amount):

	As at 30 June	**As at 31 December**		
	2014	**2013**	**2012**	**2011**
	(HUF millions)			
Export-credit guarantees:				
State-supported	7,780	8,940	10,578	18,929
Own risk	883	1,320	2,167	1,139
Export-related guarantees:				
State-supported	6,709	5,146	14,829	15,866
Own risk	518	1,170	766	972

Credit Exposure and Interest Rates

As at 30 June 2014, Eximbank's total loans and advances (by nominal amount) amounted to HUF 409.0 billion. Of this total, HUF 373.3 billion was not covered by MEHIB insurance, and therefore represented uninsured credit risk exposure of Eximbank. Of this HUF 373.3 billion, HUF 291.8 billion was uninsured credit risk to Hungarian commercial banks, and the balance of HUF 81.5 billion represented uninsured credit risk exposure to Hungarian exporters through Eximbank's direct pre-export financing portfolio and the uninsured portion of its MEHIB-insured buyer's credit and standard discounting portfolios. Of this HUF 81.5 billion, HUF 51.6 billion was covered by some form of collateral or security over assets of the borrower.

As at 30 June 2014, Eximbank received interest equalisation payments from the Hungarian state in respect of 93.6% of its total loans (by nominal amount), and a further 2.5% of total loans (representing tied aid loans) received interest support, another form of compensation from the Hungarian state. The interest equalisation and support programme is intended to hold profits at or near zero for loans covered by interest equalisation and support, reflecting Eximbank's role as an instrument of economic policy for the Hungarian state rather than as a traditional profit-oriented bank. Loans not covered by the interest equalisation or support programmes are variable rate and are priced by reference to LIBOR/EURIBOR/BUBOR according to Eximbank's average costs. Any deviation from Eximbank's average costs are determined by the purpose of the loan, the maturity date and the availability and value of collateral provided (if any) as security for the loan, and Eximbank's assessment of the credit risk of the borrower.

As at 30 June 2014, 96.1% of Eximbank's total loans and advances (by nominal amount) consisted of fixed-rate loans and 3.9% consisted of variable rate loans, compared with 95.3% and 4.7%, respectively, as at 31 December 2013.

Loan Commitments by Category

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.

The following table sets out Eximbank's total (undrawn) loan commitments by category:

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	(HUF millions)			
Pre-export financing:				
Direct pre-export financing credit	5,905	12,728	1,729	36
Capital asset investment financing	477	1,316	—	—
Pre-export refinancing facilities	200,792	118,078	53,741	63,570
Capital asset investment refinancing	1,800	—	—	—
Leasing refinancing	18,611	—	—	—
Post-shipment financing:				
Buyer's credit facilities (+tied aid loans)	32,071	32,072	2,574	598
Discounting facilities	2,332	486	1,894	11,175
Post-shipment refinancing	19,036	19,350	0	2,638
Total (undrawn) loan commitments	**281,024**	**184,030**	**59,938**	**78,017**

The table above excludes Eximbank's overall guarantee portfolio of HUF 15.9 billion as at 30 June 2014. The table above also excludes letters of credit of HUF 6.5 billion as at 30 June 2014 and does not include the equity investments or unpaid commitments in respect of Fordulat Tokealap and the China-CEE Fund.

Maturities and Amortisation of Outstanding Loans

The following table categorises Eximbank's total loans and advances by their remaining maturities:

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	(HUF millions)			
Loans and advances with remaining maturities of one year or less	125,506	158,125	94,451	84,157
Loans and advances with remaining maturities of more than one year	296,757	222,697	139,187	104,664
Total[1]	**422,263**	**380,822**	**233,638**	**188,821**
Interbank lending	2,326	61,989	13,889	26,112
Defaulted loans under which MEHIB is making regular payments	6,405	7,357	9,624	12,849
"Forced loans"	956	956	956	956
Reconciliation to total loans and advances	3,595	2,650	2,166	1,113
Total loans and advances (by nominal amount)	408,981	307,870	207,003	147,791

Note:

(1) The totals include defaulted loans under which MEHIB is making regular payments, interbank lending (for year end figures) and some other items.

The following table sets out the total amount of Eximbank's loans with a bullet repayment structure (non-amortising loans):

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	(HUF millions)			
Total loans and advances (by nominal amount)	408,981	307,870	207,003	147,791
Of which non-amortising loans	25,253	18,195	27,649	27,136
Portion of total loans and advances comprised of non-amortising loans	6%	6%	13%	18%

Credit Exposure by Industry Sector

Eximbank's indirect and direct credit risks are concentrated by sector, in particular domestic banking. In accordance with the categorisation system of the Hungarian Central Statistical Office, which is based on the EU's NACE Rev. 2. system, foreign credit risk is not broken down by industry sector.

The following table sets out Eximbank's total loans and advances (by nominal amount), broken down by the industry sector, as categorised according to Hungarian Central Statistical Office standards:

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	(HUF millions)			
Domestic banking[(1)]	291,829	198,619	140,644	87,949
Foreign[(2)]	39,612	38,856	41,254	47,231
Manufacturing	65,615	61,988	21,280	8,982
Construction	1,751	1,953	679	1,140
Trade/vehicle repair	6,791	2,862	2,563	2,489
Other	3,383	3,592	583	0
Total	**408,981**	**307,870**	**207,003**	**147,791**

Notes:

(1) "Domestic banking" represents loans to customers via other commercial banks (i.e., Eximbank's "refinancing facilities to banks" product).

(2) In accordance with the categorisation system of the Hungarian Central Statistical Office, for all foreign entities the industry sector is recorded as "Unclassified," and no further breakdown is available.

In July 2014, the Hungarian Parliament adopted legislation which (i) establishes a statutory presumption that certain standard terms included in contracts for consumer foreign-currency-linked loans and financial leases granted by Hungarian financial institutions to consumers are unfair and (ii) requires Hungarian financial institution lenders that are unable to rebut such presumption before the competent Hungarian court to make appropriate restitutory reimbursements to their relevant consumer borrowers. The relevant legislation applies to contracts entered into with consumers between 1 May 2004 and July 2014 and so is retroactive in its application. On 22 August 2014, the NBH announced that the Hungarian banking sector had suffered total aggregate losses of approximately HUF 355.6 billion in the second quarter of 2014, of which approximately HUF 350 billion was the result of provisions created against losses anticipated in connection with repayments required under such legislation. The Hungarian government and the NBH are expected to enact new legislation later in 2014 setting out the methodology for the calculation of such reimbursement amounts payable by Hungarian banks – consequently, there can be no guarantee that the current provisions will cover the full amount of any such losses that the Hungarian financial sector may incur. Although certain Hungarian banks have indicated they intend to challenge the enactment of such legislation by the Hungarian government before certain international courts and arbitral tribunals, there can be no guarantee that any such challenge will be successful, see "*Risk Factors—Eximbank has substantial credit exposure to the commercial banks in Hungary*".

Loans by Destination Markets

One of Eximbank's objectives is to provide financing which facilitates the diversification of Hungarian export markets. Accordingly, the geographical distribution of exports financed or refinanced by Eximbank differs from the geographic distribution of Hungarian exports as a whole. In the six months ended 30 June 2014, management believes the proportion of medium- and long-term loans provided by Eximbank related to exports destined to member states of the EU was significantly lower than the proportion of total Hungarian exports to the EU. In the same period, management believes Eximbank financed or refinanced a greater proportion of Hungarian exports to non-EU European countries than the proportion of total Hungarian exports to these countries, with Russia, in the estimate of management, being Eximbank's single largest export reference market, with Eximbank's total exposure accounting for approximately one eighth of Eximbank's total loans and advances outstanding as at 30 June 2014. Nevertheless, Eximbank has limited direct uncovered exposure to Russia (approximately HUF 733 million, or 0.15% of Eximbank's total assets as at 30 June 2014).

Largest Borrowers

As at 30 June 2014, Eximbank's two largest borrowers accounted for 23.5% and 14.1% (by nominal amount) of Eximbank's outstanding loans, respectively. As at 30 June 2014, Eximbank's ten largest borrowers accounted for 77.5% of its total loans and advances (by nominal amount), compared to 73.5% as of 31 December 2013, and consisted of domestic banks and purchasers of Hungarian exports.

Under its pre-export refinancing facilities, Eximbank has umbrella credit lines in place with seventeen Hungarian commercial banks (UniCredit Bank Hungary Zrt., Raiffeisen Bank Zrt., Budapest Bank Zrt., MKB Bank Zrt., K&H Bank Zrt., OTP Bank Nyrt., CIB Bank Zrt., Takarekbank Zrt., Commerzbank Zrt., Erste Bank Zrt, Hungária Takarékszövetkezet, Szentlőrinc-Ormánság Tksz, FHB Kereskedelmi Bank Zrt, Fókusz Takarékszövetkezet, Gránit Bank Zrt, KDB Bank Európa Zrt. and Sberbank Magyarország) under which these banks can refinance loans for exporters up to a certain level of turnover without individual approval by Eximbank.

Credit Portfolio Quality

To monitor credit quality, Eximbank divides its credit portfolio into five categories: "problem free", "to be monitored", "below average", "doubtful" and "bad," based on the categorisation rules under HAS. As at 30 June 2014, the proportion of loans in Eximbank's credit portfolio considered "problem free" was 95.3%, an increase compared to 94.2%, 94.0% and 86.9% as at 31 December 2013, 2012 and 2011, respectively. As at 30 June 2014, Eximbank's loans classified as "below average" or below totalled HUF 11,123 million, representing 2.7% of outstanding loans as at such date.

As at the date of this Offering Circular, the refinancing facilities Eximbank provides to banks are substantially all classified as problem-free; loans classified as "below average" or lower primarily relate to direct pre-export financing and the uninsured portion of Eximbank's buyer's credit and standard discounting portfolios.

The following table shows the breakdown of Eximbank's loans and advances (by nominal amount) by credit quality, as assessed by Eximbank's management:

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	(HUF millions)			
Problem free[(1)]	389,571	289,731	194,488	128,443
To be monitored[(2)]	8,287	11,576	7,631	14,050
Below average[(3)]	7,275	1,705	49	1,920
Doubtful[(4)]	1,193	2,324	2,328	236
Bad[(5)]	2,655	2,534	2,507	3,142
Total	**408,981**	**307,870**	**207,003**	**147,791**

Notes:

(1) "Problem free" loans are loans requiring no provision.

(2) "To be monitored" loans are loans requiring provision of from 1%-10% of the exposure.

(3) "Below average" loans are loans requiring provision of from 11%-30% of the exposure.

(4) "Doubtful" loans are loans requiring provision of from 31%-70% of the exposure.

(5) "Bad" loans are loans requiring provision of from 71%-100% of the exposure.

Provisions and Impairments

Eximbank establishes provisions for possible losses with respect to problem loans, based primarily on the value of collateral (if any) and the presence of MEHIB insurance, the length of any non-performing periods, the economic conditions of the destination markets and sectors, and the nature of the lending arrangement. Eximbank does not expect any loss to result on that portion of its loan portfolio covered by MEHIB insurance and therefore does not subject loans to provisioning to the extent they are covered by MEHIB insurance.

As at 30 June 2014, Eximbank had established provisions and impairments of HUF 6,913 million for possible losses, compared to provisions and impairments of HUF 6,238 million as at 31 December

2013. As at 30 June 2014, Eximbank's provisions relating to "forced loans" were HUF 956 million, representing 100% of "forced loans" (which are deemed loans reflecting unpaid guarantee fees owed to Eximbank by customers under bank guarantees). As at 30 June 2014, Eximbank's provisions relating to "below average," "doubtful" or "bad" loans were HUF 5,929 million, representing 53.3% of loans classified as "below average", "doubtful" or "bad" loans at that date. Under Hungarian accounting legislation (including, amongst others, the Banking Act, Act C of 2000 and Government Decree No. 250/2000 (XII.24.), provisions for possible losses are recorded against those loans for which objective evidence of impairment exists as a result of one or more events that has occurred since initial recognition. Eximbank may also record a regulatory reserve for possible losses, to be deducted from retained earnings and used in subsequent years in case of negative earnings for a given year.

Restructured Loans

Certain of Eximbank's direct borrowers have restructured their loans. Restructured loans may include loans in any of the five credit quality categories. As at 30 June 2014, HUF 7,151 million, or 1.8% of Eximbank's HUF 409.0 billion total loans and advances (by nominal amount) consisted of restructured loans. In addition, as at such date, Eximbank held debt securities issued through a restructuring plan whose fair value was HUF 35 million received in exchange for cancellation of restructured loans compared to a fair value of HUF 358 million at 30 September 2012 prior to the finalization of the restructuring.

Net Interest Income

The pricing of Eximbank's interest-compensated loans is mainly based on the CIRR, which is the OECD minimum interest rate for officially-supported financing of exports. These loans accounted for 93.6% of Eximbank's loan portfolio as at 30 June 2014. The pricing of the remaining balance of the loan portfolio is based on LIBOR/EURIBOR/BUBOR. Funding costs for Eximbank generally increase with the expiry of previously borrowed short-term lower-cost funds and the draw of higher-cost new funds with longer maturities. However, this generally does not cause a significant decrease in net interest income because the resulting decrease in net interest margin is largely compensated by the Hungarian state central budget through the interest equalisation and support programmes.

Eximbank had IFRS net interest income of HUF 2,403 million in the six months ended 30 June 2014, compared to HUF 2,085 million in the six months ended 30 June 2013. The increase was driven by significantly higher interest compensation paid by the Hungarian state central budget due to increased loan volumes which was partially offset by higher interest expenses.

Eximbank had IFRS net interest income of HUF 4,331 million in the year ended 31 December 2013, compared to net interest income of HUF 4,251 million in the year ended 31 December 2012 and HUF 4,619 million in the year ended 31 December 2011. The principal factors for the decrease in net interest income from 2011 to 2013 were the higher interest expense over that period due in part to a higher effective interest rate on funding as well as slightly decreased interest income, net of interest compensation, partially offset by a higher amount of interest compensation.

Net Income from Fees and Commissions

The non-interest income of Eximbank (which includes guarantee fees) is usually not a significant amount compared to net interest income due in part to the fact that Eximbank's fee-earning product range is limited (for example, there is no fee income connected to current account and deposit-related services, as Eximbank does not offer these services), Eximbank does not collect significant fee income on its guarantee products and Eximbank's guarantee portfolio is significantly smaller than its loan portfolio.

Eximbank had IFRS net income from fees and commissions of HUF 126 million in the six months ended 30 June 2014, compared to a net loss of HUF 224 million in the six months ended 30 June 2013, principally due to a MEHIB insurance fee of HUF 347 million related to tied-aid credits which was classified as a fee expense in the six months ended 30 June 2013.

IFRS Net income from fees and commissions was HUF 193 million in the year ended 31 December 2013, in line with HUF 206 million in the year ended 31 December 2012 and compared to HUF 186 million in the year ended 31 December 2011.

Profit/(loss) for the Period

In line with Eximbank's mandate to act as an instrument of economic policy in support of the Hungarian exporting sector, profit levels at Eximbank have remained low over the period, as the primary aim of its operations is not to achieve the highest possible profit, but to make sustainable, efficient and effective use of Hungarian state central budgetary resources in support of its mandate.

Eximbank had an IFRS loss of HUF 968 million in the six months ended 30 June 2014, compared to a loss of HUF 500 million in the six months ended 30 June 2013.

Eximbank had an IFRS loss of HUF 759 million in the year ended 31 December 2013 compared to a profit of HUF 799 million in the year ended 31 December 2012 and HUF 534 million in the year ended 31 December 2011.

Funding

Funding Profile

On 23 May 2012, Eximbank became wholly owned directly by the Hungarian state, and this change in ownership brought with it a new funding approach. Since the change in ownership, Eximbank has sought to meet its medium- and long-term funding requirements primarily through the international money and capital markets, including through the issuance of Notes under the Programme.

As at 30 June 2014, the outstanding amount of Eximbank's borrowings and deposits from other banks and insurance companies was HUF 200.9 billion, which consisted of HUF 40.3 billion in Hungarian Forint and HUF 160.6 billion equivalent in foreign currencies. In addition to the outstanding borrowings, in December 2012, Eximbank issued USD 500 million 5.5% Notes due February 2018 under the Programme and in October 2013, Eximbank issued EUR 400 million 2.125% Notes due February 2019 to an Irish SPV under the Programme with a Non-Honoring of a Sovereign Financial Obligation guarantee from the Multilateral Investment Guarantee Agency covering 95% of the principal and interest payment obligations of the SPV. Since 30 June 2014, Eximbank concluded a EUR 50 million revolving loan facility agreement with an international commercial bank.

In order to manage day-to-day liquidity, Eximbank is active in the short-term interbank market for loans and deposits and foreign exchange swaps. As at 30 June 2014, Eximbank was a net borrower in the interbank market in the amount of HUF 14.6 billion (excluding HUF 9.9 billion in MEHIB deposits), while at 30 June 2013, Eximbank was a net lender in the interbank market in the amount of HUF 3.5 billion (excluding HUF 9.9 billion in MEHIB deposits). As at 30 June 2014, 6.13% of Eximbank's funding consisted of short-term fixed-rate interbank borrowings and MEHIB deposits.

As at 30 June 2014, 32.5% of Eximbank's funding consisted of variable-rate loans, compared to 51.8% as at 30 June 2013. The remaining 67.5% of Eximbank's funding as at 30 June 2014 and 48.2% as at 30 June 2013 was fixed rate funding consisting of short-term money market deposits, MEHIB deposits and fixed rate Notes issued under the Programme.

All of Eximbank's securities issued and borrowings are unsecured but guaranteed by the Hungarian state pursuant to the Funding Guarantee (see "*Description of Eximbank—Overview—Relationship with the Government*"). As at 30 June 2014, Eximbank's total IFRS loans and deposits from other banks and insurance companies of HUF 200,890 million amounted to 16.7% of the HUF 1,200 billion limit of the Funding Guarantee under the 2014 Budget Act.

As at 30 June 2014, Eximbank had a total amount of HUF 748.2 billion (EUR 2.4 billion) 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 Programme), representing 62.4% of the HUF 1,200 billion upper limit. In line with the calculation method for statutory guarantees, the total amount drawn, or available to be drawn but undrawn, under the Funding Guarantee includes the maximum amount of Notes that can be issued under the Programme (EUR 2 billion), thus any further issuance of Notes under the Programme will not increase the level of Eximbank's utilisation of the Funding Guarantee.

Foreign Currency Borrowings

The substantial majority of Eximbank's funding is denominated in foreign currencies, primarily Euro and U.S. dollars. As at 30 June 2014, the outstanding amount of Eximbank's IFRS long-term and short-term foreign currency borrowings was HUF 160,627 million and Eximbank had outstanding foreign currency denominated debt securities of HUF 237,641 million, compared to HUF 115,628 million and HUF 231,154 million, respectively, as at 31 December 2013 and HUF 108,505 million and HUF 110,465 million, respectively, as at 31 December 2012. Eximbank frequently enters into related currency swap transactions intended to hedge its foreign exchange risk. Some of these swap transactions contain early termination provisions that terminate the relevant swap transaction without paying any termination amounts that would otherwise be payable either to Eximbank or to its swap counterparty upon the occurrence of standard ISDA credit events with respect of Eximbank or Hungary.

Repayment Schedule

The following table sets out the principal repayment schedule of Eximbank's total IFRS borrowings (including MEHIB deposits but excluding interbank loans) as at 30 June 2014:

	Maturing on or before 31 December				
	2014	**2015**	**2016**	**Thereafter**	**Total**
Currency			**(HUF millions)**		
HUF	23,485	5,000	—	—	28,485
Foreign	37,000	9,765	6,908	338,547	392,220
Total HUF equivalent	**60,485**	**14,765**	**6,908**	**338,547**	**420,705**

Related Party Funding Facilities

The following table sets out Eximbank's funding facilities from the MFB as at 30 June 2014:

Amount	Date of Origination	Interest Rate	Amount of Principal Outstanding (millions)	Amount of Principal Outstanding (HUF millions equivalent)	Maturity Date
EUR 100,000,000	09/12/2007	0.472%	EUR 100	31,019	09/12/2017

Other than as set out above, Eximbank had deposits from MEHIB in the amount of HUF 9,881 million (excluding accrued interest) (all of which mature within three months), but no other funding facilities (on or off balance sheet) from related parties, including the Hungarian state, as at 30 June 2014.

Market Funding

Eximbank has borrowed from foreign and Hungarian banks, as well as issued Notes in the capital markets. The following table sets out the medium-term borrowings of Eximbank from parties unrelated to the Hungarian state as at 30 June 2014:

Lender	Amount of Principal Outstanding	Amount of Principal Outstanding (HUF millions equivalent)[(1)]	Date of Origination	Interest Rate	Maturity Date
Bilateral Loan Agreements:					
Domestic Bank	EUR 1,760,680.00	546	04/07/2009	2.33464%	06/26/2015
Domestic Bank	EUR 11,480,365.84	3,561	06/19/2009	2.555%	06/29/2017
Domestic Bank	EUR 37,030,396.80	11,486	12/10/2010	2.563%	11/26/2020
Domestic Bank	HUF 5,000,000,000.00	5,000	08/31/2012	4.730%	08/31/2015
Domestic Bank	HUF 15,000,000,000.00	15,000	09/27/2012	4.420%	09/29/2014
Domestic Bank	EUR 6,479,834.50	2,010	09/28/2012	3.927%	09/28/2015
Domestic Bank	EUR 7,500,000.00	2,326	12/14/2012	2.689%	12/14/2015
Domestic Bank	EUR 20,000,000.00	6,204	04/03/2013	3.929%	05/17/2016
Foreign Bank	EUR 100,000,000.00	31,019	07/17/2013	3.86843%	07/17/2018
Domestic Bank	EUR 50,000,000.00	15,510	08/28/2013	1.814%	11/27/2014
Domestic Bank	EUR 7,500,000.00	2,326	09/02/2013	2.787%	09/01/2016
Domestic Bank	EUR 1,330,176.90	413	10/08/2013	3.553%	11/20/2020
Domestic Bank	EUR 754,321.44	234	10/08/2013	3.506%	11/20/2020
Foreign Bank	EUR 100,000,000.00	31,019	12/12/2013	1.867%	05/21/2021
Domestic Bank	EUR 50,000,000.00	15,510	05/20/2014	1.603%	12/31/2014
Notes Issued under GMTN Programme					
Capital Markets	USD 500,000,000.00	113,565	12/12/2012	5.250%	02/12/2018
Capital Markets	EUR 400,000,000.00	124,076	10/01/2013	2.125%	02/13/2019

(1) Calculated using exchange rates as at 30 June 2014.

Liquidity Portfolio

As at 30 June 2014, Eximbank's total investment in securities amounted to HUF 48,319 million, representing 10.28% of its total assets, and consisted primarily of Hungarian government bonds held for the purposes of liquidity management and maintaining a liquidity reserve.

None of Eximbank's securities portfolio is held for proprietary or client trading.

As at 30 June 2014, Eximbank also held fair value HUF 35 million of securities denominated in USD issued in 2010 and 2012 by a Kazakh bank pursuant to the restructuring of a loan from Eximbank which was not insured by MEHIB. Of the total nominal value of HUF 139 million of these securities, HUF 104 million was classified as impaired, resulting in a fair value of HUF 35 million. After 30 June 2014, Eximbank sold a total nominal value of HUF 70 million (all of which was classified as impaired) of these securities for consideration of HUF 7.5 million.

Risk Management

Risk Assessment Policies

The Risk Management department formulates and proposes Eximbank's risk assessment criteria for the relevant decision-making body (which is in most cases the Board of Directors) gathers data from Eximbank's various operating groups and produces various internal and external reports.

Credit Risk Classification Rules

Customers (including corporate and bank customers) are classified by the Risk Management department. Classifications are reviewed at least every year. The basis of classification is a rating system, including quantitative assessment and qualitative assessment. A 60% and 40% weight is given to quantitative and qualitative factors, respectively.

For corporate customers, quantitative factors are assessed by a probability of default model, while qualitative factors include ownership, management and organisation, financial soundness, market position, accounting and information systems, status and risks of the relevant industry sector, level of production and marketing developments. For banks, quantitative factors include asset quality, equity, liquidity and earnings while qualitative factors include asset quality, organisation, management, general views, market position and customer risk, ownership structure and peer group analysis. Due to its economic policy role, Eximbank's risk-taking limits may exceed those of commercial banks.

Country risk limits are approved by the Credit Committee and reviewed at least semi-annually.

Credit Approval

Credit approval is centralised at Eximbank. Once the assessment of a customer is completed by the loan officer, including relevant inputs from other departments (for example, Risk Management for credit risk and the Legal Operations department), the loan officer makes a written recommendation. The credit is then submitted to the relevant decision-making body, as set out in the table below:

Amount of Exposure	Approval by
Up to HUF 5 billion	Credit Committee
From HUF 5 billion to HUF 20 billion	Board of Directors
Over HUF 20 billion	Minister of Foreign Affairs and Trade

If the application is approved, the loan officer then prepares all relevant legal documentation in collaboration with the Legal Operations and Back-Office departments. Conditions precedent are checked by the independent Credit Control Department before the loan contract is finalised.

The same procedures are observed with respect to credit exposures related to the extension of guarantees.

Credit exposures are monitored at least quarterly.

Collateralisation Policy

Eximbank's collateral requirements are differentiated by type of customer.

Bank customers

Based on the low risk level of Hungarian financial institutions, as determined by Eximbank, and generally accepted banking practices with respect to providing credit to financial institutions, Eximbank does not require any collateral for the purposes of refinancing loans to Hungarian commercial banks.

Corporate customers

Eximbank generally requires collateral or other credit support (including MEHIB insurance) when lending directly to exporters or foreign buyers, as is customary in commercial banking practices. The minimum collateral requirement for a borrower is typically based on a six-tier corporate rating system, resulting in collateral levels of 50%, 55%, 60%, 65%, 70% or 100% of Eximbank's exposure. However, the relevant decision-making body may approve lower collateral requirements in certain cases at its discretion.

Depending on the type of borrower and loan, the collateral may be equipment purchased with the loan proceeds, industrial plants, real estate or marketable securities as well as transferred rights in receivables due. The value of the collateral is appraised at least once a year and, where applicable, must typically be insured. Other forms of credit support include MEHIB insurance, bank guarantees and corporate guarantees.

As at 30 June 2014, HUF 27,268 million, or 25.3%, of Eximbank's total direct lending of HUF 107,924 million was insured by MEHIB, and a further HUF 51,624 million, or 47.8%, was covered by collateral (not including MEHIB insurance), totalling 73.1% of Eximbank's total direct lending.

Currency Risk

Currency risk refers to the current or future risk to Eximbank's earnings and capital base as a result of adverse movements in foreign currency exchange rates. A portion of Eximbank's borrowings are denominated in foreign currencies, primarily the Euro and U.S. dollar, which involves risk related to exchange rate fluctuations between these currencies and the Hungarian Forint, which is Eximbank's functional and operational currency. Eximbank seeks to manage these risks by keeping the currency breakdown of its liabilities close to the currency breakdown of its assets, by hedging the remaining foreign currency exposure related to its borrowings through the use of currency swaps and by limiting its overall net open foreign currency position to HUF 1,100 million, of which EUR and USD open positions may not exceed HUF 400 million each. Eximbank's risk department is responsible for checking compliance with this limit.

Eximbank does not speculate in foreign currencies or engage in client trading in foreign exchange.

Interest Rate Risk

Interest rate risk refers to the current or future risk to Eximbank's earnings and capital base as a result of adverse movements in interest rates. Interest rate risk arises to the extent that Eximbank's assets and liabilities have different re-pricing dates. With respect to a significant portion of Eximbank's loan portfolio, interest rate risk is limited through the Hungarian state's interest equalisation and support programmes, which allocates quarterly payments (effectively based on floating rates) to compensate Eximbank for the difference between its funding costs and interest income (see "*Description of Eximbank—Overview—Relationship with the Government*"). As at 30 June 2014, Eximbank received compensation from the Hungarian state in respect of 96.1% of its total loans and advances (by nominal amount), compared with 95.3%, 90.8% and 86.3% as at 31 December 2013, 2012 and 2011, respectively. With respect to the portion of Eximbank's loan portfolio that is not covered by the interest equalisation or support programmes, the loans bear variable interest rates priced by reference to LIBOR/EURIBOR/BUBOR. For these reasons, and because Eximbank's liabilities and assets have relatively short average times to re-pricing, management believes interest rate risk has been adequately managed.

Liquidity Risk

Liquidity risk refers to uncertainties in relation to Eximbank's ability to access funding necessary to cover short-term obligations to borrowers, satisfy maturing liabilities and maintain capital and other regulatory requirements. Eximbank seeks to manage liquidity risk through effective cash flow management, matching maturity of assets and liabilities, and diversification of its funding sources. In terms of funding sources, multiple financial institutions have established short-term interbank limits with Eximbank, and Eximbank may issue Hungarian-state guaranteed bonds in the domestic Hungarian and international capital markets up to the limit of the Funding Guarantee.

The Assets and Liabilities Committee ("**ALCO**") of Eximbank supervises strategic aspects of Eximbank's liquidity and assets and liabilities management. Eximbank is also subject to an internal target liquidity ratio such that 5% of total assets plus 50% of contingent liabilities (based on monthly averages) must be covered by liquidity reserves. Liquidity reserves are defined as the sum of securities accepted by the NBH as collateral for covered loans, the net positive balance of one day interbank activity (lending and taking), Eximbank's account balances with other banks and any undrawn instalments of existing facilities.

In the case of a liquidity contingency situation, as declared based on communication procedures between Treasury, ALCO, the Risk Department, and the Ministry for National Economy, the securities held in Eximbank's liquidity reserve may be used to enter into covered loan or repo transactions on the markets, used to draw loans under already-contracted credit lines through NBH facilities, or sold. If necessary, the Ministry for National Economy is immediately asked for liquidity support.

Capital Adequacy

The following table sets forth Eximbank's capital base and solvency ratios, as at 30 June 2014 and 31 December 2013, 2012 and 2011:

	As at 30 June	As at 31 December		
	2014	2013	2012	2011
	(HUF millions, except percentages)			
Core capital[1]	36,085	18,089	18,033	16,803
Supplementary capital[2]	19,875	29,691	29,129	16,803
Solvency Margin[3]	55,960	47,780	47,162	33,606
Total risk-weighted exposure to credit risk[4]	541,661	324,556	201,707	145,098
Solvency Ratio[5]	10.33%	14.29%	22.4%	19.4%

Notes:

(1) Shareholder's equity, as adjusted (e.g. to subtract retained earnings).

(2) Supplementary capital is calculated in accordance with the Eximbank Act as presently enacted. In accordance with the Eximbank Act, supplementary capital has been capped at the level of Eximbank's core capital since 1 January 2011. Supplementary capital presently consists of a portion of the long-term loan from the MFB which matures on 12 September 2017, as capped in accordance with the Eximbank Act. According to EU Regulation No. 575/2013, supplementary capital instruments must be amortized in the last 5 years of their maturity.

(3) The sum of core capital and supplementary capital

(4) As at 31 December 2013, 2012 and 2011, total risk-weighted exposure to credit risk was calculated in accordance with Act CXII of 1996 on Credit Institutions and Financial Enterprises, Government Decree 196/2007, and the standard approach to risk-weighting Eximbank's assets under Basel II subject to certain exemptions disapplying various provisions of Basel II to Eximbank given its business. As at 30 June 2014, total risk-weighted exposure to credit risk was calculated in accordance with EU Regulation No. 575/2013.

(5) Ratio of Solvency Margin to Total risk-weighted exposure to credit risk.

During the global financial crisis, Eximbank maintained the stability of its operations. Its shareholders' equity increased by 101% in the six months ended 30 June 2014, to HUF 35.8 billion, compared to 31 December 2013, and decreased by 4.0% in 2013, to HUF 17.8 billion, compared to 31 December 2012. Fluctuations in shareholders' equity are due to capital contributions from the Hungarian state (the most recent of which was provided in the first six months of 2014), variations in Eximbank's earnings, operating results, (which are denominated in HUF) and fluctuations in the EUR exchange rate as supplementary capital is denominated in EUR. As at 31 March 2014, the Hungarian state recapitalised Eximbank by HUF 18.0 billion to cover its increased lending activity, and management expects further capital contributions in the future, if needed.

In the six months ended 30 June 2014, Eximbank's solvency ratio fell by 28%, primarily due to Eximbank's increased lending activity and the amortisation of the supplementary capital instrument. In 2013, its solvency ratio fell from 22.4% as at 31 December 2012 to 14.29% as at 31 December 2013. The decrease was primarily due to increased lending activity. In 2012, its solvency ratio rose from 19.4% as at 31 December 2011 to 22.4% as at 31 December 2012. The increase in Eximbank's solvency ratio in 2012 was driven by the effects of new regulations on the calculation of the supplementary capital that was partly offset by Eximbank's increased lending activity driven by an increase in refinancing products. In the six months ended 30 June 2014, Eximbank's reserves remained stable at HUF 7.7 million when compared to 31 December 2013.

Beginning on January 1, 2014, the NBH implemented the Basel III capital adequacy framework in Hungary. Building upon the initial Basel Capital Accord of 1988, which focused primarily on credit risk, market risk, capital adequacy and asset soundness as a measure of risk, Basel III expands this approach to contemplate additional areas of risk such as operations risk and allows certain financial institutions to use internal models to measure credit risk.

Eximbank is subject to Basel III as implemented into Hungarian national law, subject to certain exemptions from provisions of Basel III which do not apply given Eximbank's business (specifically the liquidity adequacy and leverage ratio regulations). Eximbank is required by the Banking Act to maintain a risk adjusted capital adequacy ratio of 8%, calculated in line with EU regulation No. 575/2013. The regulation of the capital adequacy requirement is administered by the NBH (see "*Description of Eximbank—Overview—Regulatory and Legislative Supervision*"). Eximbank's capital adequacy ratio has always exceeded the statutory minimum. However, to the extent that Eximbank fails to maintain this ratio, the Hungarian regulatory authorities may require corrective measures ranging from management improvement recommendations to emergency measures such as disposal of assets.

Property

Eximbank's office, which it leases, is located at H-1065 Budapest, Nagymezo utca 46-48, Hungary. Eximbank currently maintains no other branch offices and has no subsidiaries. However, Eximbank is in the process of opening nine representative offices in Hungary.

Directors, Management and Employees

Eximbank's governance and management is the responsibility of its Chief Executive Officer, Board of Directors and Supervisory Board.

Eximbank's Customer Acquisition, Trade Finance, Bank Relations and Refinancing, Product Development, Marketing and PR departments are managed by the Deputy CEO for Business Affairs. The Risk Management, Accounting and Controlling, and Treasury departments are managed by the Deputy CEO for Finance and Risk Management. The Administration (Back Office), Operations, Operation Development, Security Officer and IT departments are managed by the Deputy CEO for Operations. All three deputy CEOs report directly to the Chief Executive Officer. Additionally the Legal, HR, Strategic Communication, International Relations and Internal Audit departments report directly to the Chief Executive Officer.

Those risk-related decisions that are not the prerogative of the Board of Directors or the Ministry of Foreign Affairs and Trade come under the authority of the Credit Committee, made up of the Chief Executive Officer and the Deputy CEO for Business Affairs, the Deputy CEO for Finance and Risk Management, the Deputy CEO for Operations, the executive officer supervising the Risk Management Department and the Executive Officer for Trade Finance.

The ALCO, consisting of the Chief Executive Officer, the Deputy CEO supervising the Treasury, the Deputy CEO for Business Affairs, the Executive Officer for Controlling and the Executive Officer for Treasury, has exclusive authority to pass decisions regarding the management of Eximbank's assets and liabilities.

Eximbank has an internal auditor but not a separate audit committee; instead, the Supervisory Board is responsible for ensuring that Eximbank has a functioning system of internal controls.

As at the date of this Offering Circular, the members of Eximbank's executive management were:

Position	Name	Age	Expiration of Term
Chief Executive Officer	Roland Nátrán	34	2017
Deputy CEO – Operations	Levente Fejérvári	43	indefinite term
Deputy CEO – Business Operations	András Puskás	38	indefinite term
Deputy CEO – Finance and Risk Management	István Herczegh	36	2017
Chief Legal Counsel, Director – Legal Department	Dr. Eszter Boros	38	indefinite term
Director – Treasury	Ákos Dölle	43	indefinite term
Director – Trade Finance	Zsolt Demkó-Szekeres	34	indefinite term
Director – Customer Acquisition	Gábor Szőcs	41	indefinite term
Director – Bank Relations and Refinancing	Dr. László Szabó	51	Indefinite term
Director – Product Development	Dávid Gulyás	35	indefinite term
Director – Human Resources and Organisation Development	Laura Turi	33	indefinite term
Director – Risk Management	Judit Jónás	56	Indefinite term
Director – Accounting and Controlling	István Szegedy	52	indefinite term
Director – Strategic Communication, Marketing and PR	Edit Szalai	35	2015
Director – International Relations	László Lengyel	44	indefinite term

As at the date of this Offering Circular, the members of Eximbank's Board of Directors were:

Name	Position	Age	Expiration of Term
Róbert Ésik	Chairman of the Board	37	2019
Roland Nátrán	Chief Executive Officer/Member of the Board	34	2017
András Puskás	Deputy CEO/Member of the Board	38	2019
Dr. Marcell Bíró	Member of the Board	36	2019
István Molnár	Member of the Board	37	2018
Dr. György Kerekes	Member of the Board	35	2019
Antal Nikoletti	Member of the Board	50	2019

As at the date of this Offering Circular, the members of Eximbank's Supervisory Board were:

Name	Position	Age	Expiration of Term
Dr. Richárd Adorján	Chairman of the Supervisory Board	40	2015
János Eppel	Member of the Supervisory Board	59	2019
Jenő Félegyházy-Megyesy	Member of the Supervisory Board	69	
Balázs Kohut	Member of the Supervisory Board	38	2019
Erzsébet Lávich	Member of the Supervisory Board	36	2019
Dr. László Parragh	Member of the Supervisory Board	52	2019

As at 30 June 2014, Eximbank employed 148 persons, compared with 138, 111 and 106 as at 31 December 2013, 2012 and 2011, respectively.

Litigation and Proceedings

The Hungarian Competition Authority is currently investigating whether the members of the Hungarian Banking Association (the "**HBA**") (which includes almost all banks operating in Hungary, including Eximbank) restricted competition in violation of applicable law through the operation of a banking data information system containing information on, and accessible by, members of the HBA. The procedure is currently pending. Accordingly, it is difficult to assess the likelihood of an adverse decision or the amount (if any) of any fine that may be assessed. However, according to Section 78 of Act LVII of 1996 on the Prohibition of Unfair Trading Practices and Unfair Competition, the maximum amount of a fine which may be imposed by the Hungarian Competition Authority against any bank member of the HBA (including Eximbank) with respect to this procedure is 10% of the net turnover of such bank for the financial year prior to the year in which the ruling is rendered.

DESCRIPTION OF HUNGARY

Document Incorporated by Reference

The following item, in its entirety:

- Exhibit 99.D "*Description of Hungary*" included in the form 18-K annual report filing made by Hungary with the U.S. Securities and Exchange Commission dated 12 September 2014 (which can be found at http://www.sec.gov/Archives/edgar/data/889414/000157104914004578/ex99-d.htm);

shall be incorporated in, and form part of, this Offering Circular.

FORM OF THE NOTES

Each Series of Notes will be either in bearer form, with or without interest coupons attached ("**Bearer Notes**"), or in registered form, without interest coupons attached ("**Registered Notes**").

Notes in bearer form will be issued only outside the United States to persons who are not U.S. persons in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**") and Notes in registered form will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A under the U.S. Securities Act.

Except in the circumstances described in the relevant global Note (each a "**Global Note**"), investors will not be entitled to receive definitive Notes. Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking société anonyme ("**Clearstream, Luxembourg**") or The Depository Trust Company ("**DTC**") will maintain records of the co-ownership participations or the beneficial ownership interests, as the case may be, in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their co-ownership participations or their beneficial ownership interests, as the case may be, only through Euroclear and Clearstream, Luxembourg or DTC.

Bearer Notes

Bearer Notes may be issued either in classic Global Note form ("**CGN**") or new Global Note form ("**NGN**") through Euroclear or Clearstream, Luxembourg (Euroclear and Clearstream, Luxembourg together the "**International Central Securities Depositories**" or "**ICSDs**"). Under the terms of the NGN, the issue outstanding amount is determined based on the ICSDs' records. Bearer Notes in CGN form are physically annotated to reflect the issue outstanding amount under the terms of each CGN.

Global Notes issued in CGN form will be deposited with a common depositary for Euroclear and Clearstream Luxembourg, DTC and/or any other agreed clearing system.

Global Notes issued in NGN form will be deposited and safekept by a common safekeeper (the "**Common Safekeeper**") and serviced by a common service provider (the "**Common Service Provider**") for Euroclear and Clearstream, Luxembourg.

Global Notes in NGN form that the Issuer wishes to make potentially eligible as collateral for Eurosystem monetary policy or intra-day credit operations will be deposited and safekept throughout their lives by Euroclear or Clearstream, Luxembourg as Common Safekeeper.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes (i) in CGN form by making payments to the common depositary for Euroclear and Clearstream, Luxembourg or to DTC, and (ii) in NGN form by making payments to the Common Service Provider for Euroclear and Clearstream, Luxembourg for distribution to their account holders.

Each Tranche of Bearer Notes will initially be represented by a temporary bearer Global Note (a "**Temporary Bearer Global Note**"), without interest coupons or talons, which, in the circumstances described below, or, if so specified in the applicable Pricing Supplement, a permanent bearer Global Note (a "**Permanent Bearer Global Note**" and, together with the Temporary Bearer Global Note, the "**Bearer Global Notes**"). The Bearer Global Notes will, in either case, (i) if they are intended to be issued in NGN form, as stated in the applicable Pricing Supplement, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper; and (ii) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Upon delivery of a Temporary Bearer Global Note, Euroclear and/or Clearstream, Luxembourg and/or such other agreed clearing system will credit purchasers with nominal amounts of Notes of the relevant Tranche equal to the nominal amounts thereof for which they have paid.

Whilst any Note is represented by a Temporary Bearer Global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the "**Exchange Date**") which is the later of (i) 40 days after the Temporary Bearer Global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue), interests in the Temporary Bearer Global Note will be exchangeable (free of charge) either for interests in a Permanent Bearer Global Note of the same Series without interest coupons or talons or, where specified in the applicable Pricing Supplement (subject to such notice period as is specified in the Pricing Supplement), for Bearer Notes in definitive form ("**Definitive Bearer Notes**") in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) and any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearing system (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

Unless otherwise provided in the applicable Pricing Supplement, a Permanent Bearer Global Note will be exchangeable (free of charge), in whole or (subject to the Notes which continue to be represented by the Permanent Bearer Global Note being regarded by Euroclear and Clearstream, Luxembourg as fungible with the Definitive Bearer Notes issued in partial exchange for such Permanent Bearer Global Note) in part, for security printed Definitive Bearer Notes (at the expense of the Issuer, unless otherwise specified in the applicable Pricing Supplement) with, where applicable, interest coupons and talons attached only (unless otherwise specified in the applicable Pricing Supplement) upon the occurrence of an Exchange Event as described therein. "**Exchange Event**" means (i) an Event of Default has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with the Conditions (as defined below) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Fiscal Agent.

Temporary Bearer Global Notes, Permanent Bearer Global Notes and Definitive Bearer Notes will be issued pursuant to the Agency Agreement. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form.

The following legend will appear on all Permanent Bearer Global Notes and Definitive Bearer Notes which have an original maturity of more than one year and on all interest coupons and talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to above generally provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Bearer Notes which are represented by a Temporary Bearer Global Note and/or a Permanent Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Bearer Global Note and the Bearer Global

Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Bearer Global Note then, unless within a period of 15 days commencing on the relevant due date payment in full of the amount due in respect of the relevant Global Note is received by the bearer in accordance with the terms of such Bearer Global Note, such Bearer Global Note will become void at 8.00pm (London time) on such fifteenth day. At the same time, holders of interests in such Bearer Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg (as the case may be) will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg, on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 4 December 2012, executed by the Issuer.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Global Note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act ("**QIBs**"). The Registered Notes of each Tranche sold to QIBs will initially be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) be deposited with, and registered in the name of a nominee of a Common Depositary or Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Registered Global Notes that are held in Euroclear and/or Clearstream Luxembourg may be held under the New Safekeeping Structure (the "**NSS**"). Registered Global Notes that are held in Euroclear and Clearstream, Luxembourg, will be registered in the name of a nominee for such system or, as the case may be, for the Common Safekeeper, and the applicable Registered Global Note will be delivered to (1) a Common Depositary in the case of Registered Global Notes not held under the NSS or (2) a Common Safekeeper for Euroclear and/or Clearstream, Luxembourg in the case of Registered Global Notes held under the NSS.

Depositing Notes with a Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life.

In the case of a Regulation S Global Note registered in the name of a nominee of DTC, prior to the end of the distribution compliance period (as defined in Regulation S) applicable to the Notes represented by such Regulation S Global Note, interests in such Regulation S Global Note may only be held through accounts with Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form. The Rule 144A Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the register of Notes maintained by the Registrar (the "**Register**") on the relevant Record Date (as defined below) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying and Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Registered Notes in definitive form without interest coupons or talons attached ("**Definitive Registered Notes**") only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system satisfactory to the Issuer is available or DTC has ceased to constitute a clearing agency registered under the U.S. Exchange Act of 1934, as amended, (the "**Exchange Act**") or (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the Issuer is available. The Issuer will promptly give notice to Noteholders in accordance with the Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Note) or the Issuer may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar. Regulation S Global Notes, Rule 144A Global Notes and Registered Notes in definitive form will be issued pursuant to the Agency Agreement.

Transfer of Interests

Interests in a Rule 144A Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in a Regulation S Global Note representing the same series and Tranche of Notes, and *vice versa*. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the Conditions and the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and in the Agency Agreement and will bear a legend regarding such restrictions (see "*Subscription and Sale*" and "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*" below).

General

Pursuant to the Agency Agreement, the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall, to the extent issued after the Issue Date of the original Tranche, be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg and, where applicable, a CUSIP number, that are different from the common code, ISIN, CUSIP assigned to Notes of any other Tranche of the same Series until at least the Exchange Date applicable to the Notes of such first mentioned Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Dealer and the Fiscal Agent as specified in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**") of Notes to be issued by the Issuer which will be incorporated by reference into each Global Note and which will be incorporated into (or, if permitted by the relevant stock exchange or other relevant authority and agreed between the Issuer and the relevant Dealer, incorporated by reference into) each Definitive Note. Part A of the Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. The Pricing Supplement will be incorporated into, or attached to, each Global Note and Definitive Note.*

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions of the Notes herein, in which case supplementary listing particulars, if appropriate, will be made available which will describe the effect of such agreement reached in relation to such Notes.

This Note is one of a series of Notes issued by Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság (in English: Hungarian Export-Import Bank Private Limited Company) (the "**Issuer**") pursuant to the Agency Agreement (as defined below). References herein to the "**Notes**" shall be references to the Notes of this Series (as defined below) and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest denomination specified in the relevant Pricing Supplement ("**Specified Denomination**") in the currency specified in the relevant Pricing Supplement ("**Specified Currency**");

(ii) Notes in definitive form ("**Definitive Notes**") issued in exchange (or part exchange) for a Global Note; and

(iii) any Global Note.

The Notes and the Coupons (as defined below) have the benefit of a fiscal and paying agency agreement dated 4 December 2012 (such fiscal and paying agency agreement as from time to time modified, supplemented and/or restated, the "**Agency Agreement**") and made among the Issuer, Citibank, N.A., London Branch as fiscal agent, issuing, paying and transfer agent, and exchange agent (in each such capacity, the "**Fiscal Agent**", the "**Paying and Transfer Agent**" and the "**Exchange Agent**", each of which expressions shall include any successor fiscal agent, issuing, paying and transfer agent or exchange agent specified in the Pricing Supplement, respectively), Citigroup Global Markets Deutschland AG (the "**Registrar**", which expression shall include any successor registrar specified in the Pricing Supplement) and the other paying and transfer agents named therein (together with the Fiscal Agent, the "**Paying and Transfer Agents**", which expression shall include any additional or successor paying and transfer agents). Determinations with regard to Notes shall be made by the Calculation Agent (as defined in Condition 4.4 below) specified in the Pricing Supplement in the manner specified in the Pricing Supplement.

Interest-bearing Definitive Notes (unless otherwise indicated in the Pricing Supplement) have interest coupons ("**Coupons**") and, if indicated in the Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Any reference herein to "**Noteholders**" or "**holder**" shall mean (in the case of Bearer Notes (as defined below)) the holders of the Notes and (in the case of Registered Notes (as defined below)) the persons in whose names the Notes are registered, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue. These Conditions shall be construed accordingly.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement which are attached to or endorsed on this Note. Part A of the Pricing Supplement (or such relevant provisions thereof) must be read in conjunction with these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "Pricing Supplement" are to Part A of the Pricing Supplement (or the relevant provisions thereof) which are attached to or endorsed on this Note.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or

Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates (except in respect of Zero Coupon Notes) and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of the deed of covenant (the "**Deed of Covenant**") dated 4 December 2012, executed by the Issuer. The original of the Deed of Covenant is held by a common depositary on behalf of Euroclear and Clearstream, Luxembourg (each as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of each of the Fiscal Agent, the Registrar and the other Paying and Transfer Agents (such agents, together with the Exchange Agent, the "**Agents**"). Copies of the Pricing Supplement are available for inspection at and copies may be obtained from the specified offices of the Fiscal Agent, the Registrar and the other Paying and Transfer Agents save that where the Notes are not admitted to trading on a regulated market in the European Economic Area, the Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Fiscal Agent, Registrar and/or the Paying and Transfer Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant, the Agency Agreement and the Pricing Supplement which are binding on them.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In the Conditions, "**Euro**" means the lawful currency of the Member States of the European Union that have adopted the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. Form, Denomination And Title

1.1 The Notes are issued in bearer form ("**Bearer Notes**") or registered form ("**Registered Notes**"), as specified in the Pricing Supplement and, in the case of Definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Bearer Notes may not be exchanged for any other form of Notes and vice versa. Registered Notes may not be exchanged for any other form of Notes and vice versa.

1.2 This Note may be a Fixed Rate Note, or a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the Pricing Supplement.

1.3 Bearer Notes may be issued in CGN or NGN form. If the Pricing Supplement indicates that the Global Note is not issued in NGN form, the nominal amount of Notes represented by the Global Note shall be determined by means of the annotations to the Global Note. If the Pricing Supplement indicates that the Global Note is issued in NGN form the nominal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**" and together with Euroclear, an "**ICSD**"). The records of Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and, for these purposes, a statement issued by Euroclear and/or Clearstream, Luxembourg stating the nominal amount of Notes represented by the Global Note at any time shall be conclusive evidence of the records of the relevant clearing system at that time. Payments due in respect of Notes for the time being represented by the Global Note shall be made to the bearer of the Global Note and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries referred to above shall not affect such discharge. The Global Note shall not be valid unless authenticated by the Fiscal Agent or the Registrar, as the case may be. If the Pricing Supplement indicates that the Global Note is intended to be held in a manner which would allow Eurosystem eligibility, the common safekeeper must be one of the ICSDs.

1.4 Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Fiscal Agent, the Registrar and any other Paying and Transfer Agent may deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

1.5 For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or for so long as The Depository Trust Company ("**DTC**") or its nominee is the registered holder of a Registered Global Note, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or, as the case may be, DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by such clearing system as to the nominal amount of such Notes standing to the account of any person shall, save in the case of manifest error, be conclusive and binding for all purposes, including any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of such Notes is clearly identified together with the amount of such holding) shall be treated by the Issuer, the Fiscal Agent, the Registrar and any other Paying and Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose, in the case of Notes represented by a Bearer Global Note, the bearer of the relevant Bearer Global Note or, in the case of a Registered Global Note the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Fiscal Agent, the Registrar and any other Paying and Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note; and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be.

1.6 References to Euroclear, Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Dealer and the Fiscal Agent.

1.7 Bearer Notes, once issued in definitive form in the Specified Currency and the Specified Denomination(s), may not be exchanged for Bearer Notes of another Specified Denomination.

1.8 Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

1.9 In relation to any issue of Bearer Notes which have a minimum denomination and are tradable, so long as the Notes are represented by a temporary Global Note or a permanent Global Note and Euroclear and/or Clearstream, Luxembourg so permits, in denominations above such minimum denomination which are not integral multiples of the minimum denomination, should Definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with Euroclear or Clearstream, Luxembourg at the relevant time, may not receive all of his entitlement in the form of Definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

2. Provisions Relating to Registered Notes

2.1 *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with these Conditions. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 ***Transfers of Registered Notes in definitive form***

(a) Subject as provided in Conditions 2.5 and 2.6 below, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denominations). In order to effect any such transfer: (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Paying and Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Paying and Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Paying and Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

(b) Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement).

(c) Subject as provided above, the Registrar or, as the case may be, the relevant Paying and Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Paying and Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred.

(d) In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 5, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 ***Cost of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 ***Transfers of interests in Regulation S Global Notes***

(a) Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Paying and Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to registration under the U.S. Securities Act of 1933 (as amended, the "**U.S. Securities Act**") or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable U.S. securities laws,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

(b) In the case of Condition 2.5(a)(i) above, such transferee may take delivery by means of a Rule 144A Note in global or definitive form.

(c) After expiry of the applicable Distribution Compliance Period, (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

2.6 ***Transfers of interests in Rule 144A Notes***

(a) Transfers of Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A ("**Rule 144A Notes**") or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Rule 144A Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the U.S. Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable U.S. securities laws,

and, in each case, in accordance with any applicable securities laws of any State of the U.S. or any other jurisdiction.

(b) Upon the transfer, exchange or replacement of Rule 144A Notes, or upon specific request for removal of the legend, the Registrar shall deliver only Rule 144A Notes or refuse to remove the legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the U.S. Securities Act.

2.7 In this Condition 2, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue);

"**QIB**" means a qualified institutional buyer within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act; and

"**U.S.**" means the United States.

3. Status of the Notes

The Notes and any Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 9.1) unsecured obligations of the Issuer and rank *pari passu* and without preference among themselves and (except for certain debts required to be preferred by law) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

4. Interest

4.1 *Interest on Fixed Rate Notes*

(a) Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

(b) If the Notes are in definitive form, except as provided in the Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the Pricing Supplement, amount to the Broken Amount so specified.

(c) As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(d) Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(i) if "Actual/Actual (ICMA)" is specified in the Pricing Supplement:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Pricing Supplement) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Pricing Supplement) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such

Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360", "360/360" or "Bond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period (as defined in Condition 4.2(a)(ii) below) divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(iii) if "30E/360" or "Eurobond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(iv) if "30E/360 (ISDA)" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D_2 will be 30.

(e) In these Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

(f) If a Business Day Convention is specified in the Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(ii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iii) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(g) In these Conditions, "**Business Day**" means a day which is both:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Business Centre specified in the applicable Pricing Supplement; and

(ii) either:

(1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency; or

(2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**") is open.

4.2 ***Interest on Floating Rate Notes***

(a) *Interest Payment Dates*

(i) Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(1) the Specified Interest Payment Date(s) in each year specified in the Pricing Supplement; or

(2) if no Specified Interest Payment Date(s) is/are specified in the Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Interest Period in the Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Such interest will be payable in respect of each Interest Period. "**Interest Period**" shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, unless otherwise specified in the Pricing Supplement.

(iii) If a Business Day Convention is specified in the Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(i)(2) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the Pricing Supplement.

(c) *ISDA Determination for Floating Rate Notes*

(i) Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Pricing Supplement) the Margin (if any). For the purposes of this Condition 4.2(c), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the

Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**")) and under which:

(1) the Floating Rate Option is as specified in the Pricing Supplement;

(2) the Designated Maturity is the period specified in the Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the Pricing Supplement.

(ii) For the purposes of this Condition 4.2(c), "**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(iii) When this Condition 4.2(c) applies, in respect of each relevant Interest Period, the Fiscal Agent will be deemed to have discharged its obligations under Condition 4.2(d) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this Condition 4.2(c).

(d) *Screen Rate Determination for Floating Rate Notes*

(i) Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the Pricing Supplement) the Margin (if any), all as determined by the Fiscal Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(ii) For determining the Rate of Interest pursuant to this Condition 4.2(d) in the event that the Relevant Screen Page is not available or if, in the case of Condition 4.2(d)(i)(1) above, no such offered quotation appears or, in the case of Condition 4.2(d)(i)(2) above, fewer than three such offered quotations appear, in each case as at the time specified (the "**Specified Time**") in the preceding paragraph (each a market disruption event) the following provisions shall apply:

(1) The Fiscal Agent shall request the principal London office of each of the Reference Banks (as defined below) to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

(2) If on any Interest Determination Date, one only or none of the Reference Banks provides the Fiscal Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic

mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Fiscal Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4.2(d)(ii), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

(iii) In this Condition 4.2(d), the expression "**Reference Banks**" means, in the case of Condition 4.2(d)(ii)(1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 4.2(d)(ii)(2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(iv) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Pricing Supplement.

(e) *Minimum Rate of Interest and/or Maximum Rate of Interest*

(i) If the Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 4.2(b), (c) and (d) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

(ii) If the Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 4.2(b), (c) and (d) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(f) *Determination of Rate of Interest and Calculation of Interest Amounts*

(i) The Fiscal Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

(ii) The Fiscal Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes in respect of the Calculation Amount for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

(1) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(2) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(1) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(2) if "Actual/365 (Fixed)" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if "Actual/365 (Sterling)" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(4) if "Actual/360" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(5) if "30/360", "360/360" or "Bond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(6) if "30E/360" or "Eurobond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(7) if "30E/360 (ISDA)" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(g) *Notification of Rate of Interest and Interest Amounts*

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed, to the Noteholders in accordance with Condition 14, and, if appropriate, to the Common Service Provider. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(h) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, by the Fiscal Agent or, if applicable, the Calculation Agent (as defined below in Condition 4.4 and specified in the Pricing Supplement), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the Registrar, the other Paying and Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent and notice to that effect has been given in accordance with Condition 14 to the Noteholders.

4.4 ***Calculation Agent***

Certain determinations, calculations, quotations and/or decisions required under these Conditions in respect of the Notes will be made by the Fiscal Agent pursuant to the Agency Agreement or by such other person specified in the Pricing Supplement pursuant to a calculation agency agreement dated on or before the date of issue of the Notes (the Fiscal Agent or such other person acting in that capacity, the "**Calculation Agent**" which expression shall include any additional or successor calculation agents).

5. Redemption and Purchase

5.1 ***At Maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Pricing Supplement in the relevant Specified Currency on the Maturity Date.

5.2 ***Redemption for Tax Reasons***

(a) Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hungary or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

(b) Notes redeemed pursuant to this Condition 5.2 will be redeemed at their Early Redemption Amount referred to in Condition 5.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) For the avoidance of doubt, nothing in this Condition 5.2 shall allow the Issuer to redeem the Notes as a result of any withholding or deduction it may be required to make in respect of any payment of interest on the Notes arising as a result of Act CXVII of 1995 on the Personal Income Tax relating to the withholding tax on interest payments to private individuals as may be amended or implemented by subsequent legislation.

5.3 ***Redemption at the Option of the Issuer (Issuer Call)***

(a) If Issuer Call is specified in the Pricing Supplement, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders (or such other period of notice as is specified in the Pricing Supplement) in accordance with Condition 14; and

(ii) not less than two business days (being days when banks are open for business in the city in which the specified office of the relevant Agent is located) before the giving of the notice referred to in (i), notice to the Fiscal Agent (and, in the case of a redemption of Registered Notes, the Registrar),

(both of which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. DTC requires a notice to holders at least 30 days prior to the Optional Redemption Date. A notice period of less than 30 days will be managed on a best effort basis by DTC.

(b) Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than a Maximum Redemption Amount, in each case as indicated in the Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg and/or DTC as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, as the case may be, in the case of Redeemed Notes represented by a Global Note, in each case not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by Definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 5.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

5.4 ***Redemption only at the Option of the Noteholders (Investor Put)***

(a) If Investor Put is specified in the Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the Pricing Supplement (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. DTC requires a notice to holders at least 30 days prior to the Optional Redemption Date. A notice period of less than 30 days will be managed on a best effort basis by DTC. Registered Notes may be redeemed under this Condition 5.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the Pricing Supplement.

(b) To exercise the right to require redemption of such Note its holder must, if such Note is in definitive form and held outside of Euroclear and Clearstream, Luxembourg or any other agreed clearing system, deliver at the specified office of any Paying and Transfer Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying and Transfer Agent or, as the case may be, the Registrar, falling within the notice period, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying and Transfer Agent or the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 5.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If such Note is in definitive bearer form, the Put Notice must be accompanied by such Note or evidence satisfactory to the Paying and Transfer Agent or the Registrar concerned that such Note will, following delivery of the Put Notice, be held its order or under its control.

(c) If such Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg, DTC or any other agreed clearing system, to exercise the right to require redemption of this Note the holder of such Note must, within the notice period, give notice to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, DTC or such other agreed clearing system (which may include notice being given on its instruction by any clearing system or any common depositary or Common Safekeeper, as the case may be, for such clearing systems to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg, DTC or the additional or alternative clearing system from time to time and, if such Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Fiscal Agent or the Registrar for notation accordingly.

(d) Any Put Notice given by a holder of any Note pursuant to this Condition 5.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

5.5 ***Early Redemption Amounts***

For the purpose of Condition 5.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated by the Issuer as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x (1+AY)y

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the Pricing Supplement.

5.6 ***Purchases***

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying and Transfer Agent or the Registrar for cancellation.

5.7 **Cancellation**

All Notes which are redeemed will (subject to Condition 5.6 above) forthwith be cancelled (together with all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5.6 above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) and cannot be re-issued or resold.

5.8 ***Late Payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 5.1, 5.2, 5.3 or 5.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5.5 (c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Fiscal Agent and notice to that effect has been given to the Noteholder in accordance with Condition 14.

5.9 ***Business Day Convention***

If a Business Day Convention is specified in the Pricing Supplement in respect of the Maturity Date or the Optional Redemption Date and if (x) there is no numerically corresponding day in the calendar month in which the Maturity Date or Optional Redemption Date should occur or (y) the Maturity Date or Optional Redemption Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(a) the Following Business Day Convention, such Maturity Date or Optional Redemption Date shall be postponed to the next day which is a Business Day; or

(b) the Modified Following Business Day Convention, such Maturity Date or Optional Redemption Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Maturity Date or Optional Redemption Date shall be brought forward to the immediately preceding Business Day; or

(c) the Preceding Business Day Convention, such Maturity Date or Optional Redemption Date shall be brought forward to the immediately preceding Business Day.

6. Payments

6.1 *Method of Payment*

(a) Subject as provided below:

(i) payments in a Specified Currency other than Euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

(b) Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7. References to "**Specified Currency**" will include any successor currency under applicable law.

6.2 *Presentation and Payment in respect of Notes and Coupons*

(a) *Bearer Notes*

(i) Payments of principal and interest in respect of definitive Bearer Notes shall be made in the manner provided in Condition 6.1 above only against presentation and surrender, or in the case of a part payment of any sum due, endorsement of the relevant:

(x) definitive Bearer Notes; or

(y) Coupons, as applicable,

in each case at the specified office of any Paying and Transfer Agent outside of the United States (which expression, as used herein, means the United States of America and its possessions).

(ii) If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, any accrued interest shall only be payable on redemption of the Note against presentation and surrender of the relevant definitive Bearer Note.

(iii) Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying and Transfer Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying and Transfer Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(b) *Registered Notes*

(i) Payments of principal in respect of Registered Notes (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Fiscal Agent. Such payments will be made by cheque or, if requested by the holder, by transfer to a bank account nominated by the holder, of the appropriate currency and maintained with a bank recognised by the relevant Paying and Transfer Agent, (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifteenth business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Fiscal Agent is located) (the "**Record Date**") before the relevant due date.

(ii) Payments of interest in respect of Registered Notes (whether or not in global form) shall be made to the person shown on the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the Record Date prior to such due date. Payment will be made by cheque in the Specified Currency and mailed by insured mail to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register on the Record Date and at its own risk. Upon application by the holder to the specified office of the Fiscal Agent or any of the Paying and Transfer Agents before the Record Date, such payment of interest may be made instead by transfer to a bank account nominated by the holder, of the appropriate currency and maintained with a bank recognised by the relevant Paying and Transfer Agent. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

(iii) If the due date for redemption is not an Interest Payment Date, accrued interest shall only be payable on redemption of the Note against presentation and surrender of the relevant certificate.

(iv) Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

(v) All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Fiscal Agent to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

(vi) None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.3 ***Payments subject to fiscal laws***

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. Details are set forth in Condition 7 below. Neither the Issuer nor any Paying and Transfer Agent shall be liable to any holder of a Note or other person for any commissions, costs, losses or expenses in relation to or resulting from such withholding or payment.

6.4 ***Unmatured Coupons and unexchanged Talons***

(a) Fixed Rate Notes in definitive Bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter. Upon any Fixed Rate Note in definitive Bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

(b) Upon the date on which any Floating Rate Note or Long Maturity Note in definitive Bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

6.5 ***Talons***

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any definitive Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

6.6 ***General Provisions Applicable to Payments***

(a) The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg or DTC as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

(b) Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of such Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and interest in respect of such Notes will be made at the specified office of a Paying and Transfer Agent in the United States if:

(i) the Issuer has appointed Paying and Transfer Agents with specified offices outside the United States with the reasonable expectation that such Paying and Transfer Agents would be able to make payment in U.S. dollars at such specified offices outside of the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.7 ***Payment Day***

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes (unless otherwise specified in the Pricing Supplement), "**Payment Day**" means any Business Day and (subject to Condition 8) is, in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City and, in the case of Definitive Notes, includes a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation.

6.8 ***Interpretation of Principal and Interest***

(a) Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

(b) Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

7. Withholding Tax

(a) All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Hungary or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(i) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of its having some connection with Hungary other than the mere holding of such Note or Coupon or the receipt of principal or interest in respect thereof; or

(ii) presented for payment in Hungary; or

(iii) to, or to a third party on behalf of, a Noteholder who could avoid the withholding or deduction by, to the extent that the Noteholder is able, making a declaration of non-residence or other similar claim for exemption to the tax authority; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC (the "**Savings Tax Directive**") or any other Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(v) presented for payment by or on behalf of a Noteholder or Couponholder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying and Transfer Agent in a Member State of the European Union; or

(vi) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.7).

(b) As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

8. Prescription

8.1 The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

8.2 There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

9. Covenants

9.1 ***Negative Pledge***

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure either any Relevant Indebtedness or any guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing any such Security Interest for the Notes as may be approved by the Noteholders in accordance with the provisions of the Agency Agreement.

9.2 For the purposes of these Conditions:

"**Relevant Indebtedness**" means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market; and

"**Security Interest**" means any lien, pledge, hypothecation, mortgage, security interest, charge of any other encumbrance, agreement or arrangement which has a similar legal and economic effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

10. Events of Default

10.1 If any one or more of the following events shall have occurred and be continuing:

(a) the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 15 days of the due date for payment thereof;

(b) the Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes or the Agency Agreement other than as described in (i) above and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the specified office of the Fiscal Agent;

(c) any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) subject to their official translation into the Hungarian language, to make the Notes and the Coupons admissible in evidence in the courts of Hungary is not taken, fulfilled or done within 30 days of receipt by the Issuer of written notice thereof;

(d) (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, or (ii) an administrator or liquidator of the Issuer is appointed, or (iii) the Issuer, as a result of financial difficulties, takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness for Borrowed Money or any guarantee of any Indebtedness for Borrowed Money given by it, or (iv) the Issuer ceases to carry on all or a substantial part of its business that it carries on at the date hereof;

(e) one or more non-appealable final judgement(s) or order(s) for the payment of any amount/an amount in excess of EUR 5,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer in Hungary and continues unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment;

(f) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer;

(g) any event occurs which under the laws of Hungary has an analogous effect to any of the events referred to in paragraphs (d) to (f) above;

(h) there shall occur any default by Hungary or the NBH in the due and punctual payment of the principal of or premium or prepayment charge, if any, or in respect of, interest on, any other External Indebtedness (in the case of Hungary) or Public External Indebtedness incurred on or prior to 31 December 1998 (in the case of the NBH) when and as the same shall become due and payable, and such default shall continue for more than the original period of grace, if any, applicable thereto unless such payment is being contested in good faith by Hungary or the NBH, as the case may be, and reserves at least equal to the amount of the contested payment are being maintained by it, (the term "**original period of grace**" as used herein meaning that grace period fixed by the terms of the agreement or instrument under which such indebtedness was created, but specifically not including any extension in the time permitted for such payment or any waiver or delay in requirement for such payment) provided that the aggregate principal amount of the relevant External Indebtedness in respect of which any one or more of the events mentioned in this paragraph has occurred is at least equal to EUR 50,000,000 (or its equivalent in any other currency);

(i) any Indebtedness for Borrowed Money of the Issuer becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer (as a result of any default, howsoever described, of the Issuer);

(j) the Issuer fails to pay when due any amount payable by it under any guarantee of any Indebtedness for Borrowed Money or (as the case may be) within any originally applicable grace period;

(k) any Security Interest securing Indebtedness for Borrowed Money over any asset of the Issuer becomes enforceable by reason of default (howsoever described),

provided that there shall only be an Event of Default under paragraphs (h) to (k) above if the amount of Indebtedness for Borrowed Money which is not so paid and/or in respect of which such event has occurred and/or which becomes prematurely due and payable or is placed on demand and/or in respect of which a Security Interest becomes enforceable, equals or exceeds EUR 15,000,000 in aggregate (or equivalent in other currencies);

(l) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, and/or the Agency Agreement and such unlawfulness is not remedied within 30 days thereof;

(m) the Funding Guarantee ceases to exist or otherwise ceases to secure all of the Issuer's obligations under the Notes for whatever reason;

(n) Hungary ceases to own, directly or indirectly, 100 per cent. of the authorised and issued share capital of the Issuer; or

(o) Hungary shall cease to be a member in good standing of the IMF or shall be generally unable to pay its debts as they fall due or shall enter into any agreement or composition with or for the benefit of its creditors or shall declare or impose a moratorium on the payment of and Indebtedness for Borrowed Money of or assumed or guaranteed by it,

then all of the Notes (but not some only) may by written notice addressed and delivered by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes to the specified office (as defined in the Agency Agreement) of the Fiscal Agent be declared immediately due and payable, whereupon, unless prior to such date the Issuer shall have cured or otherwise rectified the relevant event, all of the Notes shall become immediately due and payable at the Early Redemption Amount (as described in Condition 5.5), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind. The Issuer shall ensure that it will use all reasonable endeavours to give prompt notice of any such declaration to all Noteholders.

10.2 ***Rescission of the Declaration of Acceleration***

If the Fiscal Agent receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes and/or a resolution is passed at a meeting of the Noteholders duly convened and held in accordance with the Agency Agreement to the effect that the Event(s) of Default giving rise to a declaration of acceleration made pursuant to Condition 10.1 above is or are cured or is or waived by them following any such declaration and that such holders request the Fiscal Agent to rescind the relevant declaration, the Fiscal Agent shall notify the Issuer who shall, by notice in writing to the Noteholders, rescind the relevant declaration whereupon it shall be rescinded and shall have no further effect. No such rescission shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10.3 For the purposes of these Conditions:

"**Eximbank Act**" means Act XLII of 1994 on the Hungarian Export-Import Bank Private Limited Company and the Hungarian Export Credit Insurance Private Limited Company, as amended;

"**External Indebtedness**" means any obligation in respect of existing or future Indebtedness for Borrowed Money denominated or payable, or at the option of the holder thereof payable, in a currency other than Hungarian Forint;

"**Funding Guarantee**" means the first demand absolute direct suretyship in accordance with Articles 6:420 and 6:429 of the Civil Code ("*készfizető kezességvállalás*") by Hungary of the Issuer's obligations under the Notes pursuant to Paragraph (1)(a) of Article 6 of the Eximbank Act;

"**IMF**" means the International Monetary Fund;

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance of credit or acceptance similar thereto;

"**NBH**" means the Magyar Nemzeti Bank (National Bank of Hungary) or any other entity which, from time to time, acts as a central bank of Hungary, as the case may be; and

"**Public External Indebtedness**" means External Indebtedness which: (i) is in the form of, or represented by, bonds, notes or other similar securities; and (ii) is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market.

11. Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Fiscal Agent may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

12.1 The names of the initial Agents and their initial specified offices are set out below:

(a) **Fiscal Agent:**

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

(b) **Registrar:**

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

12.2 The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be a Fiscal Agent and Registrar and, so long as any Registered Global Notes payable in a Specified Currency other than U.S. dollars are registered in the name of a nominee of DTC, an Exchange Agent;

(c) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying and Transfer Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(d) there will at all times be a Paying and Transfer Agent (which may be the Fiscal Agent) with a specified office in a principal financial centre in Europe other than Hungary; and

(e) there will at all times be a Paying and Transfer Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the Savings Tax Directive or any law implementing or complying with or introduced to confirm to such Directive.

12.3 Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

13. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying and Transfer Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

14. Notices

14.1 Notices to the holders of Registered Notes in definitive form will be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth day after the date of mailing and will also be published in accordance with the requirements for notices to the holders of Bearer Notes and Registered Notes in global form set out below. Notices to holders of Bearer Notes and Registered Notes in global form shall be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Notes are admitted to trading on the London Stock Exchange, a daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

14.2 Until such time as any Definitive Notes are issued, there may, so long as the Global Note(s) is or are held in its or their entirety by or on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing, the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in accordance with the rules of such stock exchange or, if applicable, in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as appropriate.

14.3 Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent (or any other Paying and Transfer Agent on its behalf) or the Registrar via Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

15.1 *General*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including, without limitation, the modification of any provision of these Conditions. The following is a summary of selected provisions contained in the Agency Agreement.

For the purposes of this Condition 15:

(a) "**Debt Security**" means the Notes and any other bills, bonds, debentures, notes or other debt securities issued by the Issuer in one or more Series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security;

(b) "**Cross-Series Modification**" means a modification involving (i) the Notes or any agreement governing the issuance or administration of the Notes (including the Agency Agreement), and (ii) the Debt Securities of one or more other Series or any agreement governing the issuance or administration of such other Debt Securities;

(c) "**Holder**" in relation to a Note means a Noteholder, and in relation to any other Debt Security means the person the Issuer is entitled to treat as the legal holder of the Debt Security under the law governing that Debt Security;

(d) "**Reserved Matter**" in relation to the Notes means any proposal in relation to a modification of these Conditions or of any agreement governing the issuance or administration of the Notes (including the Agency Agreement) that would:

- (i) change the date on which any amount is payable on the Notes;
- (ii) reduce any amount, including any overdue amount, payable on the Notes;
- (iii) change the method used to calculate any amount payable on the Notes;
- (iv) reduce the redemption price for the Notes or change any date on which the Notes may be redeemed;

(v) change the currency or place of payment of any amount payable on the Notes;

(vi) impose any condition on or otherwise modify the Issuer's obligation to make payments on the Notes under Condition 6;

(vii) if permitted by any related guarantee, release any guarantee issued in relation to the Notes or change the terms of that guarantee;

(viii) change any payment-related circumstance under which the Notes may be declared due and payable prior to their stated maturity;

(ix) change the seniority or any *pari passu* ranking provisions of the Notes;

(x) change the law governing the Notes;

(xi) change any court to whose jurisdiction the Issuer has submitted or any immunity waived by the Issuer in relation to any legal proceedings arising out of or in connection with the Notes;

(xii) change the principal amount of outstanding Notes or, in the case of a Cross-Series Modification, the principal amount of Debt Securities of any other Series required to approve a proposed modification in relation to the Notes, the principal amount of outstanding Notes required for a quorum to be present, or the rules for determining whether a Note is outstanding for these purposes; or

(xiii) change the definition of a Reserved Matter.

and has the same meaning in relation to the Debt Securities of any other Series save that any of the foregoing references to the Notes or any agreement governing the issuance or administration of the Notes (including the Agency Agreement) shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities; and

(e) "**Series**" means:

(i) in relation to the Notes, a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates (except in respect of Zero Coupon Notes) and/or Issue Prices; and

(ii) in relation to any Debt Securities, a tranche of Debt Securities, together with any further tranche or tranches of Debt Securities that in relation to each other and to the original tranche of Debt Securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series.

The definition of "outstanding" is contained in the Agency Agreement.

15.2 ***Convening Meetings of Noteholders***

A meeting of Noteholders:

(a) may be convened by the Issuer at any time;

(b) will be convened by the Issuer if an Event of Default in relation to the Notes has occurred and is continuing and a meeting is requested in writing by the Holders of not less than 10 per cent. of the aggregate principal amount of the Notes then outstanding; and

(c) will be convened by the Issuer or the Fiscal Agent if a meeting is requested in writing by the Holders of not less than 10 per cent. of the aggregate principal amount of the Notes of any Series for the time being outstanding and, if the Issuer or the Fiscal Agent makes default for a period of seven days in convening such a meeting of the Noteholders, the same may be convened by the requisitionists.

15.3 ***Quorum***

(a) The quorum at any meeting at which Noteholders will vote on a proposal in relation to, or a proposed modification of:

(i) a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than 66 2/3 per cent. of the aggregate principal amount of the Notes then outstanding; and

(ii) a matter other than a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than 50 per cent. of the aggregate principal amount of the Notes then outstanding.

(b) The quorum for any adjourned meeting will be one or more persons present or represented at the meeting and holding:

(i) not less than 66 2/3 per cent. of the aggregate principal amount of the Notes then outstanding in the case of a proposed Reserved Matter modification or a proposal relating to a Reserved Matter; and

(ii) not less than 25 per cent. of the aggregate principal amount of the Notes then outstanding in the case of a non-Reserved Matter modification or any proposal relating to a matter other than a Reserved Matter.

15.4 ***Non-Reserved Matters***

These Conditions and any agreement governing the issuance or administration of the Notes (including the Agency Agreement) may be modified, or a proposal may be approved, in relation to any matter other than a Reserved Matter with the consent of the Issuer and:

(a) the affirmative vote of Noteholders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or

(b) a Written Resolution signed by or on behalf of Noteholders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

15.5 ***Reserved Matters***

Except as provided by Condition 15.6 below, the Conditions of the Notes and any agreement governing the issuance or administration of the Notes (including the Agency Agreement) may be modified, or a proposal may be approved, in relation to a Reserved Matter with the consent of the Issuer and:

(a) the affirmative vote of Noteholders of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or

(b) a written resolution signed by or on behalf of Noteholders of not less than 66 2/3 per cent. of the aggregate principal amount of the Notes then outstanding.

15.6 ***Cross – Series Modifications***

In the case of a Cross-Series Modification (and/or a proposal in respect of a Cross-Series Modification), the Conditions of the Notes and the terms and conditions of the Debt Securities of any other Series, and any agreement (including the Agency Agreement) governing the issuance or administration of the Notes or Debt Securities of such other Series, may be modified, or a proposal may be approved, in relation to a Reserved Matter with the consent of the Issuer and:

(a) (i) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the Holders of the Debt Securities of all the Series (taken in the aggregate) that would be affected by the proposed modification and/or proposal; or

(ii) a Written Resolution signed by or on behalf of the Holders of not less than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities of all the Series (taken in the aggregate) that would be affected by the proposed modification and/or proposal; and

(b) (i) the affirmative vote of more than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the Holders of each Series of Debt Securities (taken individually) that would be affected by the proposed modification and/or proposal; or

(ii) a Written Resolution signed by or on behalf of the Holders of more than 50 per cent. of the aggregate principal amount of the then outstanding Debt Securities of each Series (taken individually) that would be affected by the proposed modification and/or proposal.

15.7 ***Written Resolutions***

A "**Written Resolution**" is a resolution in writing signed by or on behalf of Noteholders of the requisite majority of the Notes and will be valid for all purposes as if it was a resolution passed at a quorate meeting of Noteholders duly convened and held in accordance with these provisions. A Written Resolution may be set out in one or more documents in like form each signed by or on behalf of one or more Noteholders.

15.8 ***Binding Effect***

A resolution duly passed at a quorate meeting of Noteholders duly convened and held in accordance with these provisions, and a Written Resolution duly signed by the requisite majority of Noteholders, will be binding on all Noteholders, whether or not the Noteholder was present at the meeting, voted for or against the resolution or signed the written resolution.

15.9 ***Manifest Error, Technical Amendments, etc.***

The Fiscal Agent may agree without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement for the purpose of complying with mandatory provisions of law, curing any ambiguity or curing, correcting any manifest or proven error or any other defective provision contained herein or therein or modifying these Conditions or the Agency Agreement in a formal or technical manner or in a manner which is not, in the sole opinion of the Issuer, prejudicial to the interests of the Noteholders.

Any modification shall be binding on the Noteholders and the Couponholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects except for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Governing Law and Submission to Jurisdiction

19.1 The Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, English law.

19.2 The Issuer irrevocably agrees for the benefit of the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

19.3 The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Notes or the Coupons respectively (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.4 The Issuer hereby irrevocably and unconditionally appoints the Economic and Trade Commissioner, at such time and from time to time, at the Embassy of Hungary, Office of the Economic and Trade Commissioner, 46 Eaton Place, London SW1X 8BY, United Kingdom as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act or the appointment of such agent ceasing to be effective, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.5 The Issuer hereby irrevocably and unconditionally waives and agrees not to raise with respect to the Notes and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

19.6 The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above. In addition, the Issuer has, in such document, waived any rights to sovereign immunity and other similar defences which it may have.

BOOK-ENTRY CLEARING SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the clearing systems currently in effect. The information in this section concerning the clearing systems has been obtained from sources that the Issuer believes to be reliable but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the clearing systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. None of the Issuer, the Fiscal Agent, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. The foregoing information about DTC has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by DTC, no facts have been omitted which would render the reproduced information inaccurate or misleading. The foregoing information about DTC was derived from, and additional information about DTC can be found, at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system ("**DTC Notes**") must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

To the extent applicable, redemption proceeds on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

Under certain circumstances, DTC will exchange the DTC Notes for Definitive Registered Notes, which it will distribute to its participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*".

Because DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge the DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal, interest and any other amount in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such participant and not the responsibility of DTC, the Fiscal Agent, the Registrar or the Issuer. Payment of principal, interest and any other amount on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or an Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Paying and Transfer Agents and any custodian with whom the relevant Registered Global Notes have been deposited (the "**Custodian**").

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Paying and Transfer Agents Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

Ownership of Beneficial Interests in any Rule 144A Global Note or Regulation S Global Note

Ownership of beneficial interests in any Rule 144A Global Note or Regulation S Global Note will be limited to persons that have accounts with DTC or its nominee, Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that may hold interests through Participants. Individual certificates will not be issued except in the limited circumstances set out in the Global Notes. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (with respect to interests of Participants) and other direct and indirect Participants (with respect to interests of persons other than Participants). Owners of beneficial interests in the Global Note (other than Participants) will not receive written confirmation from DTC, Euroclear or Clearstream, Luxembourg of their purchases. Each beneficial owner is entitled to receive upon request written confirmation providing details of the transaction as well as periodic statements of its holdings from DTC, Euroclear or Clearstream, Luxembourg as the case may be (if such beneficial owner is a Participant) or such other direct or indirect participant through which such beneficial owner entered into the transaction (if such beneficial owner is not a Participant). The laws of some States of the United States require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in the Rule 144A Global Note.

Payments of Interest and Payments at Maturity

Any payment of principal or interest due on any interest payment date or at maturity will be made available by the Issuer to any Paying and Transfer Agent on or before that date on which the holder of a Registered Note could claim the relevant payment. On the respective payment date, any Paying and Transfer Agent will make such payments to DTC or its nominee and/or Euroclear and/or Clearstream, Luxembourg, as the case may be, in accordance with arrangements between any Paying and Transfer Agent and DTC or its nominee, Euroclear and Clearstream, Luxembourg. DTC or its nominee, Euroclear and Clearstream, Luxembourg, upon receipt of any payment of principal or interest, will credit their Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on their records, and such payments will be the responsibility of such clearing systems. Payments by Participants to owners of beneficial interests in the Global Notes held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants.

Arrangements for Initial Settlement and Trading

Initial settlement for the Notes will be made in immediately available funds (*i.e.*, for value on the date of delivery of the Notes). Investors electing to hold their Notes through DTC will follow the settlement practices applicable to U.S. corporate debt obligations. The securities custody accounts of investors will be credited with their holdings on the settlement date against payment in same-day funds within DTC. Investors electing to hold their Notes through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds.

Trading between Euroclear and/or Clearstream, Luxembourg Accountholders

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Participants and Euroclear/Clearstream, Luxembourg Accountholders

Secondary market sales of book-entry interests in the Notes between DTC participants on one hand and Euroclear/Clearstream, Luxembourg accountholders on the other will be conducted in accordance with the rules and procedures established for such sales by DTC, Euroclear and Clearstream, Luxembourg, as applicable, and will be settled using the procedures established for such sales by DTC, Euroclear and Clearstream, Luxembourg, as applicable.

Changes in Clearing and Settlement Procedures

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of the Issuer, any Agent or Dealer or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the U.S. Securities Act, will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective direct or indirect participants or accountholders or their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above, and none of them will have any liability for any aspect of the records relating to or payment made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Additional or Alternative Clearing Systems

The Issuer, the relevant Dealer and the Fiscal Agent may decide to issue a Series of Notes through an additional or alternative clearing system as specified in the relevant Pricing Supplement. Information concerning such additional or alternative clearing system will be provided in the relevant Pricing Supplement.

DESCRIPTION OF FUNDING GUARANTEE

Under the Eximbank Act, the Hungarian state is irrevocably liable, as absolute guarantor providing an absolute and direct suretyship (*készfizető kezes*), for the fulfilment of Eximbank's obligations to pay principal and interest arising from certain of Eximbank's borrowings, including capital markets debt instruments (such as the Notes) issued by Eximbank with the aim of raising finance, certain loans to Eximbank from Hungarian and foreign credit institutions with the aim of raising finance and Eximbank's payment obligations arising from the replacement costs of foreign exchange and interest rate swap transactions (the "**Funding Guarantee**"). In accordance with Hungarian law, the provider of an absolute and direct suretyship is liable for the fulfilment of the obligor's obligations to pay principal and interest arising from its borrowings, provided that the provider of an absolute and direct suretyship would be able to raise any defence to a claim for payment under the suretyship to the extent (a) the same defence would be available to the obligor in respect of its obligations secured by the suretyship; or (b) the provider of an absolute and direct suretyship is entitled to any defence on the basis of its claim against the respective beneficiary of the suretyship. The payment obligations of the Hungarian state under the Funding Guarantee only arise if there is a valid payment obligation of Eximbank. The Hungarian state's obligations in respect of the statutory Funding Guarantee are subject to an upper limit set by the annual budget. Under section 41(1) of Act CCXXX of 2013 on the Annual Budget of Hungary for the Year 2014, the upper limit of the Funding Guarantee is HUF 1,200 billion.

The Hungarian state does not charge any fee in respect of the Funding Guarantee.

In accordance with Hungarian law, if the Issuer fails to perform any of its payment obligations which are guaranteed by the Hungarian state, creditors who have served Eximbank with an acceleration notice and not received payment within the grace period specified in that notice, or who are in possession of documents evidencing that the deadline for payment of instalments, interests or other amounts under the Notes passed without payment may seek to recover directly from the Hungarian state by filing a petition with the minister responsible for public finances without first exhausting legal remedies against Eximbank. Within 30 days of receipt of a valid petition and the documents required under the Governmental Decree no. 110/2006 (V.%.), the minister responsible for public finances is required to arrange payment to the relevant creditor.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

PRICING SUPPLEMENT DATED [●]

MAGYAR EXPORT-IMPORT BANK

Zártkörűen Működő Részvénytársaság

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes")
under the EUR 2,000,000,000
Global Medium Term Note Programme**

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Offering Circular dated 4 December 2012 [and the supplementary Offering Circular dated [ ]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular [as so supplemented] and this pricing supplement dated [ ] relates only to the Notes described above and should only be read together with the Offering Circular. The Offering Circular [, the supplementary Offering Circular] and the documents incorporated therein by reference are available for viewing at and copies may be obtained from the offices of the Fiscal Agent, Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1.	Issuer:	Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság
2.	Series Number:	[ ]
	Tranche Number:	[ ] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
	Specified Currency or Currencies:	[ ]
	Aggregate Nominal Amount:	
	Series:	[ ]
	Tranche:	[ ]
	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
3.	Specified Denominations:	[ ] (*in the case of Registered Notes this means the minimum integral amount in which transfers can be made*)
	Calculation Amount:	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*

4.	Issue Date:	[ ]
	Interest Commencement Date:	[*Specify/*Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
	Maturity Date:	[*Fixed Rate Notes – specify date/ Floating Rate Notes* – Interest Payment Date falling in or nearest to [*specify month*]] [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/– [ ] per cent. Floating Rate] [Zero Coupon] [Other *(specify)*] (further particulars specified below)
	Redemption/Payment Basis:	[Redemption at par] [Other *(specify)*]
	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another Interest Basis or Redemption/ Payment Basis*]
	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
	Method of distribution:	[Syndicated/Non-syndicated]
	PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE	
	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other *(specify)*] in arrear]
	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date/[*specify other*][adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted] *(N.B. This will need to be amended in the case of long or short coupons)*
	Fixed Coupon Amount(s):	[ ] per Calculation Amount (*Applicable to Notes in definitive form)*
	Broken Amount(s):	(*Applicable to Notes in definitive form*) [ ] per Calculation Amount, payable on the Interest Payment date falling [in/on] [ ]
	Day Count Fraction:	[Actual/Actual (ICMA) or 30/360 or 360/360 or Bond Basis or 30E/360 (ISDA) or Eurobond Basis or *[specify other]*]
	Determination Date(s):	[ ] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration.*

	N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]
Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
Floating Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
Interest Period(s):	[Condition 4 applies/[*specify other (give details)*]]
Specified Interest Payment Dates:	[ ]
First Interest Payment Date:	[ ]
Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]
Business Centre(s):	[ ]
Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other *(give details)*]
Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[*Give name and address of Calculation Agent*]
Screen Rate Determination:	
Reference Rate:	[ ]
Interest Determination Date(s):	[ ]
Relevant Screen Page:	[ ]
ISDA Determination:	
Floating Rate Option:	[ ]
Designated Maturity:	[ ]
Reset Date:	[ ]
Margin(s):	[+/–]] per cent. per annum
Minimum Rate of Interest:	[ ] per cent. per annum
Maximum Rate of Interest:	[ ] per cent. per annum
Day Count Fraction:	[Actual/Actual, Actual/Actual (ISDA) or Actual/365 (Fixed) or Actual/365 (Sterling) or Actual/360 or 30/360 or 360/360 or Bond Basis or 30E/360 or Eurobond Basis or 30E/360 (ISDA) or *Other (specify)*]
Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
[Amortisation/Accrual] Yield:	[ ] per cent. per annum
Reference Price:	[ ]
Any other formula/basis of determining amount payable:	[●]
Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 5.5(c) and 5.8 apply/*specify other*] *(Consider applicable day count fraction if not U.S. dollar denominated)*

PROVISIONS RELATING TO REDEMPTION

Issuer Call:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
Optional Redemption Date(s):	[ ]
Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other/*see Appendix]
If redeemable in part:	
Minimum Redemption Amount:	[ ]
Maximum Redemption Amount:	[ ]
Notice period:	[ ] *(N.B. If setting notice periods that are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*
Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
Optional Redemption Date(s):	[ ]
Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other/*see Appendix]
Notice period:	[ ] *(N.B. If setting notice periods that are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*
Final Redemption Amount of each Note:	[[ ] per Calculation Amount/*specify other/*see Appendix]
Early Redemption Amount	
Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Condition 5.5):	[Condition 5.5 applies/[ ] per Calculation Amount/*specify other/*see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

Form of Notes:	[Bearer Notes/Registered Notes] *(Delete as appropriate)* [[Temporary Bearer Global Note which is exchangeable for a] Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event.][Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] *(Include if Notes are to be issued in definitive form)* [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.] (*Include for Notes that are to be offered in Belgium*) *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The following Specified Denomination construction (or substantially similar construction) is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes: "[€50,000]/ [€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/ [€199,000].")* [[Rule 144A Global Note] [and Regulation S Global Note][each of] which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] *(Include if Notes are to be issued in permanent global form)* [Regulation S Global Note ([ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note ([ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
New Global Note:	[Yes/No]
Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
Consolidation provisions:	[Condition 17 applies/Not Applicable/The provisions [in Condition [ ]] apply]
Other final terms:	[Not Applicable/*give details*] *(Consider including a term providing for tax certification if required to enable interest to be paid gross by the Issuer.)*

DISTRIBUTION

5.	If syndicated, names of Managers:	[Not Applicable/*give names*]
	Date of [Syndication] Agreement:	[ ]
	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
	If non-syndicated, name and address of relevant Dealer:	[Not Applicable/*give name and address*]
	(i) U.S. Selling Restrictions:	[Regulation S; TEFRA D/TEFRA C/TEFRA not applicable]
	[(ii) Whether Rule 144A and private placement sales in the United States are permitted to be made:]	[Yes/No]
	Additional selling restrictions:	[Not Applicable/*give details*]

PURPOSE

This Pricing Supplement comprises the final terms required for issue [and] [admission to trading on [*specify relevant regulated market (for example the London Stock Exchange) and, if relevant, admission to an official list*] of the Notes described herein] pursuant to the EUR 2,000,000,000 Global Medium Term Note Programme of Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság:

By: ....

Duly authorised

PART B — OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

[(i)] Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the London Stock Exchange) and, if relevant, admission to an official list*] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the London Stock Exchange) and, if relevant, admission to an official list*] with effect from [ ].] [Not Applicable.] *(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
[(ii)] Estimate of total expenses relating to admission to trading:	[ ]

2. RATINGS:

[The Programme has received the ratings set forth in the Offering Circular (see "*General Information — Ratings*" in the Offering Circular). The Notes to be issued have not yet been rated.] [The Notes have been assigned the following ratings:

[S&P: [ ]]
[Fitch: [ ]]
[[Other]: [ ]]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

The credit ratings included herein will be treated for the purposes of Regulation (EC) No. 1060/2009 on credit rating agencies, as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**") as having been issued by [Standard & Poor's Credit Market Services Europe Ltd] ("**S&P**"), and Fitch Ratings Limited ("**Fitch**") [and] [other], upon registration pursuant to the CRA Regulation. Each of S&P and Fitch [and] [other] is established in the European Union and is registered under the CRA Regulation. Reference is made to the list of credit rating agencies registered in accordance with the CRA Regulation published by the European Securities and Markets Authority on its website (www.esma.europa.eu), which is updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:

[Save as discussed in "*Subscription and Sale*" in the Offering Circular, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the Offer.][*Amend as appropriate if there are other interests, including any conflicts of interest*]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:

[(i)] Reasons for the offer:	[See "*Use of Proceeds*" in the Offering Circular]
[(ii)] Estimated net proceeds:	[ ]
[(iii)] Estimated total expenses:	[/Not Applicable] [*Include breakdown of expenses.*]

5. YIELD: (Fixed Rate Notes only)

Indication of yield:	[ ] Calculated as [*Indicate details of method of calculation in summary form*] on the Issue Date. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
CUSIP:	[ ]
Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*/]
Delivery:	Delivery [against/free of] payment
Name and address of additional Paying and Transfer Agent(s) (if any):	[ ]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes/No] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] (*include this text for registered notes*)] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] (*Include this text if "yes" selected in which case Bearer Notes must be issued in NGN form*)

TAXATION

Hungary

The following is a general discussion of certain Hungarian tax consequences of the acquisition and ownership of Notes issued under the Programme. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the Issuer's interpretation of the laws of Hungary currently in force and as applied on the date of this Offering Circular, which are subject to change, possibly with retroactive effect. Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country of which they are residents. The acquisition of the Notes by non-Hungarian Noteholders, or the payment of interest under the Notes may trigger additional tax payments in the country of residence of the Noteholder, which is not covered by this summary, but where the provisions of the treaties on the avoidance of double taxation should be taken into consideration.

Tax (foreign resident individual Holders)

The payments of interest and capital gains realised upon the redemption or sale of publicly offered and traded Notes ("**Interest Income"**) is taxed at 16 per cent. Notes listed on a regulated market of an EEA member state are considered publicly offered and traded Notes.

The proceeds paid on privately placed Notes are considered as other income ("**Other Income**") which is part of the individual's aggregated income and is taxed at 16 per cent. The capital gains realised on the sale of such Notes is considered, as a general rule, capital gains income ("**Capital Gains Income**"). The tax rate applicable to Capital Gains Income is 16 per cent.

Foreign resident individual Holders are subject to tax in Hungary if they realise Interest Income from Hungarian sources or income that is otherwise taxable in Hungary if an international treaty or reciprocity so requires. Interest Income should be treated as having a Hungarian source where:

(a) the Issuer is resident in Hungary for tax purposes;

(b) the Issuer has a permanent establishment in Hungary and Interest Income realised on the basis of the Notes is paid by the Hungarian permanent establishment of the Issuer;

(c) the foreign resident individual Holder has a permanent establishment in Hungary to which the Interest Income is attributable.

If income is treated as income from a Hungarian source, the rules of any relevant international treaty or reciprocity shall be examined in order to determine whether such income should be taxed in Hungary. Please note that the provisions of any applicable double tax treaty or convention should be considered when assessing the Hungarian tax liabilities of foreign resident individual Holders and individuals should obtain advice from their own tax advisers in this regard.

The tax on payments of the Interest Income is to be withheld by the "Payor" *(kifizető)* (as defined below).

Pursuant to Act XCII of 2003 on the Rules of Taxation ("**ART**") a "Payor" means a Hungarian resident legal person, organisation, or private entrepreneur who provides taxable income, irrespective of whether such payment is made directly or through an intermediary (post office, credit institution). In respect of interest, "Payor" shall mean the borrower of a loan or, the issuer of a note, including, the investment service provider or credit institution providing the interest instead of it. In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, "Payor" shall mean such stockbroker. The Hungarian permanent establishment of a foreign resident entity is also considered as a "Payor".

Interest, as defined by Schedule 7 of the ART (which implements the provisions of the Savings Directive), realised on the Notes by citizens of any other Member State of the European Union is not subject to Hungarian tax where a paying agent based in Hungary provides data to the Hungarian state tax authority on the basis of Schedule 7 of the ART.

A foreign resident individual Holder who does not have a permanent establishment in Hungary is not subject to tax in Hungary if he realises Capital Gains Income from Hungary since such income is not considered as Hungarian source income.

Please note that the provisions of the applicable double tax convention, if any, should be considered when assessing the Hungarian tax liabilities of a foreign resident individual Holder.

Tax (foreign resident corporate Holders)

Interest on Notes paid by Hungarian resident legal entities or other Hungarian resident persons to foreign resident corporate Holders, who do not have a permanent establishment in Hungary and any capital gains realised by such foreign resident corporate Holders on the sale of the Notes is not subject to tax in Hungary.

The tax liability of a foreign resident corporate Holder, which has a permanent establishment in Hungary is limited, in general, to the income from business activities realised through its Hungarian permanent establishment.

Taxation of Hungarian resident individual Holders

The Act CXVII of 1995 on Personal Income Tax (the "**Personal Income Tax Act**") applies to the tax liability of Hungarian and foreign individuals. The tax liability of Hungarian resident individuals covers the worldwide income of such persons.

According to the provisions of the Personal Income Tax Act, in the case of individual Holders, Interest Income is the income paid as interest and the capital gains realised upon the redemption or the sale of publicly offered and publicly traded debt securities. The tax on Interest Income is currently 16%. Notes listed on a regulated market of an EEA member state are considered publicly offered and traded Notes. Pursuant to Act LXVI of 1998 on Healthcare Charge (the "**Healthcare Charge Act**") Interest Income is also subject to a healthcare contribution of 6%.

The proceeds paid on privately placed Notes are considered as Other Income which is part of the individual's aggregated income and is taxed at 16 per cent. Pursuant to the Healthcare Charge Act, Other Income is also subject to a healthcare charge of 27 per cent. The capital gains realised on the sale or redemption of such Notes is considered, as a general rule, Capital Gains Income. The tax rate applicable to Capital Gains Income is 16 per cent. Pursuant to the Healthcare Charge Act, Capital Gains Income realised by Hungarian resident individuals (subject to further conditions) is generally subject to 14 per cent. healthcare charge with a cap of HUF 450,000 (for this purpose any healthcare charge and employee health care contribution paid in the given year shall be considered).

The rules of the Personal Income Tax Act in certain cases imposes a requirement upon the "Payor" (*kifizető)* (as defined above) to withhold tax on the interest payments to individual Holders.

Taxation of Hungarian resident corporate Holders

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax (the "**Corporation Tax Act**"), Hungarian resident taxpayers are subject to tax on their worldwide income. In general, resident taxpayers are entities established under the laws of Hungary (i.e. having a Hungarian registered seat). Foreign persons having their place of management in Hungary are also considered as Hungarian resident taxpayers.

In general, interest and capital gains realised by Hungarian resident corporate Holders on the Notes will be taxable in the same way as the regular income of the Holders. The general corporation tax rate in Hungary is 10% on the first HUF 500 million of the taxable base, and 19% above this threshold.

Pursuant to Act C of 1990 on Local Taxes (the "**Local Taxes Act**"), financial institutions, financial enterprises, insurance companies and investment enterprises may be subject to local business tax on the basis of the proceeds realised on the Notes.

United Kingdom

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of the Notes. It does not deal with any other United Kingdom tax implications of acquiring, holding or disposing of Notes. Some aspects do not apply to certain classes of person (such as dealers) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future.

Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes that does not arise in the United Kingdom may be made without withholding on account of United Kingdom income tax. HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

United States

*The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Notes at their issue price (as defined below) that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986 (the "**Code**"), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect, as well as on the income tax treaty between the United States and Hungary as currently in force (the "**Treaty**").*

This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (viii) holders that are not U.S. Holders; (ix) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (x) investors that have a functional currency other than the U.S. Dollar and (xi) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift, Medicare contribution or alternative minimum tax considerations, or non-U.S., state or local tax considerations. This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in Section 165(j) and 1287 of the Code. Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term may be discussed in the applicable Pricing Supplement.

For the purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Notes, the treatment of a partner in the partnership generally will depend on the status of the partner and upon the activities of the partnership. Partnerships holding Notes and the partners therein should consult their tax advisors regarding the tax consequences to them of holding the Notes.

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. The Issuer generally intends to treat Notes issued under the Program as debt, unless otherwise indicated in the applicable Pricing Supplement. Certain Notes, however, such as Notes with extremely long maturities, may be treated as equity for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than as debt may apply may be discussed in the applicable Pricing Supplement. The following disclosure applies only to Notes that are treated as debt for U.S. federal income tax purposes.

Payments of Interest

General

Interest on a Note, including the payment of any additional amounts whether payable in U.S. Dollars or a currency other than U.S. Dollars (a "**foreign currency**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Taxation – United States – Original Issue Discount – General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID (as defined below), if any, accrued with respect to the Notes (as described below under "*Taxation – United States – Original Issue Discount*") and payments of any additional amounts will generally constitute income from sources outside the United States, under the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). A U.S. Holder will not be subject to Hungarian withholding tax if the U.S. Holder is eligible for benefits under the Treaty.

Foreign Currency Denominated Interest

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. Dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. Dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount ("**OID**"). The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event that the Issuer issues contingent payment debt instruments, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is at least a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the **"issue price**" of a Note under the applicable Pricing Supplement will be the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The "**stated redemption price at maturity**" of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A **"qualified stated interest"** payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Taxation – United States – Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purpose of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "*Taxation – United States – Election to Treat All Interest as Original Issue Discount*". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "*Taxation – United States – Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Pre-Issuance Accrued Interest

A U.S. Holder may elect to exclude pre-issuance accrued interest from the issue price of the Note. In that event, a portion of the first interest payment will be treated as a non-taxable return of the pre-issuance accrued interest. If a U.S. Holder does not make this election, the U.S. federal income tax treatment of any pre-issuance accrued interest is not entirely clear. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

Further Issuances

The Issuer may, from time to time, without notice to or the consent of the holders of the outstanding Notes, create and issue additional debt securities with identical terms and ranking *pari passu* with the Notes in all respects and may consolidate such additional debt securities with the outstanding Notes to form a single series. The Issuer may offer additional debt securities with OID for U.S. federal income tax purposes as part of a further issue. Purchasers of debt securities after the date of any further issue may not be able to differentiate between debt securities sold as part of the further issue and previously issued Notes. If the Issuer were to issue additional debt securities with OID, purchasers of debt securities after such further issue may be required to accrue OID (or greater amounts of OID than they would have otherwise accrued) with respect to their debt securities. This may affect the price of outstanding Notes following a further issuance.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*Taxation – United States – Original Issue Discount – General*" with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, as adjusted by any acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant-yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") will generally bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "**qualified inverse floating rate**" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "**current value**" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt may be more fully described in the applicable Pricing Supplement.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Foreign Currency Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "Payments of Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of a Note), a U.S. Holder will generally recognize exchange gain or loss, which will be ordinary gain or loss measured by the difference between the amount received (translated into U.S. Dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Effect of Hungarian Withholding Taxes

As discussed in "*Taxation—Hungary*", under current law payments of interest on the Notes to foreign investors may become subject to Hungarian withholding taxes. The Issuer may become liable for the payment of additional amounts to U.S. Holders (see "*Terms and Conditions of the Notes – Withholding Tax*") so that U.S. Holders receive the same amounts they would have received had no Hungarian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Hungarian taxes withheld by the Issuer with respect to a Note, and as then having paid over the withheld taxes to the Hungarian tax authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a reduction in computing its U.S. federal taxable income, for Hungarian income taxes withheld by the Issuer. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Hungarian income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Hungarian income taxes in the year the OID is included in the

U.S. Holder's gross income, and may be limited in its ability to credit or deduct in full the Hungarian taxes in the year those taxes are withheld by the Issuer.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder's income with respect to the Note, and reduced by the amount of any payments that are not qualified stated interest payments. A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. Dollar cost of the Notes. The U.S. Dollar cost of a Note purchased with a foreign currency will generally be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Note. The amount realised on a sale or other disposition for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Except to the extent described above under "*Taxation – United States – Original Issue Discount – Short-Term Notes*" or attributable to accrued but unpaid interest or changes in exchange rates, gain or loss recognized on the sale or other disposition of a Note will be capital gain or loss and will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Gain or loss recognized by a U.S. Holder on the sale or other disposition of a Note that is attributable to changes in exchange rates will be treated as U.S. source ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. Dollar value at the time the interest is received or at the time of the sale or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the U.S. Dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. Dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. Federal income tax liability, provided that the required information is furnished to the IRS. U.S. Holders should consult their own tax advisor as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes not held through an account with certain financial institutions. Investors who fail to report required information could be subject to substantial penalties.

Disclosure Requirements

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions ("**Reportable Transactions**") could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the U.S. Treasury Regulations, certain transactions with respect to the Notes may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Foreign Currency Note. Persons considering the purchase of such Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in such Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer and Guarantor may be classified as FFIs.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" (or, in the case of certain exempt entities, a "**Nonreporting FI**") not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Hungary have entered into an agreement (the "**U.S.-Hungary IGA**") based largely on the Model 1 IGA.

If the Issuer and Guarantor are treated as Reporting FIs or Nonreporting FIs pursuant to the U.S.-Hungary IGA, they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and Guarantor will be treated as Reporting FIs or Nonreporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuer, the Guarantor and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any paying agent, or to the order of the Common Depositary or the Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

CERTAIN ERISA CONSIDERATIONS

PURSUANT TO IRS CIRCULAR 230 THE ISSUER HEREBY INFORMS YOU THAT THE DISCUSSION HEREIN WITH RESPECT TO ERISA CONSIDERATIONS IS NOT INTENDED OR WRITTEN BY THE ISSUER, ITS COUNSEL OR THE U.S. TAX COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. THIS DISCUSSION IS LIMITED TO THE TAX ISSUES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES

The following description is general in nature, is not intended to be all-inclusive, and is based on the law and practice in force at the date of this document and is subject to any subsequent changes therein. In view of the individual nature of ERISA, the Code and Similar Law consequences, each potential investor that is a Benefit Plan (as defined below) or any plan subject to Similar Law is advised to consult its own legal adviser with respect to the specific ERISA, Code and any U.S. federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") consequences of investing in the Notes and to make its own independent decision with respect to any such investment. The following is merely a summary and should not be construed as legal advice.

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, as well as individual retirement accounts, Keogh plans and other plans covered by Section 4975 of the Code, as well as entities deemed to hold "plan assets" of any of the foregoing under ERISA and the U.S. Department of Labor Regulation 29 CFR Section 2510.3-101 promulgated under ERISA (as modified by Section 3(42) of ERISA) (the "**Plan Asset Regulation**") (each such entity, a "**Benefit Plan**"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

If the assets of the Issuer were deemed to be "plan assets" of Benefit Plans that purchased Notes: (a) if any such Benefit Plans are subject to ERISA, ERISA's fiduciary standards would apply to the Issuer and might materially affect the operations of the Issuer, and (b) any transactions involving the Issuer could be deemed a transaction with each Benefit Plan and may cause certain transactions into which the Issuer might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. Under the Plan Asset Regulation, the assets of the Issuer would be treated as "plan assets" of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquired an "equity interest" in the Issuer and none of the exceptions to holding "plan assets" contained in the Plan Asset Regulation were applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Under the Plan Asset Regulation, when a Benefit Plan acquires a significant equity interest (i.e., 25% or more of any class of equity in an entity), the underlying assets owned by that entity will be treated as if they were "plan assets" of such Benefit Plan, unless it is established that the entity is an "operating company" or another exception applies. Under the Plan Asset Regulation, an "operating company" is defined as "an entity that is primarily engaged, directly or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital." It should be noted that (i) the Issuer, which is actively engaged in rendering banking services, should be regarded as an "operating company" for purposes of the Plan Asset Regulation, and (ii) the Notes should be regarded as indebtedness for purposes of the Plan Asset Regulation (although no tax opinion is being obtained in this regard). Accordingly, the Issuer's assets are not likely to be treated as "plan assets" for purposes of the Plan Asset Regulation.

Without regard to whether the Notes are treated as an equity interest for purposes of the Plan Asset Regulation, the acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Initial Purchasers, the Fiscal Agent or any of their respective affiliates or any other party involved in the transactions contemplated hereunder is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Exemptions that may apply include, but are not limited to: Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, as modified, regarding investments by insurance company general accounts; PTCE 91-38, as modified, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, as modified, regarding transactions effected by "qualified professional asset managers." In addition to the class exemptions listed above, there are statutory exemptions under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction for a fee, directly or indirectly), *provided* that there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisers regarding the applicability of any such exemption.

Accordingly, by acquiring a Note (or a beneficial interest therein), each purchaser and transferee will be deemed to represent and warrant that: (a) either: (i) it is not and for as long as it holds the Notes (or any beneficial interest therein) will not be, and is not acting on behalf of (and for so long as it holds any Note or beneficial interest therein will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any "plan" as defined in and to which Section 4975 of the Code applies, any entity whose underlying assets are deemed to include "plan assets" of any of the foregoing under ERISA and the Plan Asset Regulation, or a governmental, church or non-U.S. plan subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and employee benefit plans subject to non-U.S. law are not subject to ERISA's requirements, although they may be subject to similar provisions under Similar Law. Accordingly, assets of such plans may be invested in the Notes, subject to satisfaction of the provisions of Similar Law.

EACH INVESTOR CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL AND OTHER ADVISERS REGARDING WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT, TAKING INTO ACCOUNT ERISA, THE CODE AND OTHER ISSUES DISCUSSED ABOVE. A FIDUCIARY OF A PLAN SUBJECT TO SIMILAR LAW CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISERS REGARDING THE APPLICABILITY OF THE PROVISIONS OF SIMILAR LAW AND WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE PLAN UNDER SIMILAR LAW. THE SALE OF NOTES (OR ANY BENEFICIAL INTEREST THEREIN) TO A BENEFIT PLAN OR TO A PLAN SUBJECT TO SIMILAR LAW IS IN NO RESPECT A REPRESENTATION BY THE ISSUER THAT THIS INVESTMENT MEETS ALL THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENT BY BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR BY ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW, OR THAT THIS INVESTMENT IS APPROPRIATE FOR BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR FOR ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in the programme agreement dated 16 September 2014 (the "**Programme Agreement**") between the Issuer, the Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Dealers under the Programme Agreement. One or more Dealers may purchase the Notes, as principal or agent, from the Issuer from time to time for their own account or for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer or, if so specified in the relevant Pricing Supplement, for resale at a fixed offering price. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that may be jointly and severally, or severally, underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Notes will constitute a new class of securities of the Issuer with no established trading market. The Issuer cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Dealers have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Issuer cannot assure you as to the liquidity of or the trading market for the Notes.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Pricing Supplement may purchase and sell Notes in the open market, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.

Overallotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the Dealers in this offering, which creates a short position for the Dealers. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Dealers may conduct these transactions in the over-the-counter market or otherwise. If the Dealers commence any of these transactions, they may discontinue them at any time.

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular. With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Neither the Issuer nor any Dealer has made any representation that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

The Arrangers, the Dealers and their respective affiliates have engaged in transactions with the Issuer in the ordinary course of their business and the Arrangers and the Dealers have performed various investment banking, financial advisory and other services for the Bank, for which they received customary fees and reimbursement of expenses, and the Arrangers, the Dealers and their respective affiliates may provide such services in the future, for which they may receive customary fees and reimbursement of expenses.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Until the termination of the 40 day distribution compliance period (as defined in Regulation S), an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the U.S. Securities Act.

Notwithstanding the foregoing, each Dealer may arrange for the offer and sale of Notes in the United States pursuant to Rule 144A under the U.S. Securities Act. Each purchaser of Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A (see "*Notice to Purchasers and Holders of Notes and Transfer Restrictions*"). Offers and sales of the Notes in the United States will be made by those Dealers or their affiliates that are registered broker-dealers under the Exchange Act or in accordance with Rule 15a-6 thereunder.

In addition, with respect to Notes where TEFRA D is specified in the applicable Pricing Supplement, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA D Rules**") (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and will not deliver within the United States or its possessions definitive notes in bearer form that are sold during the restricted period; (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules; (c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010); (d) with respect to each affiliate (if any) that acquires from such Dealer Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, such Dealer either (i) repeats and confirms the representations contained in sub-clauses (a), (b) and (c) on behalf of such affiliate or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations contained in sub-clauses (a), (b) and (c); and (e) each Dealer agrees that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4)(ii) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) that purchases any Notes in bearer form from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder, including the TEFRA D Rules.

Alternatively, with respect to Notes where TEFRA C is specified in the applicable Pricing Supplement, under U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA C Rules**"), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such issue, each relevant dealer will be required to represent and agree that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C Rules.

Each Note in bearer form and any Coupon and Talon relating thereto will bear a legend to the following effect: THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES (EACH AS DEFINED IN REGULATION S OF THE SECURITIES ACT) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT), EXCEPT IN COMPLIANCE WITH AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Each permanent and definitive Note in bearer form and any Coupon and Talon relating thereto which has an original maturity of more than one year will bear a legend to the following effect: ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that

Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) pursuant to the exemption from the requirement to publish a prospectus under Article 1(2)(d) of the Prospectus Directive;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hungary

This Offering Circular has not been and will not be submitted for approval to the National Bank of Hungary and the Notes will not be offered in Hungary in a public offer as defined in Act CXX of 2001 on the Capital Markets. Each Dealer has confirmed its awareness of the above and has represented that it has not offered or sold and will not offer or sell the Notes in Hungary in a public offer.

If the Notes are offered in a private placement in Hungary, the Issuer must report such private placement to the National Bank of Hungary within 15 days from the closing date of the private placement.

Each Dealer has represented and agreed that if the Notes are offered in a private placement in Hungary, (i) all written documentation prepared in connection with a private placement in Hungary will clearly indicate that it is a private placement; (ii) it will ensure that all investors receive the same information which is material or necessary to the evaluation of the Issuer's current market, economic, financial or legal situation and its expected development, including that which was discussed in any personal consultation with an investor; and (iii) the following standard wording will be included in all such written communication:

"PURSUANT TO SECTION 18 OF ACT CXX OF 2001 ON THE CAPITAL MARKETS, THIS [NAME OF DOCUMENT] WAS PREPARED IN CONNECTION WITH A PRIVATE PLACEMENT IN HUNGARY."

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act (Law No.25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

NOTICE TO PURCHASERS AND HOLDERS OF NOTES AND TRANSFER RESTRICTIONS

Rule 144A Notes

Neither the Notes nor the Funding Guarantee have been or will be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Notes issued under the Programme may, in certain cases, be offered and sold in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act. The Pricing Supplement relating to such an issue (a "**Rule 144A Issue**") will state that the issue (or a portion thereof) is a Rule 144A Issue.

Each purchaser and subsequent transferee of a Note (or any beneficial interest therein) will be deemed to have represented and warranted that (a) either: (i) it is not and for as long as it holds the Notes (or any beneficial interest therein) will not be, and is not acting on behalf of (and for so long as it holds any Note or beneficial interest therein will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any "plan" as defined in and to which Section 4975 of the Code applies, any entity whose underlying assets are deemed to include "plan assets" of any of the foregoing under ERISA and the Plan Asset Regulation, or a governmental, church or non-U.S. plan subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

In relation to Rule 144A Issues the following provisions will apply. Where these provisions are inconsistent with provisions contained elsewhere in this offering circular, these provisions will prevail. The applicable Pricing Supplement may set forth provisions which differ in certain respects from those set forth below. Because of the following provisions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Initial Issue of the Notes

The Notes in registered form offered and sold pursuant to Rule 144A will initially be represented by a Rule 144A Global Note registered in the name of a nominee of DTC and the Notes in registered form offered and sold pursuant to Regulation S will initially be represented by a Regulation S Global Note. The Rule 144A Global Note will be deposited with a custodian for DTC as note depositary. Any Regulation S Global Note will be deposited with, and registered in the name of a nominee of a common depositary or common safekeeper, as the case may be, for Euroclear and/or Clearstream, Luxembourg as specified in the applicable pricing supplement. Beneficial interests in any global note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC and/or Euroclear and/or Clearstream, Luxembourg. If an issuance of Notes includes a Rule 144A Issue, all such Notes will be required to be in registered form, represented initially by a Rule 144A Global Note (or, if applicable, by a Regulation S Global Note).

Upon the issuance of a Global Note, the Issuer expects that each of DTC or its nominee and/or Euroclear and/or Clearstream, Luxembourg will credit on its book-entry registration and transfer system the respective principal amounts of the Notes represented by the Global Note to the accounts of persons that have accounts with them. The accounts to be credited shall be designated by the relevant dealer(s).

Transfer Restrictions

Each prospective purchaser of Registered Notes in the United States or who is a U.S. Person, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged with respect to such Notes that:

(A) It acknowledges that this Offering Circular is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or another available exemption from registration, or in offshore transactions in accordance with Regulation S. Distribution of this Offering Circular, or disclosure of any of its contents, to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto, and other persons meeting the definition of a QIB under Rule 144A or outside the United States and not U.S. persons, is unauthorised, and any disclosure of its contents, without the prior written consent of the Issuer, is prohibited; and

(B) It agrees to make no photocopies of this Offering Circular or any documents referred to herein.

Each purchaser of an interest in Registered Notes in the United States will be deemed to have represented and agreed that (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(A) It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it may be being made in reliance on Rule 144A.

(B) It understands that such Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that neither the Notes nor the Funding Guarantee have been or will be registered under the U.S. Securities Act or any other applicable securities law and may not be offered, sold, pledged or otherwise transferred except (a) to the Issuer or any affiliate thereof, (b) in the United States, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (c) outside the United States in accordance with Rule 903 or Rule 904 under the U.S. Securities Act, (d) pursuant to any other available exemption from registration under the U.S. Securities Act, or (e) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and any other jurisdiction. It also understands that the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in this section (B).

(C) It understands that such Notes (and Rule 144A Global Notes evidencing the Notes and each certificate issued in exchange for a beneficial interest in a Rule 144A Global Note), unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

NEITHER THE NOTES NOR THE FUNDING GUARANTEE REPRESENTED BY THIS GLOBAL NOTE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE OR OF ANY BENEFICIAL INTEREST OR PARTICIPATION THEREIN, THE HOLDER ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING SUCH NOTES OR ANY BENEFICIAL INTEREST OR PARTICIPATION THEREIN (A) REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "**QUALIFIED INSTITUTIONAL BUYER**") PURCHASING THE NOTES REPRESENTED BY THIS GLOBAL NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTES REPRESENTED HEREBY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ISSUE DATE OF THE MOST RECENTLY ISSUED TRANCHE OF THIS SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE NOTES REPRESENTED BY THIS GLOBAL NOTE ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE REGISTERED HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF SUCH NOTES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE OR OF ANY BENEFICIAL INTEREST OR PARTICIPATION THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE THEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON SUCH HOLDER AND ALL FUTURE HOLDERS OF THE NOTES REPRESENTED HEREBY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY BENEFICIAL INTEREST THEREIN), EACH PURCHASER AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED, THAT (A) EITHER THAT (1) IT IS NOT AND FOR AS LONG AS IT HOLDS THE NOTE (OR ANY BENEFICIAL INTEREST THEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF (AND FOR AS LONG AS IT HOLDS THE NOTE OR BENEFICIAL INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE "**PLAN ASSETS**" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY, OR ANY GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (2) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY BENEFICIAL INTEREST THEREIN) DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW), AND (B) IT AGREES NOT TO SELL OR OTHERWISE TRANSFER ANY INTEREST IN THE NOTES OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES.

(D) It is aware that the Issuer, the Registrar, the Paying and Transfer Agents, the Exchange Agent and the dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes for the account of one or more QIBs, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(E) It understands that the Notes offered in reliance on Rule 144A will be initially represented by one or more Rule 144A Global Notes. Before any interest in a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with the transfer restrictions referred to above.

The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and within the United States to QIB in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy of the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

Provision of information under Rule 144A(d)(4)

The Issuer has agreed that, for so long as any Notes issued by it are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, nor treated by the U.S. Securities and Exchange Commission as a foreign government as defined in Rule 405 under the U.S. Securities Act eligible to register securities under Schedule B of the U.S. Securities Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

Regulation S Notes

Each purchaser of an interest in Registered Notes outside the United States will be deemed to have represented and agreed that (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(A) It acknowledges that until the expiration of the Distribution Compliance Period, any offer or sale of the Notes shall not be made to a U.S. person or for the account or benefit of a U.S. person.

(B) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(C) It acknowledges that the registrar will not be required to accept for registration of transfer any Notes it acquires, except upon presentation of evidence satisfactory to the Issuer and the registrar that the restrictions set forth herein have been complied with.

(D) It acknowledges that:

  (1) the Issuer, the Dealers and others will rely upon the truth and accuracy of its acknowledgements, representations and agreements set forth herein and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealers; and

  (2) if it is acquiring any Notes as fiduciary or agent for one or more investor accounts, it represents with respect to each such account that:

    (a) it has sole investment discretion; and

    (b) it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(E) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of the Notes.

(F) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Dealers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required.

(G) It represents and agrees that, (a) it is not and for as long as it holds the Notes (or any beneficial interest therein) will not be, and is not acting on behalf of (and for as long as it holds the note or beneficial interest therein will not be acting on behalf of), an "employee benefit plan" as defined in section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, or a "Plan" as defined in and subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), an entity whose underlying assets are deemed for purposes of Section 406 of ERISA or Section 4975 of the Code to include "**plan assets**" by reason of such employee benefit plan's or plan's investment in the entity, or any governmental, church or non-U.S. plan subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations and agreements with respect to its acquisition, holding and disposition of the Notes.

GENERAL INFORMATION

Responsibility

Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság (the "**Responsible Person**") accepts responsibility for the information contained in this Offering Circular. Its registered office is located at Nagymezo utca 46-48, 1065 Budapest, Hungary. To the best knowledge of Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság, the information contained in this Offering Circular is in accordance with the facts and no material circumstances are omitted.

Authorisation

The Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Founder of the Issuer dated 22 November 2012. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of Hungary or otherwise have been given for the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Agreement, the Agency Agreement and the Notes.

Listing

Application may be made to the UKLA for the Notes to be issued under the Programme to be admitted to listing on the Official List, and admitted to trading on, the London Stock Exchange's regulated market. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Ratings

The Programme and the Issuer have received the following ratings:

	Short-Term Issues/Short-Term Rating	Long-Term Issues/Long-Term Rating
S&P	B	BB
Fitch	B	BB+

Short-term issues are obligations with an original maturity of less than 365 days. Long-term issues are obligations with an original maturity of one year or more.

The foregoing are ratings in respect of the Programme in general. The ratings of the Programme address the ability of the Issuer to make payments due in respect of Notes in the event that an Event of Default occurs. They do not address the probability of an Event of Default actually occurring. The ratings of the Programme may be lowered or withdrawn entirely at any time by the relevant rating agency.

Each of S&P and Fitch is established in the European Union and is registered under the CRA Regulation. A list of credit rating agencies registered in accordance with the CRA Regulation is published by the European Securities and Markets Authority on its website (www.esma.europa.eu), which is updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the Programme's or Issuer's rating. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Pricing Supplement.

A credit rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

Documents on Display

For the period of 12 months following the date of publication of this Offering Circular, copies of the following documents will, when published, be available for inspection during normal business hours from the registered office of the Issuer and from the specified offices of the Fiscal Agent, the Registrar and the other Paying and Transfer Agents for the time being in London and Frankfurt:

(i) the Deed of Foundation of the Issuer (in Hungarian and English);

(ii) the Interim Financial Statements and the Financial Statements;

(iii) the 2011 annual report prepared by the Issuer, the 2012 annual report prepared by the Issuer and the 2013 annual report prepared by the Issuer;

(iv) the Programme Agreement, the Agency Agreement (which contains the forms of the Temporary and Permanent Global Notes, the Definitive Notes, the Coupons and the Talons) and the Deed of Covenant;

(v) a copy of this Offering Circular;

(vi) any future offering circulars, supplementary listing particulars, information memoranda and supplements including the Pricing Supplements relating to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of a syndicated issue of listed Notes, the syndication agreement (or equivalent document),

save that in respect of any Series of Notes which is not admitted to trading on a regulated market in the European Economic Area, the relevant Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Fiscal Agent, Registrar and/or the Paying and Transfer Agent as to its holding of such Notes and identity.

No Delivery of Bearer Notes Inside the United States

No Bearer Notes can be delivered to any address in the United States or its possessions. Paying and Transfer Agents for the Bearer Notes will have their specified office outside of the United States and no payment in respect of the Bearer Notes can be made either by mail to an address in the United States or its possessions or by transfer to an account maintained in the United States. The Bearer Notes can only be delivered to a custodian or depository outside the United States for Euroclear and Clearstream, Luxembourg (or any other clearing system outside the United States agreed by the Issuer).

Clearing Systems

The Bearer Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping records). The appropriate common code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Pricing Supplement. In addition, application will be made for any Rule 144A Global Notes and Regulation S Global Notes to be accepted for trading in book-entry form by DTC. Acceptance of each Series of Registered Notes will be confirmed in the relevant Pricing Supplement related thereto. The CUSIP and/or ISIN numbers for each Series of Registered Notes will be contained in the Pricing Supplement relating thereto. Transactions will normally be effected for settlement not earlier than 3 days after the date of the transaction. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the relevant Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg. The address of the DTC is 55 Water Street, 22nd Floor, New York, NY 10041-0099, United States of America.

Conditions for Determining Price

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

No Significant or Material Adverse Change in the Issuer's Financial Position

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since 30 June 2014 being the date of the last published reviewed interim accounts.

Litigation

Save as disclosed in this Offering Circular, the Issuer is not and has not been engaged in any governmental, legal, arbitration, administrative or other proceedings, the results of which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position or profitability of the Issuer, nor is the Issuer aware of any such proceedings being threatened or pending.

Auditors

KPMG are certified public accountants and have audited the Issuer's financial statements and have issued their audit report thereon, without qualification, in accordance with generally accepted auditing standards in Hungary as of and for the financial periods ending 31 December 2013, 31 December 2012 and 31 December 2011. KPMG have reviewed the Issuer's interim financial statements and have issued their review report thereon, without qualification, in accordance with generally accepted auditing standards in Hungary as of and for the six months ending 30 June 2014.

INDEX TO THE FINANCIAL STATEMENTS

Condensed interim financial report of Hungarian Export-Import Bank Limited Private Company for the six months ended 30 June 2014

Audited financial statements of Hungarian Export-Import Bank Limited Private Company for the year ended 31 December 2013

Audited financial statements of Hungarian Export-Import Bank Limited Private Company for the year ended 31 December 2012

Audited financial statements of Hungarian Export-Import Bank Limited Private Company for the year ended 31 December 2011

HUNGARIAN EXPORT-IMPORT BANK
PRIVATE LIMITED COMPANY

CONDENSED INTERIM
FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTHS ENDED
30 JUNE 2014

WITH THE INDEPENDENT AUDITORS' REPORT

CONTENTS

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Independent Auditors' Report on Review of Interim Financial Information

To the shareholder of Magyar Export-Import Bank Zrt.

Introduction

We have reviewed the accompanying condensed statement of financial position of Magyar Export-Import Bank Zrt. as at 30 June 2014, the condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the EU. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the EU.

Budapest, 15 August 2014

KPMG Hungária Kft.

Gábor Agócs
Partner

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014
(All amounts stated in HUF million unless otherwise noted)

	Note	30.06.2014	31.12.2013
Cash, due from banks and balances with the National Bank of Hungary	4	1,645	898
Available-for-sale financial assets, net of impairment loss	5	48,449	2,105
Loans and advances to customers, net of impairment losses	6	106,388	99,265
Loans and advances to other banks and insurance companies, net of impairment losses	7	309,603	275,753
Financial assets at fair value through profit or loss	8	311	43
Investment in a joint venture	9	389	-
Intangibles, property and equipment, net		363	355
Deferred tax assets		55	79
Other assets, net		2,797	3,093
Total Assets		**470,000**	**381,591**
Loans and deposits from other banks and insurance companies	11	200,890	144,156
Financial liabilities at fair value through profit or loss	8	5,561	4,274
Debt securities issued	12	223,864	211,967
Provision for guarantees and contingencies	10	522	321
Other liabilities		3,387	3,109
Total Liabilities		**434,224**	**363,827**
Share capital	13	28,100	10,100
Reserves	13	7,676	7,664
Total Shareholder's Equity		**35,776**	**17,764**
Total Liabilities and Equity		**470,000**	**381,591**

15 August 2014

Authorised for issue by

Roland Nátrán
Chief Executive Officer

The accompanying notes to the condensed interim financial statements on pages 7-49 form an integral part of these condensed interim financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014 (All amounts stated in HUF million unless otherwise noted)

	Note	30.06.2014	30.06.2013
Interest income	16	10,603	7,394
Interest expense	16	(8,200)	(5,309)
Net interest income		**2,403**	**2,085**
Fee and commission income		153	136
Fee and commission expense		(27)	(360)
Net income from fees and commissions		**126**	**(224)**
Provisions and impairment (losses)	10	(675)	(625)
Gains and (losses) from trading and investment activities, net	17	(97)	(263)
Operating expenses, net	18	(2,593)	(1,498)
Share of (loss) of a joint venture	9	(111)	-
(Loss) before income tax		**(947)**	**(525)**
Income taxes	15	(21)	25
(Loss) for the period		**(968)**	**(500)**
Other comprehensive income			
Fair value adjustment of available-for-sale securities, net of tax	19	980	4
Other comprehensive income for the period, net of income tax		**980**	**4**
Total comprehensive income/ (loss) for the period		**12**	**(496)**

15 August 2014

Authorised for issue by

Roland Nátrán
Chief Executive Officer

The accompanying notes to the condensed interim financial statements on pages 7-49 form an integral part of these condensed interim financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts stated in HUF million unless otherwise noted)

	Note	30.06.2014	30.06.2013
OPERATING ACTIVITIES			
(Loss) for the period		(968)	(500)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation		92	75
Provision charged /(released) for impairment losses	10	474	608
(Profit)/loss from revaluation to fair value		(97)	(733)
Share of the profit and loss of the joint venture accounted for using the equity method	9	111	-
Foreign exchange (gains) and losses relating to non-operating cash-flows		15,827	3,873
Other non-cash items		349	7
Net interest income	16	(2,403)	(2,085)
Tax expense	15	21	(25)
Changes in operating assets and liabilities:			
Net (increase)/decrease in loans and advances to other banks and insurance companies, before impairment losses		(33,896)	(7,132)
Net (increase)/decrease in loans and advances to customers, before impairment losses		(6,526)	(4,890)
Net (increase)/decrease in other assets		319	441
Net increase/(decrease) other liabilities and provision		522	479
Interest received		9,523	8,083
Interest paid		(6,247)	(2,165)
Income taxes paid		(64)	(117)
Net cash provided by/(used in) operating activities		**(22,963)**	**(4,081)**
INVESTING ACTIVITIES			
Purchases of intangibles, property and equipment		(99)	(163)
Net (increase)/decrease in available-for-sale financial assets		(45,172)	9,971
Net cash used in investing activities		**(45,271)**	**9,808**
FINANCING ACTIVITIES			
Proceeds from issue of share capital	13	18,000	-
Proceeds from banks and deposits from banks		206,721	141,275
Repayment of banks and deposits from banks		(155,780)	(148,817)
Net cash (used in)/ provided by financing activities		**68,941**	**(7,542)**
Net increase/(decrease) in cash and cash equivalents		**707**	**(1,815)**
Net foreign exchange difference		40	9
Cash and cash equivalents at the beginning of the year	4	898	2,505
Cash and cash equivalents at the end of the year	**4**	**1,645**	**699**

The accompanying notes to the condensed interim financial statements on pages 7-49 form an integral part of these condensed interim financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts stated in HUF million unless otherwise noted)

	Share Capital	Share Premium	Retained Earnings	Statutory reserves	Fair value reserve	Total
Balance as at 1 January 2013	**10,100**	**400**	**1,259**	**6,739**	**15**	**18,513**
Total comprehensive income for the period						
Profit or loss			(500)			(500)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					4	4
Total comprehensive income for the period			***(500)***		***4***	***(496)***
Other transactions, recorded directly in equity						
Release of Statutory reserves (Note 3.2)			(10)	10		
Reclassification (Note 3.2)			(983)	983		
Total other transactions			***(993)***	***993***		
Balance as at 30 June 2013	**10,100**	**400**	**(233)**	**7,733**	**19**	**18,019**
Balance as at 1 January 2014	**10,100**	**400**	**(489)**	**7,729**	**24**	**17,764**
Total comprehensive income for the period						
Profit or loss			(968)			(968)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					980	980
Total comprehensive income for the period			***(968)***		***980***	***12***
Other transactions, recorded directly in equity						
Increase in share capital (Note 13)	18,000					18,000
Reclassification of retained earnings to general reserve (Note 3.2)			(58)	58		
Total other transactions	***18,000***		***(58)***	***58***		***18,000***
Balance as at 30 June 2014	**28,100**	**400**	**(1,515)**	**7,787**	**1,004**	**35,776**

The accompanying notes to the condensed interim financial statements on pages 7-49 form an integral part of these condensed interim financial statements.

NOTE 1. GENERAL INFORMATION

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

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

Eximbank – as a 100 % state owned company – was controlled by the Hungarian National Asset Management Company, the successor of the State Privatisation and Holding Company (ÁPV Rt.) between 1 January 1999 and 15 December 2004. On 15 December 2004, ÁPV Rt. sold 75 % less one share (and voting rights) of Eximbank to the Hungarian Development Bank Ltd. according to the rules of paragraph 138 (4) of Act XLVIII of 2004 on Financial Services and the respective Government Decree no. 2186/2004 (VII.22.).
Since 17 June 2010, Eximbank had been controlled solely by the Hungarian Development Bank Ltd. in accordance with the paragraph 12 (1) of Act LII on accountable management of state owned properties. Therefore the Hungarian Development Bank Ltd. – having its registered office at Nádor St. 31., H-1051 Budapest, Hungary – was the Bank's parent company.
On 12 April 2012, the Hungarian Government had announced that the Hungarian State acquired the shares in Eximbank owned by the Hungarian Development Bank Ltd. and all the shareholders' rights exercised by Ministry for National Economy. Following the new announcement by the Hungarian Government in June 2014 all the shareholders' rights have been exercised by Ministry of Foreign Affairs and Trade. The relating modification of the Act on Eximbank is effective from 06 June 2014.

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Bank have been prepared in accordance with *IAS 34 Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the EU.
Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the last annual financial statements as at and for the year ended 31 December 2013. This condensed interim financial statements does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.
This condensed interim financial statements for the six months ended 30 June 2014 includes 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.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of compliance (continued)

These condensed interim financial statements were authorised for issue by the Chief Executive Officer on 15 August 2014. These condensed interim financial statements are not intended to be used for statutory filing purposes.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policy

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and the impact of each new standard or amendment is described below.

Standards effective for annual periods beginning on or after 1 January 2014:

IFRIC 21 'Levies'

The Bank has adopted IFRIC 21 'Levies'. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Bank is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the condensed interim financial statements for the period ended 30 June 2014. The Bank does not expect IFRIC 21 to have a significant effect on the results for the financial year ending 31 December 2014.

IFRS 10 – Consolidated Financial Statements, IAS 27 – Separate Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Involvement with Other Entities

IFRS 10 became effective for annual periods beginning on or after 1 January 2014. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

IFRS 11 became effective for annual periods beginning on or after 1 January 2014. It replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Change in accounting policy (continued)

IFRS 12 became effective for annual periods beginning on or after 1 January 2014. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Bank concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact were the Bank to reach a different conclusion regarding consolidation.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearinghouses to qualify for offsetting. The amendments were effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Bank.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments were effective for annual periods beginning on or after 1 January 2014. These amendments had no impact to the Bank as the Bank had not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The amendments are effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Bank.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these condensed interim financial statements. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Statutory reserves

3.2.1 General risk reserve

Hungarian legislation allowed the Bank to set aside amounts for general banking risks, including future losses and other unforeseeable risks or contingencies, in addition to those losses which have been specifically identified and those potential losses which experience indicates are present in the credit portfolio. As at 31 December 2012, the Bank set aside 1.25 % (2011: 1.00 %) of risk-weighted assets and off-balance sheet exposures. In 2013 the Bank did not set aside general risk reserve. Such amounts are separately disclosed as appropriation of retained earnings and are not included in the determination of net profit or loss for the period.
The provisions of the *"Act of CXII of 1996 on Credit Institutions and Financial Enterprises"* in force as at 31 December 2013 allowed credit institutions to reclassify their whole amount of general risk reserves to the retained earnings. According to the provisions of the *"Act LIX of 2006 on the Introduction of Special Tax and Bankers' contribution Intended to Improve the Balance of Public Finances"* credit institutions had to assess and pay credit institutions' contribution at the rate of 19% on the general risk reserve reclassified to retained earnings as at 31 December 2013. Based on the above possibility Eximbank reclassified its general risk reserve of HUF 430 million to retained earnings as at 31 December 2013.
As of 1 January 2014 the Bank is not allowed to recognise general risk reserve.

3.2.2 General reserve

The provisions of the Act CXII of 1996* on Credit Institutions and Financial Enterprises (" Hungarian Banking Act") prescribes that the Bank has to set a general reserve in the amount of 10 % of the current year profit after tax figure, which will be eliminated to cover the future losses. The Hungarian Banking Act also allows the Bank reclassify its retained earnings into the general reserve. In 2014 the Bank reclassified HUF (58) million retained earnings into the general reserve (2013: HUF 1,413 million).
The general reserve cannot be distributed as dividends.

*Act CXII of 1996 on Credit Institutions and Financial Enterprises was superseded by Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises that is effective from 1 January 2014

3.3 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 is not control or joint control over those policies.

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.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Investment in associates and joint ventures (continued)

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.

3.4 Segment reporting

In 2013 the management reassessed the organisational, management and internal reporting structure of the Bank, and identified only one operating segment. As a result the Bank does not disclose operating segment as of 2014.

(All amounts stated in HUF million unless otherwise noted)

NOTE 4. CASH AND CASH EQUIVALENTS

	30.06.2014	31.12.2013
Balances with the National Bank of Hungary (NBH) in HUF	391	7
Due from banks in HUF	5	2
Due from banks in foreign currency	1,249	889
Total	**1,645**	**898**

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 391 million as at 30 June 2014 and HUF 7 million as at 31 December 2013, respectively.

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET OF IMPAIRMENT LOSS

	30.06.2014	31.12.2013
Hungarian Treasury Bills in HUF	248	1,226
Hungarian Government bonds in HUF	834	807
Hungarian Government bonds in FCY	46,095	-
Fair value adjustment	1,142	27
Sub-total	**48,319**	**2,060**
Senior Notes	69	66
Global Depository Receipts	70	66
Impairment loss (Note 10)	(104)	(99)
Securities acquired in exchange for loan	**35**	**33**
HUF shares	12	12
FCY shares	83	-
Sub-total	**95**	**12**
Total	**48,449**	**2,105**

The reason behind the significant increase in the balance of available-for-sale financial assets is as follows. On 1 October 2013, the Bank issued EUR 400 million of fixed-rate notes (See Note 12.). As at the end of 2013, the Bank placed the liquid part of the cash received from the issuance on interbank market. In 2014 the Bank reallocated the majority of its liquid assets from interbank deposit and purchased Hungarian Government bonds (2015/X) denominated in EUR. The Hungarian State issued these bonds with variable interest rate on 21 November 2012. Actual interest rate is 3.20%. Maturity date is 21 December 2015.

(All amounts stated in HUF million unless otherwise noted)

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET OF IMPAIRMENT LOSS (CONTINUED)

HUF shares as at 30 June 2014 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 ownership		Subscribed and paid in capital	
	31.12.2013	30.06.2014	31.12.2013	30.06.2014
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")	-	6.88%	-	USD 365,517 (HUF 83 million)

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, principally in Central and Eastern Europe for the benefit its investors while reducing investment risks through diversification.
In accordance with the private placement memorandum of China-CEE Fund and the subscription agreement Eximbank committed to pay USD 30 million during the commitment period. By the end of June 2014 Eximbank already fulfilled payment of USD 365,517 (HUF 83 million). The rest of the USD 29,634,483 (HUF 6,731 million) is classified as contingent liability as at 30 June 2014.

Remaining maturity of Hungarian Treasury bills and Hungarian Government bonds as at 30 June 2014 and 31 December 2013 are detailed below:

	30.06.2014	31.12.2013
1 to 3 months	1,089	-
3 months to 1 year	-	2,060
1 to 5 years	47,230	-
Total	**48,319**	**2,060**

(All amounts stated in HUF million unless otherwise noted)

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

	30.06.2014	31.12.2013
Short-term:		
- in foreign currency	36,805	33,230
- in HUF	5,156	4,296
Sub-total	**41,961**	**37,526**
Long-term:		
- in foreign currency	70,150	67,014
- in HUF	109	110
Sub-total	**70,259**	**67,124**
Total	**112,220**	**104,650**
Less: impairment losses (see Note 10)	(5,832)	(5,385)
Total	**106,388**	**99,265**

Loans and advances to customers include balances with the Hungarian State from interest compensation systems in amount of HUF 3,836 million as at 30 June 2014 and HUF 2,979 million as at 31 December 2013.

Under the 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 close of each quarter, and the payment for that quarter is received by Eximbank within 30 days of the application.

As at 30 June 2014, 76% of loans and advances to customers – excluding balances with the Hungarian Sate – (by nominal amount) qualified for interest compensation from the Hungarian State (as at 31 December 2013: 77%). In addition to receiving payments from the Hungarian State under the interest equalisation programme, Eximbank receives a form of interest support with respect to tied-aid credits, which tied-aid loans represented 10% of total loans and advances to customers – excluding balances with Hungarian Sate - (by nominal amount) as at 30 June 2014 (as at 31 December 2013: 9%).

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

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

(All amounts stated in HUF million unless otherwise noted)

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

The table below shows an analysis of loans and advances to customers by remaining maturity as at 30 June 2014 and 31 December 2013.

	30.06.2014	31.12.2013
Remaining Maturity	Gross value	Gross value
In foreign currency:		
Up to 1 month	8,127	6,302
1 to 3 months	3,989	7,533
3 months to 1 year	24,689	19,395
1 to 5 years	60,894	57,569
Over 5 years	9,256	9,445
Sub-total	**106,955**	**100,244**
In HUF		
Up to 1 month	5,114	4,257
1 to 3 months	9	15
3 months to 1 year	33	24
1 to 5 years	78	83
Over 5 years	31	27
Sub-total	**5,265**	**4,406**
Total	**112,220**	**104,650**

(All amounts stated in HUF million unless otherwise noted)

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

	30.06.2014	31.12.2013
Short-term (up to 1 year)		
- in foreign currency	83,545	82,464
- in HUF	-	38,135
Sub-total	**83,545**	**120,599**
Long-term (over 1 year), in foreign currency	226,498	155,573
Sub-total	**226,498**	**155,573**
Total	**310,043**	**276,172**
Less: impairment losses (see Note 10)	(440)	(419)
Total	**309,603**	**275,753**

A loan receivable from a foreign bank insured by Hungarian Export Credit Insurance Ltd (MEHIB) in amount of HUF 16,471 million (EUR 60,861,115) was assigned to MEHIB due to default in 2010. Based on the agreement, MEHIB repays the loan and interest in accordance with the same conditions as the original client. As at 31 December 2013, the balance of the claim (including related accrued interest) against MEHIB was HUF 7,412 million (EUR 24,962,534), while as at 30 June 2014, it was HUF 6,453 million (EUR 20,802,112).

(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 30 June 2014 and 31 December 2013.

Remaining Maturity	30.06.2014 Gross value	31.12.2013 Gross value
Placements in foreign currency:		
Up to 1 month	3,619	24,858
1 to 3 months	11,953	12,031
3 months to 1 year	67,973	45,575
1 to 5 years	212,077	141,687
Over 5 years	14,421	13,886
Sub-total	**310,043**	**238,037**
Placements in HUF		
Up to 1 month	-	38,135
Sub-total	**-**	**38,135**
Total	**310,043**	**276,172**

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

The Hungarian State will also provide interest equalisation payments to Eximbank for loans with maturity below two years that are based on EU rules (EU Commission Communication 2008/C 14/02). Under the interest equalisation program, the amount of interest compensation provided by the Hungarian State is determined by the difference between (i) the interest rate paid by the borrower and (ii) the sum of Eximbank's funding costs, operating expenses and the applicable risk premium, as agreed with the representative of the Ministry for National Economy.

Loans and advances to other banks and insurance companies include refinancing loans disbursed. While 74.8% of total loans and advances to other banks and insurance companies were refinancing loans as at 31 December 2013, this ratio was 97.2% as at 30 June 2014 by nominal amount. All of the refinancing loans qualified for interest compensation from the Hungarian State. As at 30 June 2014, the aforementioned receivable from a foreign bank assigned to MEHIB represented 2.1% of the total loans and advances to other banks and insurance companies while short-term interbank placement represented 0.7%. These ratios were 2.7% and 22.5% as at 31 December 2013.

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

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

Financial assets at fair value through profit or loss as at 30 June 2014 and 31 December 2013 are as follows:

	30.06.2014	31.12.2013
Derivative assets (trading):		
Foreign exchange swaps	311	43
Total	**311**	**43**

Financial liabilities at fair value through profit or loss as at 30 June 2014 and 31 December 2013 are as follows:

	30.06.2014	31.12.2013
Derivative liabilities (trading):		
Cross currency interest rate swap	4,500	4,013
Foreign exchange swaps	1,061	261
Total	**5,561**	**4,274**

The details of the cross currency interest rate swap for the period ended 30 June 2014 and 31 December 2013 – with Deutsche Bank AG London - are shown below:

	30.06.2014	31.12.2013
Contractual maturity	08.02.2018	08.02.2018
Receive notional in USD	250,000,000	250,000,000
Receive notional in HUF million	56,783	53,918
Pay notional in EUR	191,659,000	191,659,000
Pay notional in HUF million	59,451	56,905

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014 (All amounts stated in HUF million unless otherwise noted)

NOTE 9. INVESTMENT IN A JOINT VENTURE

Fordulat Tőkealap ("the Fund") was launched in June 2012 with a share capital of 5 billion HUF. 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 5 billion HUF to 10 billion HUF.
Fordulat Tőkealap is a private equity fund. Its targets are well-established medium-sized companies that offer a promising business model, have already established a line of products 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 or does not allow them to finance their future growth.

According to the principle legal document Eximbank undertook to pay HUF 500 million as initial contribution to the Fund in November 2013. This was classified as other receivables as at 31 December 2013. The subscription period completed only in January 2014 meaning that first round of Fund Interests were issued to Eximbank in January 2014. According to the agreement Eximbank obtained joint control over the Fund only in January 2014. From accounting point of view it resulted in the initial contribution being classified from other receivables to investment in a joint venture in January 2014. The share capital of the Fund increased from HUF 5 billion to HUF 10 billion. According to the principal legal document of the Fund Eximbank committed to pay a total of HUF 5 billion by the end of 2018, which will represent 50% ownership interest. Payment schedule depends on investments. According to the already paid amount of HUF 500 million the proportion of Eximbank's contribution to the share capital is 32% as at 30 June 2014. (By the end of 30 June 2014 OTP Bank Plc. has already contributed HUF 1,050 million as paid in capital.) The Bank classifies the unpaid HUF 4.5 billion as contingent liability as at 30 June 2014. The Bank expects profit on this investment.
Between Eximbank and the Fund there weren't any other transactions.

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. The Bank recognised loss of HUF 111 million as a share of the loss of the joint venture according to the equity method.

	30.06.2014	**31.12.2013**
Initial recognition at cost	500	-
Recognise the investor's share of the profit or loss	(111)	-
Total	**389**	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts stated in HUF million unless otherwise noted)

NOTE 10. PROVISIONS AND IMPAIRMENT LOSSES

The table below shows impairment made and released during the six months ended 30 June 2014 and during the year ended 31 December 2013:

	Loans and advances to other banks and insurance companies	Loans and advances to customers	Available-for-sale securities	Other asset	Total
As at 31 December 2012	**438**	**4,537**	**101**	**15**	**5,091**
Net charge/ (release)	(4)	612	3	(1)	610
As at 30 June 2013	**434**	**5,149**	**104**	**14**	**5,701**
Net charge/ (release)	(15)	236	(5)	-	216
As at 31 December 2013	**419**	**5,385**	**99**	**14**	**5,917**
Net charge/ (release)	21	447	5	1	474
As at 30 June 2014	**440**	**5,832**	**104**	**15**	**6,391**

(All amounts stated in HUF million unless otherwise noted)

NOTE 10. PROVISIONS AND IMPAIRMENT LOSSES (CONTINUED)

The table below shows provision made and reversed during the six months ended 30 June 2014 and during the year ended 31 December 2013.

	Provision for guarantees and contingencies
As at 31 December 2012	**246**
Provision made during the period (net)	127
Provision used during the period	(110)
As at 30 June 2013	**263**
Provision made during the period (net)	91
Provision used during the period	(33)
As at 31 December 2013	**321**
Provision made during the period (net)	366
Provision used during the period	(165)
As at 30 June 2014	**522**

Out of the total HUF 522 million provisions as at 30 June 2014, HUF 108 million was made for management bonuses. The remaining part of provisions was made for commitments and contingent liabilities. As at the end of 2013, HUF 80 million was made for management bonuses. The remaining part of provisions was made for commitments and contingent liabilities.

Provisions and impairment losses as at 30 June 2014

	Provisions and impairment losses
Impairment charge	(474)
Provision made during the period (net)	(366)
Provision used during the period	165
Total	**(675)**

NOTE 11. LOANS AND DEPOSITS FROM OTHER BANKS AND INSURANCE COMPANIES

	30.06.2014	**31.12.2013**
Short-term		
- in foreign currency	46,831	27,669
- in HUF	35,264	23,529
Sub-total	**82,095**	**51,198**
Long-term		
- in foreign currency	113,796	87,959
- in HUF	4,999	4,999
Sub-total	**118,795**	**92,958**
Total	**200,890**	**144,156**

(All amounts stated in HUF million unless otherwise noted)

NOTE 11. LOANS AND DEPOSITS FROM OTHER BANKS AND INSURANCE COMPANIES (CONTINUED)

The table below shows an analysis of loans and deposits from other banks by remaining maturity as at 30 June 2014 and 31 December 2013.

		30.06.2014	31.12.2013
Remaining Maturity		Gross value	Gross value
In foreign currency:			
Up to 1 month		7,304	2,353
1 to 3 months		1,361	15,863
3 months to 1 year		38,166	9,453
1 to 5 years		80,077	84,354
Over 5 years		33,719	3,605
	Sub-total	**160,627**	**115,628**
In HUF			
Up to 1 month		14,176	3,018
1 to 3 months		21,088	5,531
3 months to 1 year		-	14,980
1 to 5 years		4,999	4,999
	Sub-total	**40,263**	**28,528**
Total		**200,890**	**144,156**

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

The Hungarian State's obligations to Eximbank in respect of the Funding Guarantee are subject to an upper limit set by the annual budget. Under the 2014 Budget Act, the upper limit of the Funding Guarantee is currently HUF 1,200 billion. As at 30 June 2014, 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 Global Medium Term Note Programme) of HUF 748.2 billion (EUR 2.4 billion), representing approximately 62.35% of the HUF 1,200 billion upper limit (as at 31 December 2013: 58%).

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 12. DEBT SECURITIES ISSUED

On 12 December 2012, under the EUR 2 billion Global Medium Term Note Program (GMTN 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 on 12 February 2018 at the nominal value. The bonds will be redeemed on the maturity date. Interest payment dates are 12 February and 12 August in each year up to and including maturity date. There was a long first coupon from and including 12 December 2012 up to but excluding 12 August 2013.

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

On 1 October 2013, under the before-mentioned EUR 2 billion GMTN Program, the Bank issued EUR 400 million of fixed-rate notes maturing on 13 February 2019. 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.

Amortised cost of the bonds as at 30 June 2014 and 31 December 2013:

	30.06.2014	**31.12.2013**
USD bonds	114,716	108,817
EUR bonds	109,148	103,150
Total	**223,864**	**211,967**

The effective interest on the bonds recorded in interest expense was HUF 6,065 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013 it was HUF 3,309 million) using effective interest rates of 5.9% (USD bond) and 5.1% (EUR bond).

Main data of bonds:

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

NOTE 12. DEBT SECURITIES ISSUED (CONTINUED)

The issuance in 2013 was not a standard but a structured issuance. The notes issued by Eximbank – that are unconditionally and irrevocably guaranteed by the State of Hungary – were completely subscribed by MAEXIM Secured Funding Ltd (MAEXIM Ltd). This company is an SPV incorporated in the Republic of Ireland with the express purpose of issuing EUR 400 million notes. The SPV is owned by an independent third party – TMF Administration Services Limited - incorporated under the laws of Ireland. TMF acts as the corporate services provider for the SPV as well based on a corporate services agreement.

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 GMTN 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 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 notes issuance, payments received by the SPV under the MIGA contract will exclusively be used to pay class A1 note holders. While payments of principal and interest on class A1 notes are fully covered by the MIGA 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.

(All amounts stated in HUF million unless otherwise noted)

NOTE 12. DEBT SECURITIES ISSUED (CONTINUED)

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

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

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 13. SHAREHOLDER' S EQUITY

	30.06.2014	31.12.2013
Share capital	28,100	10,100
Share premium	400	400
Retained earnings	(1,515)	(489)
Fair value reserve, net of tax	1,004	24
General reserve	7,787	7,729
Total	**35,776**	**17,764**

In March 2014 the Hungarian State increased share capital by HUF 18,000 million.
As at 30 June 2014, the Bank's share capital was comprised of 5,620 fully paid shares, each with a par value of HUF 5 million.

As at 30 June 2014, the shareholder's rights were the following:

Shareholder	Number of shares	Face value of shares	Equity owned	Votes owned
The Hungarian State represented by Ministry of Foreign Affairs and Trade	5,620	28,100	100%	100%
Total	5,620	28,100	100%	100%

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 14. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

The Hungarian State's obligations in respect of this back-to-back statutory guarantee are subject to an upper limit set by the annual central budget. According to the 2014 Budget Act, the upper limit remained the same as in 2013, 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 30 June 2014, HUF 14,489 million of Eximbank's overall guarantee portfolio of HUF 15,889 million was backed by state guarantees.

The remaining 9% of Eximbank's guarantee portfolio (which are guarantees issued at its own risk) related to export-credit guarantees where the underlying loans, due mainly to the nature of the export or tenor, are outside OECD guidelines, and accordingly, outside the statutory guarantee.

Commitments and contingent liabilities as at 30 June 2014 and 31 December 2013 are summarised as follows:

	30.06.2014	**31.12.2013**
Unutilised part of credit lines	281,024	184,030
Guarantees counter-guaranteed by the Republic of Hungary	14,489	14,086
Guarantees not counter-guaranteed by the Republic of Hungary	1,400	2,688
Letter of credit	6,467	1,251
Total	**303,380**	**202,055**

Loan commitments constitute undrawn amounts under Eximbank's existing loan agreements. Eximbank's loan commitments primarily relate to its pre-export refinancing products entered into with banks. There are no assets of the Bank that are pledged as collateral.

(All amounts stated in HUF million unless otherwise noted)

NOTE 14. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The above figures do not contain the remaining unpaid part of the commitments and contributions in respect of Fordulat Tőkealap, China-CEE Fund and IFC Trust Fund as follows.

Name	Contingent liability		
	30.06.2014	31.12.2013	
Fordulat Tőkealap	HUF 4,500 million	HUF 4,500 million	Please refer to Note 9.
China-CEE Fund	USD 29,634,483 (HUF 6,731 million)	USD 30,000,000 (HUF 6,470 million)	Please refer to Note 5.
IFC Trust Fund	USD 14,000,000 (HUF 3,180 million)	-	Please refer to Note 18.

NOTE 15. TAXATION

The components of income tax expense for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are as follows:

	30.06.2014	30.06.2013
Corporate income tax expense	(4)	12
Local tax expense	118	57
Innovation contribution expense	18	9
Current income tax	**132**	**78**
Deferred tax (income)	(111)	(103)
Total income tax expense (income)	**21**	**(25)**
Net loss before income tax	(947)	(525)
Effective tax rate after adjustments	**(2%)**	**5%**

The corporate income tax was 10 % of the positive tax base up to HUF 500 million thereafter 19% both in 2013 and in 2014. 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.

Considered their net non-turnover character, local business tax and innovation contribution expenses are presented as an income tax expense for IFRS purposes.
In 2014 and 2013 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 16. INTEREST INCOME AND INTEREST EXPENSE

	30.06.2014	30.06.2013
Interest income:		
Loans and advances to customers	1,399	1,165
Loans and advances to other banks and insurance companies	1,314	1,240
Interest compensation*	7,118	3,957
Securities	770	1,014
Other	2	18
Total	**10,603**	**7,394**
Interest expense:		
Loans and deposits from other banks	2,135	2,000
Debt securities issued	6,065	3,309
Total	**8,200**	**5,309**
Net interest income	**2,403**	**2,085**

* 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 six months ended 30 June 2014 compared to the six months ended 30 June 2013 was the significantly higher volume of loans granted and as a result the necessary borrowings in the given period.

NOTE 17. GAINS AND LOSSES FROM TRADING AND INVESTMENT ACTIVITIES, NET

	30.06.2014	30.06.2013
Gain and losses on foreign currency swap deals, net	(1,720)	50
Other foreign currency gains and losses, net	1,625	(311)
Foreign currency gains and losses, net *	**(95)**	**(261)**
Other trading gains and losses, net	(2)	(2)
Total	**(97)**	**(263)**

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. OPERATING EXPENSES, NET

	30.06.2014	30.06.2013
Personnel expenses*	1,017	761
Material expenses	578	349
Special tax of credit institution	460	278
Bank tax	454	454
Depreciation and amortisation	92	75
Other administration expenses	48	28
Other expenses/ (income), net**	(56)	(447)
Total	**2,593**	**1,498**

* The average number of employees in the first six months of 2014 was 144 (in the first six months of 2013: 120).

** On 19 March 2014, Eximbank and International Finance Corporation ("IFC"), a member of the Word 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) was paid by Eximbank. Further USD 7 million per annum (altogether USD 14 million) is planned to be disbursed in 2015 and 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 of USD 6 million (HUF 1,324 million) from the Hungarian State under the interest equalisation programme. Therefore the net balance of these transactions amounted to zero in the statement of comprehensive income.
USD 14 million (HUF 3,180 million) undisbursed and uncommitted amount is classified as contingent liability as at 30 June 2014.

(All amounts stated in HUF million unless otherwise noted)

NOTE 19. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	30.06.2014	30.06.2013
Available for sale financial assets		
Gains (losses) arising during the year	1,115	2
Reclassification adjustments for (gains)/losses included in P&L	-	1
Other comprehensive income	**1,115**	**3**
Income tax relating to components	(135)	1
Other comprehensive income for the year	**980**	**4**

All the components of other comprehensive income for the six months ended 30 June 2014 and 30 June 2013 stated above are items that may be reclassified subsequently to profit or loss.

NOTE 20. RELATED PARTY TRANSACTIONS

20.1 Management and employees

Loans to employees of the Bank amounted to HUF 107 million and HUF 92 million as at 30 June 2014 and 31 December 2013, respectively. Out of the total amount HUF 9 million was granted to the management as at 30 June 2014 (as at 31 December 2013, it was HUF 1 million). The honorarium of the Board of Directors and the Supervisory Board added up to HUF 24 million in the first six months of 2014 (it was HUF 26 million in the first six months of 2013). There are no share-based payments to the Boards or the key management personnel. The remuneration of the key management personnel amounted to HUF 49 million in the first six months of 2014.

20.2 Companies

On 12 April 2012, the Hungarian Government had announced that the Hungarian State acquired the shares in Eximbank owned by the Hungarian Development Bank Ltd. and all the shareholders' rights exercised by Ministry for National Economy.
From 06 June 2014 all the shareholders' rights exercised by Ministry of Foreign Affairs and Trade.

All transactions with the Hungarian Development Bank Ltd. ("MFB") as one of the most significant related parties, 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.

Balances with related party companies as at 30 June 2014, representing 13.14% of total assets (as at 31 December 2013: 13.45%), 10.05% of total liabilities (as at 31 December 2013: 12.82%) and 0.01% of total commitments and contingent liabilities (as at 31 December 2013: 0.76%) are presented below:

(All amounts stated in HUF million unless otherwise noted)

NOTE 20. RELATED PARTY TRANSACTIONS (CONTINUED)

20.2 Companies (continued)

	30.06.2014	31.12.2013
Balances with NBH	**391**	**7**
Discounted bonds issued by NBH	249	1,232
Hungarian Government bonds	48,070	828
Total available for sale financial assets to related parties	**48,319**	**2,060**
Short-term placement to MFB incl. interest receivable	-	34,633
Loans to MEHIB and MFB's subsidiaries incl. interest receivable	6,453	8,891
Loans to MFB's associates incl. interest receivable	533	563
Advances to the State from interest compensation systems	3,836	2,979
Total loans and advances to related parties, net of impairment losses	**10,821**	**47,066**
Foreign currency swap with MFB and its subsidiaries	99	-
Total financial assets at fair value to related parties	**99**	**-**
Accrued income and receivable from the State in respect of tied-aid credits	1,884	2,074
Accrued income from MEHIB	299	114
Total other assets	**2,183**	**2,188**
Total Assets	**61,813**	**51,321**
Loans and deposits from MFB incl. accrued int.payables	31,010	29,681
Loans and deposits from MEHIB incl. accrued int.payables	9,909	9,826
Loans and deposits from MFB's subsidiaries incl. accrued int.payables	-	5,028
Total loans and deposits from related parties	**40,919**	**44,535**
Foreign currency swap with MFB and its subsidiaries	351	23
Total financial liabilities at fair value to related parties	**351**	**23**
Other liabilities to MEHIB	1,884	2,074
Accrued expense against MEHIB related to cost sharing	469	59
Total other liabilities to related parties	**2,353**	**2,133**
Total Liabilities	**43,623**	**46,691**
Guarantees provided on behalf of other state-owned company	27	49
Other commitments and contingent liabilities	-	1,485
Total commitments and contingent liabilities	**27**	**1,534**

(All amounts stated in HUF million unless otherwise noted)

NOTE 20. RELATED PARTY TRANSACTIONS (CONTINUED)

	30.06.2014	30.06.2013
Interest income:		
State interest compensation	7,118	3,957
Hungarian discounted treasury bills, discounted bonds issued by NBH and Hungarian Government bonds	768	1,012
Loans to MEHIB and MFB's subsidiaries	201	269
Loans to MFB's associates	9	21
Short-term placements to MFB	35	2
Short-term placements to MNB	-	18
Total	**8,131**	**5,279**
Interest expense:		
Loans and deposits from MFB	83	457
Loans and deposits from MFB's subsidiaries	-	188
Loans and deposits from MEHIB	127	-
Total	**210**	**645**
Fee and commission expense:		
Insurance fees paid to MEHIB	6	348
Total	**6**	**348**
Net interest income and net income from fees and commissions	**7,915**	**4,286**
Operating income/(expenses):		
Hungarian State: refund of insurance fees of tied-aid credits	5	348
Hungarian State: refund of contribution to IFC Trust Fund	1,324	-
Net operating income from MEHIB and MFB's subsidiaries	56	73
Total	**1,385**	**421**

NOTE 20. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

Total income from cost sharing amounted to HUF 182 million while expense amounted to HUF 141 million in the first six months of 2014. Total income from cost sharing amounted to HUF 70 million while expense amounted to HUF 42 million in the first six months of 2013.

NOTE 21. FINANCIAL RISK MANAGEMENT

Risk management activity of Eximbank is determined by its specific role and position in the Hungarian economy. The Bank's ultimate owner is the state with a 100% direct shareholding and it operates under the governance of the Ministry 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 diminish the risk of open bond positions the Bank holds bonds with low credit risk exclusively and does not deal with futures or options. The security portfolio consists primarily of zero-coupon bonds issued by the National Bank of Hungary and Hungarian government bonds held for the purposes of liquidity management and maintaining a liquidity reserve. Eximbank neither speculates on the stock exchange nor buys derivatives for speculative reasons. Eximbank enters into currency swap transactions intended to hedge foreign exchange risks.

The Bank's policies for managing interest rate, credit, foreign currency exchange risk and liquidity risk are reviewed regularly by the Asset and Liability Committee (ALCO), Credit Committee and the Board of Directors. The policies are summarised as follows:

Risk management policies

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

Risk strategy and risk profile

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1. 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 uses a 5 scale internal rating system for banks. The table below contains credit exposures to banks grouped by our internal rating categories by nominal amount as at 30 June 2014 and 31 December 2013:

Internal rating	Rating definition	30.06.2014	31.12.2013
1	Banks with extremely good financial conditions, and/or high possibility of efficient external support.	8,758	7,254
2	Banks with good financial conditions, and/or possibility of appropriate external support.	141,633	165,006
3	Banks with medium grade financial performance, and/or limited access to external support.	152,569	95,783
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.	423	403
Total		**303,383**	**268,446**

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1. Credit risk (continued)

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 30 June 2014.

Customer's internal rating	Level of collaterals behind claims			
	less than 50%	50%-70%	more than 70%	Total
1	31	-	977	1,008
2	-	-	24,390	24,390
3	14,187	183	7,743	22,113
4	7,757	-	7,924	15,681
5	7,442	1,696	15,596	24,734
6	7,548	542	6,848	14,938
7	3,839	-	2,177	6,016
Total	40,804	2,421	65,655	108,880

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.

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1. 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	
	30.06.2014	**31.12.2013**	**30.06.2014**	**31.12.2013**
Individually impaired:				
0-10%	-	-	6,638	10,028
11-30%	-	-	7,005	2,684
31-70%	-	-	1,193	252
71-100%	156	150	1,469	1,848
Gross amount	156	150	16,305	14,812
Allowance for impairment	(156)	(150)	(3,422)	(2,578)
Carrying amount	-	-	12,883	12,234
Collectively impaired:	-	-	-	-
Past due but not impaired:	-	-	134	1,231
Neither past due nor impaired:	309,603	275,753	88,914	81,855
Accounts with renegotiated terms:				
Gross amount	284	269	6,867	6,752
Allowance for impairment	(284)	(269)	(2,410)	(2,807)
Carrying amount	-	-	4,457	3,945
Total carrying amount	**309,603**	**275,753**	**106,388**	**99,265**

At 30 June 2014 *Financial assets at fair value through profit or loss* with a carrying value of HUF 311 million (as at 31 December 2013: HUF 43 million), *Cash, due from banks and balances with National Bank of Hungary*" with a carrying value of HUF 1,645 million (as at 31 December 2013: HUF 898 million) and *Available-for-sale financial assets* with a carrying value of HUF 48,414 million (as at 31 December 2013: HUF 2,072 million) are neither past due nor impaired, however the securities acquired in exchange for a loan with a carrying value of HUF 35 million (as at 31 December 2013: HUF 33 million) presented among available-for-sale financial assets are individually impaired in both 2014 and 2013 (Note 5).

NOTE 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1. Credit risk (continued)

Loans with renegotiated terms

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

Write-off policy

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

Collaterals

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

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

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

Where a MEHIB-insured loan is non-performing, MEHIB continues to make interest and principal payments including delinquent payments according to the terms agreed by the original borrower up to its coverage amount. Under the 2014 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 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1. 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	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Against individually impaired:				
Insured by MEHIB	-	-	6,262	6,113
Cash Collateral	-	-	21	1
Bank guarantees	-	-	1,421	1,337
Property	-	-	1,408	838
Other	-	-	850	1,599
Against past due but not impaired:				
Insured by MEHIB	-	-	127	568
Cash Collateral	-	-	5	30
Bank guarantees	-	-	-	37
Property	-	-	-	304
Other	-	-	-	417
Against neither past due nor impaired:				
Insured by MEHIB	8,364	6,988	20,456	20,524
Cash Collateral	2	5	497	494
Bank guarantees	-	-	24,195	26,722
Property	-	-	10,234	8,086
Other	-	-	11,132	7,984
Against accounts with renegotiated terms:				
Insured by MEHIB	-	-	423	540
Cash Collateral	-	-	18	23
Bank guarantees	-	-	-	-
Property	-	-	1,196	1,062
Other	-	-	647	523
Total	8,366	6,993	78,892	77,202

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 6,453 million as at 30 June 2014 (as at 31 December 2013: HUF 7,412 million). The total amount of the loan is guaranteed by the Hungarian State. This amount is not included in the table above.

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

NOTE 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.2. 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 2014 Budget Act, interest equalisation payments are budgeted at HUF 14 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 14 billion in a given year.

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.2. Interest rate risk (continued)

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

	30.06.2014	31.12.2013
Fixed rate financial instruments		
Financial assets	11,588	72,590
Financial liabilities	287,504	226,096
Total fixed rate instruments	**299,092**	**298,686**
Variable rate financial instruments		
Financial assets	59,491	10,208
Financial liabilities	142,811	134,300
Total variable rate instruments	**202,302**	**144,508**
Financial assets under interest compensation system	**379,413**	**282,138**
Tied-aid credits	**10,293**	**9,180**

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 101 million (it was HUF 127 million in the same period 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: 0.067%; USD: 0.047%; HUF: 0.309 %. 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.

NOTE 22. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that would have a significant effect on figures in the condensed interim financial statements for the six months ended 30 June 2014.

NOTE 23. 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 21.).

Key sources of estimation uncertainty

Allowances for credit losses

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

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

Impairment of available-for-sale financial assets

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

NOTE 23. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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 of which fair value is determined using significant unobservable inputs (Level 3).

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

30 June 2014	Level 1	Level 2	Total
Financial assets at fair value through profit or loss			
Derivative instruments	-	311	311
Available-for-sale financial assets	970	47,479	48,449
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	5,561	5,561
31 December 2013			
Financial assets at fair value through profit or loss			
Derivative instruments	-	43	43
Available-for-sale financial assets	873	1,232	2,105
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	4,274	4,274

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

Valuation techniques

Level 1:

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

Level 2:

- The foreign currency swaps are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.
- Fair value of Hungarian Government bonds in foreign currency and short term Treasury bills is determined using the discounted cash flow model based observable yield curves available on observable market.

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The estimated fair values disclosed below are designated to approximate price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. However, many of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of the estimated future cash flows and discount rates, which reflect varying degrees of risk. Furthermore, due to the use of subjective judgement and uncertainties, the aggregate fair value amounts should not be interpreted as being realisable in an immediate settlement of the instruments.
As at 30 June 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	Fair value without CF from interest compensation
Cash due from banks and balances with National Bank of Hungary	-	1,645	-	-	1,645	1,645	1,645
Available-for-sale financial assets	-	-	48,449	-	48,449	48,449	48,449
Loans and advances to customers	-	106,388	-	-	106,388	103,859	97,969
Loans and advances to other banks and insurance companies	-	309,603	-	-	309,603	314,654	278,719
Financial assets at fair value through profit or loss	311	-	-	-	311	311	311
Total	**311**	**417,636**	**48,449**	-	**466,396**	**468,918**	**427,093**
Loans and deposits from other banks	-	200,890	-	-	200,890	198,212	198,212
Financial liabilities at fair value through profit or loss	5,561	-	-	-	5,561	5,561	5,561
Debt securities issued	-	-	-	223,864	223,864	245,144	245,144
Total	**5,561**	**200,890**	-	**223,864**	**430,315**	**448,917**	**448,917**

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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

	Trading	Loans and receivables	Available-for-sale	Other amortised cost	Carrying amount	Fair value including CF from interest compensation	Fair value without CF from interest compensation
Cash due from banks and balances with National Bank of Hungary	-	898	-	-	898	898	898
Available-for-sale financial assets	-	-	2,105	-	2,105	2,105	2,105
Loans and advances to customers	-	99,265	-	-	99,265	96,889	90,776
Loans and advances to other banks and insurance companies	-	275,753	-	-	275,753	279,624	254,044
Financial assets at fair value through profit or loss	43	-	-	-	43	43	43
Total	**43**	**375,916**	**2,105**	**-**	**378,064**	**379,559**	**347,866**
Loans and deposits from other banks and insurance companies	-	-	-	144,156	144,156	143,518	143,518
Financial liabilities at fair value through profit or loss	4,274	-	-	-	4,274	4,274	4,274
Debt securities issued	-	-	-	211,967	211,967	219,406	219,406
Total	**4,274**	**-**	**-**	**356,123**	**360,397**	**367,197**	**367,197**

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 and other inputs from observable markets, 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 24. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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

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

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

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

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

Financial assets and liabilities at fair value through profit or loss

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

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

Financial liabilities valued at amortised cost

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

Debt securities issued
The bonds issued by the Bank in December 2012 are actively traded on London Stock Exchange and on OTC markets. Fair value of these bonds is determined based on the observable market prices.

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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.

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

As at 30 June 2014	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash due from banks and balances with National Bank of Hungary	-	1,645	-	1,645	1,645
Loans and advances to customers	-	103,859	-	103,859	106,388
Loans and advances to other banks and insurance companies	-	2,320	312,334	314,654	309,603
Total	**-**	**107,824**	**312,334**	**420,158**	**417,636**
Loans and deposits from other banks	-	198,212	-	198,212	200,890
Debt securities issued	-	245,144	-	245,144	223,864
Total	**-**	**443,356**	**-**	**443,356**	**424,754**

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

2014/004777 - 2014.03.27

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED
31 DECEMBER 2013

WITH THE INDEPENDENT AUDITORS' REPORT

CONTENTS

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Unconsolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Budapest, 21 March 2014

KPMG Hungária Kft.

Gábor Agócs
Partner

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

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

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

21 March 2014

Authorised for issue by

Roland Nátrán
Chief Executive Officer

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

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

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

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

21 March 2014

Authorised for issue by

Roland Nátrán
Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

NOTE 1. GENERAL INFORMATION

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

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

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

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

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

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

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

NOTE 1. GENERAL INFORMATION (CONTINUED)

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

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

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

NOTE 2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement

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

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 30.

2.3 Functional and presentation currency

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

2.4 Going concern

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial statement presentation

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

3.2 Financial instruments

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

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

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

3.3 Determination of fair values

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

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

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

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

For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. Determination of fair values is more detailed in Note 30.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

3.6 Available-for-sale debt and equity instruments

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3.7 Held-to-maturity debt instruments

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

3.8 Loans and advances to banks, insurance companies and customers

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

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

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

3.10 Financial guarantees

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of financial assets

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

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

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

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

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

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

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

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

3.11.2 Impairment of available-for-sale financial assets

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3.12 Statutory reserves

3.12.1 General risk reserve

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

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

3.12.2 General reserve

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Foreign currency translation

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

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

3.14 Intangibles, property and equipment

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

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

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

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income taxes

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

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

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

3.16 Interest income and expense

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fee and commission income and expense

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

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

3.18 Provisions

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

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

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

3.19 Segment reporting

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Change in accounting policy

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

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

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

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

IFRS 13 Fair value measurement

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Change in accounting policy (continued)

Annual Improvements May 2012

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

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

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

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

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

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

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

3.21 New standards and interpretations not yet adopted

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New standards and interpretations not yet adopted (continued)

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

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

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

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

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

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New standards and interpretations not yet adopted (continued)

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

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

IFRIC 21, 'Levies'

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 4. CASH AND CASH EQUIVALENTS

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

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the amount of compulsory reserves maintained by the Bank and included in the balance above amounted to HUF 7 million as at 31 December 2013 and HUF 1,313 million as at 31 December 2012, respectively. These reserves earn interest at below market rates.

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(All amounts stated in HUF million unless otherwise noted)

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

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

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

Shares as at 31 December 2013 are detailed below.

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

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

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

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

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

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

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

(All amounts stated in HUF million unless otherwise noted)

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

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

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

Information on the changes in the impairment losses relating to the above deals is presented in Note 21.

(All amounts stated in HUF million unless otherwise noted)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 9. INTANGIBLES, PROPERTY AND EQUIPMENT

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 10. OTHER ASSETS

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

NOTE 11. PROVISIONS AND IMPAIRMENT LOSSES

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 11. PROVISIONS AND IMPAIRMENT LOSSES (CONTINUED)

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

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

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

Provisions and impairment losses as at 31 December 2013

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

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

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

(All amounts stated in HUF million unless otherwise noted)

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

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED

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

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

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

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

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

Main data of bonds:

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED (CONTINUED)

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

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED (CONTINUED)

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

NOTE 14. OTHER LIABILITIES

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

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

NOTE 15. SHAREHOLDER' S EQUITY

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION (CONTINUED)

Reconciliation of the total tax charge

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION (CONTINUED)

Deferred tax

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. INTEREST INCOME AND INTEREST EXPENSE

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 19. NET INCOME FROM FEES AND COMMISSIONS

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

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

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

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

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

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

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

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

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

MEHIB insurance fee related to other loans invoiced by MEHIB to the Bank – Fee and commission expense	(460)	Whole amount was settled in 2013.
MEHIB insurance fee related to other loans invoiced by the Bank to clients – Fee and commission income	460	Whole amount was settled in 2013.
MEHIB insurance fee related to syndicated loan invoiced by MEHIB to the Bank– Fee and commission expense	(445)	Whole amount was settled in 2013.
MEHIB insurance fee related to syndicated loan by the Bank to other bank– Fee and commission income	445	Whole amount was settled in 2013.

(All amounts stated in HUF million unless otherwise noted)

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

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

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

NOTE 21. OPERATING EXPENSES

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

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

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

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

NOTE 21. OPERATING EXPENSES (CONTINUED)

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 22. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

(All amounts stated in HUF million unless otherwise noted)

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

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

NOTE 24. RELATED PARTY TRANSACTIONS

24.1 Management and employees

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

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

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

24.2 Companies

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

1) Commonly used fixed assets:

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

2) Personal type expenditures: jointly employed employees

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

3) Other personal type expenditures

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

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

4) Intermediary services

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

5) Material type expenditures and other administration expenses

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

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

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

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2013 and 2012. Trading derivatives are shown at fair value in a separate column.
Repayments which are subject to notice are treated as if notice were to be given immediately. The table also contains the contractual expiry by maturity of the Bank's contingent liabilities and commitments.
The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of them.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts stated in HUF million unless otherwise noted)

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

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

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

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

NOTE 26. FINANCIAL RISK MANAGEMENT

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

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

Risk management policies

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

Risk strategy and risk profile

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk

Management of credit risk, credit rating systems

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

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

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

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

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

Global limits for banks are divided into sub limits:

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Exposure to credit risk

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

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

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

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Loans with renegotiated terms

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

Write-off policy

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

Collaterals

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

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

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

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

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

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2. Liquidity risk

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3. Market risk

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

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

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

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

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.1. Interest rate risk

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

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

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

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.1. Interest rate risk (continued)

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk (continued)

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk (continued)

Extreme foreign currency risk calculation as at 31 December 2013

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

Extreme foreign currency risk calculation as at 31 December 2012

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4. Capital management

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION (CONTINUED)

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION (CONTINUED)

Segmented revenue by geographical for the year ended 31 December 2013

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. GEOGRAPHICAL INFORMATION (CONTINUED)

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

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

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

NOTE 28. EVENTS AFTER THE REPORTING DATE

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

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS

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

These disclosures supplement the commentary on financial risk management (see Note 26.).

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

Allowances for credit losses

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

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

Impairment of available-for-sale financial assets

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

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS

Determining fair values

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

Critical accounting judgements in applying the Bank's accounting policies

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

Valuation of financial instruments, fair value hierarchy

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

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

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

Valuation techniques

Level 1:

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

Level 2:

- The foreign currency swaps are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.
- Fair value of short term bonds issued by National Bank of Hungary and short term Treasury bills is determined using the discounted cash flow model based observable yield curves available on observable market published by ÁKK Zrt.

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The estimated fair values disclosed below are designated to approximate price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. However, many of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of the estimated future cash flows and discount rates, which reflect varying degrees of risk. Furthermore, due to the use of subjective judgement and uncertainties, the aggregate fair value amounts should not be interpreted as being realisable in an immediate settlement of the instruments.

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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

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

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

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

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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

Where available fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash-flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of underlying collateral.

To improve the accuracy of the valuation estimate homogeneous loans are grouped into portfolios with similar characteristics such as maturity, quality of collaterals, product and borrower type.

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

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

Financial assets and liabilities at fair value through profit or loss

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

Other assets/liabilities

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

Financial liabilities valued at amortised cost

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

Debt securities issued

The bonds issued by the Bank in December 2012 are actively traded on London Stock Exchange and on OTC markets. Fair value of these bonds as at 31 December 2013 and 31 December 2012 are determined based on the observable market prices.

The bonds issued by the Bank in October 2013 are not actively traded. The fair value of these bonds is calculated using discounted cash flow techniques, which take into consideration assumptions based on market data.

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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

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

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

HUNGARIAN EXPORT-IMPORT BANK
PRIVATE LIMITED COMPANY

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED
31 DECEMBER 2012**

WITH THE INDEPENDENT AUDITORS' REPORT

CONTENTS

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Magyar Export-Import Bank Private Limited Company ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Unconsolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, 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, 17 May 2013

KPMG Hungária Kft.

Gábor Agócs
Partner

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012
(All amounts stated in HUF million unless otherwise noted)

	Note	2012	2011
Cash, due from banks and balances with the National Bank of Hungary	4	2,505	162
Loans and advances to other banks and insurance companies, net of impairment losses	5	165,380	128,893
Loans and advances to customers, net of impairment losses	6	63,282	54,589
Financial assets at fair value through profit or loss	7	130	47
Available-for-sale financial assets, net of impairment loss	8	25,840	11,088
Intangibles, property and equipment, net	9	214	176
Other assets, net	10	1,218	826
Total Assets		**258,569**	**195,781**
Loans and deposits from other banks	12	128,855	175,696
Financial liabilities at fair value through profit or loss	7	856	1,407
Debt securities issued	13	109,148	-
Provision for guarantees and contingencies	11	246	21
Deferred tax liabilities	17	76	-
Other liabilities	14	875	992
Total Liabilities		**240,056**	**178,116**
Share capital	15	10,100	10,100
Reserves	15	8,413	7,565
Total Shareholder's Equity		**18,513**	**17,665**
Total Liabilities and Equity		**258,569**	**195,781**

17 May 2013

Authorised for issue by

Roland Nátrán
Chief Executive Officer

The accompanying notes to the financial statements on pages 7-70 form an integral part of these financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts stated in HUF million unless otherwise noted)

	Note	2012	2011
Interest income	18	10,399	10,849
Interest expense	18	(6,148)	(6,230)
Net interest income		**4,251**	**4,619**
Fee and commission income	19	266	292
Fee and commission expense	19	(60)	(106)
Net income from fees and commissions		**206**	**186**
Provisions and impairment (losses)/reversal	11	15	(452)
Gains and (losses) from trading and investment activities, net	20	840	(756)
Operating expenses	21	(3,991)	(2,795)
Profit/(loss) before income tax		**1,321**	**802**
Income taxes	17	(522)	(268)
Profit for the period		**799**	**534**
Other comprehensive income			
Fair value adjustment of available-for-sale securities, net of tax	22	49	45
Other comprehensive income for the period, net of income tax		**49**	**45**
Total comprehensive income for the period		**848**	**579**

17 May 2013

Authorised for issue by

Roland Nátrán
Chief Executive Officer

The accompanying notes to the financial statements on pages 7-70 form an integral part of these financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts stated in HUF million unless otherwise noted)

	Note	2012	2011
OPERATING ACTIVITIES			
Profit/(loss) before income taxes		1,321	802
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	21	105	99
Impairment loss/(release)	11	(255)	1,552
(Profit)/loss from revaluation to fair value	7	(694)	315
Other non-cash items		49	-
Net interest income		(4,251)	(4,619)
Interest received		8,659	11,632
Interest paid		(5,932)	(6,994)
Income taxes	17	(522)	(268)
Dividend paid		-	-
Changes in operating assets and liabilities:			
Net (increase)/decrease in loans and advances to other banks and insurance companies, before impairment losses	5	(36,437)	(21,104)
Net (increase)/decrease in loans and advances to customers, before impairment losses	6	(7,853)	12,527
Net (increase)/decrease in financial assets at fair value through profit or loss		-	589
Net (increase)/decrease in available-for-sale financial assets	8	(13,587)	5,422
Net (increase)/decrease in other assets	10	(390)	(838)
Net increase/(decrease) in other liabilities including provision and deferred tax liabilities	11, 14	184	(645)
Net cash provided by/(used in) operating activities		(59,603)	**(1,530)**
INVESTING ACTIVITIES			
Purchases of intangibles, property and equipment	9	(143)	(87)
Net cash used in investing activities		(143)	**(87)**
FINANCING ACTIVITIES:			
Proceeds from due to banks and deposits from banks	12	1,665,360	414,378
Repayment of due to banks and deposits from banks	12	(1,712,277)	(412,666)
Proceeds from issuance of debt securities	13	109,011	-
Net cash provided by financing activities		**62,094**	**1,712**
Net increase/(decrease) in cash and cash equivalents		**2,348**	**95**
Net foreign exchange difference		(5)	-
Cash and cash equivalents at the beginning of the year	4	162	67
Cash and cash equivalents at the end of the year	4	**2,505**	**162**

The accompanying notes to the financial statements on pages 7-70 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012
(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 2011	**10,100**	**400**	**1,536**	**5,129**	**(79)**	**17,086**
Total comprehensive income for the period						
Profit or loss			534			534
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					45	45
Total comprehensive income for the period			***534***		***45***	***579***
Other transactions, recorded directly in equity						
Release of Statutory reserves			(13)	13		
Reclassification (Note 3.12)			(1,005)	1,005		
Total other transactions			(1,018)	1,018		
Balance as at 31 December 2011	**10,100**	**400**	**1,052**	**6,147**	**(34)**	**17,665**

The accompanying notes to the financial statements on pages 7-70 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts stated in HUF million unless otherwise noted)

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

The accompanying notes to the financial statements on pages 7-70 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts stated in HUF million unless otherwise noted)

NOTE 1. GENERAL INFORMATION

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

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

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

On 12 April 2012 the Hungarian Government had announced that Hungarian State acquired the shares in Eximbank owned by the Hungarian Development Bank Ltd. and all the shareholders' rights exercised by Ministry for National Economy. The relating modification of the Act on Eximbank is effective from 10 May 2012.
In December under the 2 billion EUR Medium Term Note Programme the Bank initiated the issuance of USD 500 million at nominal value of USD 1,000 per bond. Those bonds are listed on London Stock Exchange from December 2012.

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

These financial statements were authorised for issue by the Chief Executive Officer on 17 May 2013. These financial statements are not intended to be used for statutory filing purposes.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

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

2.2 Basis of measurement

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

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 30.

2.3 Functional and presentation currency

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

2.4 Going concern

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial statement presentation

These financial statements for years 2012 and 2011 include the accounts of Eximbank.

3.2 Financial instruments

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

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

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

3.3 Determination of fair values

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

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

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

For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. Determination of fair values is more detailed in Note 30.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

3.6 Available-for-sale debt and equity instruments

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3.7 Held-to-maturity debt instruments

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

3.8 Loans and advances to banks, insurance companies and customers

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

3.9 Loans and deposit form other banks, issued debt securities

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

3.10 Financial guarantees

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of financial assets

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

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

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

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

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

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

Assets acquired in exchange for loans
During 2010 and 2012 several securities were acquired in exchange for loan and relating interest receivable to a foreign bank within a restructuring plan due to the financial difficulties of the client. The securities were issued by the client. More details of the loan and securities are presented in Note 5 on Loans and advances to other banks and insurance companies and Note 8 on Available for sale financial assets, respectively.

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.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3.12 Statutory reserves

3.12.1 General risk reserve

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

3.12.2 General reserve

The provisions of the Act CXII of 1996 on Credit Institutions and Financial Enterprises (" Hungarian Banking Act") prescribes that the Bank has to set a general reserve in the amount of 10 % of the current year profit after tax figure, which will be eliminated to cover the future losses. The Hungarian Banking Act also allows the Bank reclassify its retained earnings into the general reserve. In 2012 the Bank reclassified HUF 300 million retained earnings into the general reserve (2011: HUF 1,005 million).
The general reserve cannot be distributed as dividends.

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.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, plant 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, plant 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, plant 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, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “Other expenses” in profit or loss.

3.15 Income taxes

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Interest income and expense

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

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

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

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.

(All amounts stated in HUF million unless otherwise noted)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions

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

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

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

3.19 Segment reporting

Based on its organisational and management structure the Bank uses business segments as its segment reports format, however the Bank also shows its assets, liabilities and revenues by geographical segments as additional information. Segment revenue, expense, assets and liabilities are allocated to the applicable segment on a consistent and reasonable basis, including factors such as the nature of items and the conducted activities throughout on inter-segment pricing process.

3.20 Reclassification

The Bank has changed its accounting policy to reflect Hungarian local business tax and innovation contribution as part of income tax. In previous years these taxes were presented among operating expenses. The reason for the change is that management believes these taxes are rather income tax in nature than operating expense.
As a result of the above-noted changes the operating expenses decreased and the income taxes increased with the same amount. This change does not affect the net income and the equity. The amounts reported in the previous years have been adjusted accordingly for comparison purposes as follows:

	As previously reported 2011	**Reclassification**	**Reclassified 2011**
Operating expenses	(3,027)	232	(2,795)
Income taxes	(36)	(232)	(268)

(All amounts stated in HUF million unless otherwise noted)

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

	2012	2011
Balances with NBH in HUF	1,313	6
Due from banks in HUF	5	1
Due from banks in foreign currency	1,187	155
Total	**2,505**	**162**

Based on the requirements for compulsory reserves set by the NBH, the amount of compulsory reserves maintained by the Bank and included in the balance above amounted to HUF 1,313 million and HUF 6 million as at 31 December 2012 and 2011, respectively. These reserves earn interest at below market rates.

NOTE 5. LOANS AND ADVANCES TO OTHER BANKS AND INSURANCE COMPANIES

	2012	2011
Short-term placements		
- in foreign currency	49,813	54,175
- in HUF	11,808	6,202
Sub-total	**61,621**	**60,377**
Long-term placements, in foreign currency	104,198	69,005
Sub-total	**104,198**	**69,005**
Total	**165,818**	**129,382**
Less: impairment losses (see Note 11)	(438)	(489)
Total	**165,380**	**128,893**

Loans and advances to other banks and insurance companies include refinancing loans disbursed.

A loan receivable from a foreign bank insured by Hungarian Export Credit Insurance Ltd (MEHIB) in amount of HUF 16,471 million (EUR 60,861,115) was assigned to MEHIB due to default in 2010. Based on the agreement, MEHIB repays the loan and interest in accordance with the same conditions as the original client. As of 31 December 2011 the balance of the claim (including relating accrued interest) against MEHIB was HUF 12,944 million (EUR 41,604,224), while as of 31 December 2012 it was HUF 9,695 million (EUR 33,283,379) .

Under a restructuring program due to financial difficulties, a loan – not insured by MEHIB – and the interest due in the total amount of HUF 3,923 million (EUR 13,906,353) against the same foreign bank was exchanged for debt securities and global depository receipts issued by this bank and cash in the amount of USD 1,948,111 in 2010.

Under a new restructuring program previously issued securities were cancelled and in exchange for them new securities were issued and cash were paid to the Bank in December 2012. The details of the securities are presented in Note 8.

(All amounts stated in HUF million unless otherwise noted)

NOTE 5. LOANS AND ADVANCES TO OTHER BANKS AND INSURANCE COMPANIES (CONTINUED)

Information on the changes in the impairment losses relating to the above deals is presented in Note 11.

The table below shows an analysis of Loans and advances to other banks and insurance companies by remaining maturity as at 31 December 2012 and 2011.

	2012	**2011**
Remaining Maturity	Gross value	Gross value
Placements in foreign currency:		
Up to 1 month	8,349	23,690
1 to 3 months	6,847	5,878
3 months to 1 year	34,616	24,607
1 to 5 years	99,299	61,999
Over 5 years	4,899	7,006
Sub-total	**154,010**	**123,180**
Placements in HUF		
Up to 1 month	11,808	6,202
Sub-total	**11,808**	**6,202**
Total	**165,818**	**129,382**

(All amounts stated in HUF million unless otherwise noted)

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

	2012	2011
Short-term:		
- in foreign currency	27,865	19,703
- in HUF	4,965	4,077
Sub-total	**32,830**	**23,780**
Long-term:		
- in foreign currency	34,931	35,518
- in HUF	58	141
Sub-total	**34,989**	**35,659**
Total	**67,819**	**59,439**
Less: impairment losses (see Note 11)	(4,537)	(4,850)
Total	**63,282**	**54,589**

The table below shows an analysis of loans and advances to customers by remaining maturity as at 31 December 2012 and 2011.

	2012	2011
Remaining Maturity	Gross value	Gross value
In foreign currency:		
Up to 1 month	4,400	2,790
1 to 3 months	3,848	2,079
3 months to 1 year	19,618	14,834
1 to 5 years	27,670	26,497
Over 5 years	7,260	9,021
Sub-total	**62,796**	**55,221**
In HUF		
Up to 1 month	2,598	2,505
1 to 3 months	1,850	1,049
3 months to 1 year	517	523
1 to 5 years	58	122
Over 5 years	-	19
Sub-total	**5,023**	**4,218**
Total	**67,819**	**59,439**

Non-interest bearing loans and advances include balances with staff and balances with Hungarian State from interest compensation systems.

NOTE 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 December 2012 and 31 December 2011 are as follows:

	2012	**2011**
Short-term derivative assets (trading):		
Foreign exchange swap	130	47
Total	**130**	**47**

Financial liabilities at fair value through profit or loss as at 31 December 2012 and 31 December 2011 are as follows:

	2012	**2011**
Short-term derivative liabilities (trading):		
Cross currency interest rate swap	603	1,211
Foreign exchange swap	253	196
Total	**856**	**1,407**

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

Contractual maturity	**Receive notional**	**Receive notional in HUF million**	**Pay notional**	**Pay notional in HUF million**
11.02.2018	250,000,000 USD	55,232	191,659,000 EUR	55,828

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
Discounted bonds issued by National Bank of Hungary in HUF	24,968	9,973
Hungarian Government bonds in HUF	807	788
Fair value adjustment	19	(41)
	25,794	10,720
Senior Notes	67	1,151
Subordinated Notes	-	182
Recovery Units	-	131
Global Depository Receipts	68	59
Impairment loss (Note 11)	(101)	(1,167)
Securities acquired in exchange for loan	34	356
HUF shares	12	12
	12	12
Total	**25,840**	**11,088**

Details of the securities acquired in exchange for the loan mentioned in Note 5 are as follows:

Securities acquired in 2010:
All securities were issued by a bank in Kazakhstan. Principal amount of the *Senior Notes* at inception date as well as at 2011 year end was USD 4,753,250. Senior Notes were interest bearing debt instruments at the rate of 10.75% p.a. from 1 July 2010 to 1 January 2013 and 12.50 % p.a. thereafter. Interest was payable on the outstanding principal amount in arrears on 1 January and 1 July in each year. Notes would be redeemed in 8 equal semi-annual instalments on 1 January and 1 July of each year, with the first such instalment being payable on 1 January 2015 and the last being payable on 1 July 2018.
Principal amount of the *Subordinated Notes* at inception date as well as at 2011 year end was USD 1,077,004. Subordinated Notes were interest bearing debt instruments at the rate of 7.20 % p.a. Interest was payable on the outstanding principal amount in arrears on 1 January and 1 July in each year. Notes would be redeemed in 10 equal semi-annual instalments on 1 January and 1 July of each year, with the first such instalment being payable on 1 January 2021 and the last being payable on 1 July 2025.
The first interest payments of the Senior Notes and Subordinated Notes were due on 1 January 2011.
Principal amount of the *Recovery Units* at inception date as well as at 2011 year end were USD 9,819,745. Initial settlement date was 30 June 2020 and the deferred settlement date was 30 June 2022. The issuer should have made recovery payments pro rata to unit holders on 30 September, 31 December, 31 March and 30 June of each year, commencing 31 December 2010 provided that certain conditions and circumstances set out in Trust Deed are fulfilled. During 2012, 2011 and 2010 no such payments were settled.
Global Depositary Receipts (GDRs) were issued, for no consideration, to the Restructuring Creditors who are non-Kazakh residents. Each GDR represents 500 shares. GDR holders are

(All amounts stated in HUF million unless otherwise noted)

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

entitled to receive an amount of equivalent to any dividends or other proceeds payable on and have voting rights, or with respect to, the deposited shares corresponding to its GDRs. Eximbank holds 23,002 units of GDRs. The price of each unit was USD 12.

Securities acquired in 2012:
Due to further payment difficulties the Kazak bank announced the need to organise a new restructuring process.
Under the new restructuring program as at 27 December 2012

- previously issued securities were cancelled excluding GDRs
- Eximbank received cash in amount of USD 3,291,498
- Eximbank received new debt securities and global depository receipts issued by the Kazak bank:
    - New Senior Notes: principal amount of the note received by Eximbank is USD 305,108. Senior Notes are interest bearing debt instruments at the rate of 5.5%% p.a. Maturity date is 22 December 2022. Interest is payable on the outstanding principal amount in arrears on 1 January and 1 July in each year.
    - GDRs: Eximbank received 26,565 units of further GDRs.

The difference between the fair values at inception date and the current fair value at the end 2012 in amount of HUF 101 million (2011: HUF 1,167 million) was recognised as impairment loss on available-for-sale securities acquired in exchange for loan.
Due to the above restructuring transactions prior year impairment on available-for-sale securities were released in amount of HUF 1,113 million and classified as “Provision for impairment losses, charge (+), release (-) “ in the statement of comprehensive income. The gross book value of the cancelled securities was written off in amount of HUF 736 million and was classified as other expense in the statement of comprehensive income.

Remaining maturity of discounted bonds issued by National Bank of Hungary and Hungarian Government bonds as at 31 December 2012 and 2011 are detailed below:

Remaining Maturity	2012	2011
Up to 1 month	24,967	9,970
1 to 3 months	-	-
3 months to 1 year	-	-
1 to 5 years	827	750
Over 5 years	-	-
Total	**25,794**	**10,720**

Shares as at 31 December 2012 are detailed below.

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

No reliable market information was available for these financial instruments; therefore they are stated at cost.

(All amounts stated in HUF million unless otherwise noted)

NOTE 9. INTANGIBLES, PROPERTY AND EQUIPMENT

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

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

Movement table of intangible and tangible assets as at 31 December 2011 is as follows:

	Leasehold improve-ments	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2010	152	364	-	1,101	6	1,623
Additions	-	13	13	74	74	174
Disposals	-	(11)	(13)	-	(74)	(98)
31 December 2011	152	366	-	1,175	6	1,699
Accumulated depreciation and amortisation						
31 December 2010	144	299	-	992	-	1,435
Charge for year	4	25	-	70	-	99
Disposals	-	(11)	-	-	-	(11)
31 December 2011	148	313	-	1,062	-	1,523
Net book value						
31 December 2010	**8**	**65**	**-**	**109**	**6**	**188**
31 December 2011	**4**	**53**	**-**	**113**	**6**	**176**

(All amounts stated in HUF million unless otherwise noted)

NOTE 10. OTHER ASSETS

	2012	**2011**
Accrued interest receivable on debt securities	-	111
Accrued interest receivable re CCIR	-	124
Prepaid expenses	82	16
Current tax assets	383	537
Other	768	38
Sub-total	1,233	826
Less: impairment loss (see Note 11)	(15)	-
Total	**1,218**	**826**

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NOTE 11. PROVISIONS AND IMPAIRMENT LOSSES

	Loans and advances to other banks and insurance companies	Loans and advances to customers	Available-for-sale securities	Guarantees and contingencies	Other asset	**Total**
As at 31 December 2010	872	4,377	-	1,121	-	6,370
Write-offs	-	(295)	-	-	-	(295)
Charge/ (release)	(383)	768	1,167	(1,100)	-	452
As at 31 December 2011	**489**	**4,850**	**1,167**	**21**	**-**	**6,527**
Write-offs	(8)	(1,167)	-	-	-	**(1,175)**
Net charge/ (release)	(43)	854	(1,066)	225	15	**(15)**
As at 31 December 2012	**438**	**4,537**	**101**	**246**	**15**	**5,337**

(All amounts stated in HUF million unless otherwise noted)

NOTE 12. LOANS AND DEPOSITS FROM OTHER BANKS

	2012	2011
Short-term		
- in foreign currency	21,552	81,687
- in HUF	411	-
Sub-total	**21,963**	**81,687**
Long-term		
- in foreign currency	86,953	94,009
- in HUF	19,939	-
Sub-total	**106,892**	**94,009**
Total	**128,855**	**175,696**

The table below shows an analysis of loans and deposits from other banks by remaining maturity as at 31 December 2012 and 2011.

	2012	2011
Remaining Maturity	Gross value	Gross value
In foreign currency:		
Up to 1 month	3,659	839
1 to 3 months	8	6,599
3 months to 1 year	17,885	74,249
1 to 5 years	82,159	56,097
Over 5 years	4,794	37,912
Sub-total	**108,505**	**175,696**
In HUF		
Up to 1 month	411	-
1 to 5 years	19,939	-
Sub-total	**20,350**	**-**
Total	**128,855**	**175,696**

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. DEBT SECURITIES ISSUED

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

The bonds mature 5 years from the issue date at the nominal value. The bonds will be redeemed on the maturity date. Interest payment dates are 12 February and 12 December in each year up to and including Maturity date. There will be a long first coupon from and including 12 December 2012 up to but excluding 12 August 2013.
The effective interest on the bond recorded in Interest expense was HUF 135 million using effective rate of 5.9%.

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 during the year.

NOTE 14. OTHER LIABILITIES

	2012	2011
Accrued interest payable re CCIR	-	112
Accrued expenses	325	13
Accrued revenue	233	420
Current tax liabilities	259	367
Other	134	80
Total	**951**	**992**

NOTE 15. SHAREHOLDER’ S EQUITY

	2012	2011
Share capital	10,100	10,100
Share premium	400	400
Retained earnings	1,259	1,052
Fair value reserve, net of tax	15	(34)
Statutory reserves	6,739	6,147
Total	**18,513**	**17,665**

As at 31 December 2012 the Bank’s share capital is comprised of 2,020 fully paid dematerialised shares, each with a nominal value of HUF 5 million. Reserves available for distribution as at 31 December 2012 under Hungarian Law amount to HUF 983 million (2011: HUF 300 million).

(All amounts stated in HUF million unless otherwise noted)

NOTE 15. SHAREHOLDER'S EQUITY (CONTINUED)

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

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

As at 31 December 2011, the shareholders' rights were the following:

Shareholder	Number of shares	Face value of shares	Equity owned	Votes owned
Hungarian Development Bank Ltd	1,514	7,570	74.95 %	75 % -1
Hungarian State*	506	2,530	25.05 %	25 %+1
Total	2,020	10,100	100 %	100 %

* Rights of Hungarian State were represented by Hungarian Development Bank Ltd.

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank enters into off-balance sheet financial instruments such as guarantees and letters of credit. Commitments and contingent liabilities as at 31 December 2012 and 2011 are summarised as follows:

	2012	**2011**
Guarantees counter-guaranteed by the Republic of Hungary	25,407	34,795
Unutilised part of credit lines	59,939	78,019
Guarantees not counter-guaranteed by the Republic of Hungary	2,932	2,111
Total	**88,278**	**114,925**

Guarantees issued by the Bank are mainly guarantees issued to Hungarian companies for receivables relating to exports.

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION

The components of income tax expense for the years ended December 31, 2012 and December 31, 2011 are as follows:

	2012	**2011**
Corporate income tax expense	200	36
Local tax expense	217	197
Innovation contribution expense	33	35
Current income tax	**450**	**268**
Deferred tax expense	**72**	**-**
Total income tax	**522**	**268**
Net profit before income tax	1,321	802
Effective tax rate after adjustments	**40%**	**33%**

The corporate income tax was 10 % of the positive tax base up to HUF 500 million thereafter 19% both in 2012 and 2011.
Considered their non-turnover character, local business tax and innovation contribution expenses are presented as an income tax expense for IFRS purposes.
In 2012 and 2011 local business tax an innovation contributions are payable 2% and 0.3% respectively on statutory net interest and fee income modified by certain cost elements.

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION (CONTINUED)

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by the Bank's domestic tax rate for the years ended 31 December 2012 and 2011 is as follows:

	2012		2011	
Profit (loss) before income tax		**1,321**		**802**
Corporate income tax up to MHUF 500	10%	50	10%	50
Corporate income tax from MHUF 500	19%	156	19%	57
Average tax rate	16%	206	13%	107
Adjustments:				
Local business tax and innovation contribution		249		232
Effect of local tax and innovation contribution on income tax		(48)		(45)
(Charge)/Release of General risk reserve		(35)		4
Tax base increasing items		150		19
Tax base decreasing items		-		(50)
Total adjustments		**316**		**161**
Income tax reported in the Statement of Comprehensive Income		**522**		**268**
Effective tax		**40%**		**33%**

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. TAXATION (CONTINUED)

Deferred tax

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

	2012				
	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	-	(23)	(23)	(23)	-
Financial instruments held at amortised cost	-	(48)	(48)	(48)	-
Fair value adjustments of financial assets at fair value through profit or loss	-	1	1	1	-
Available-for-sale financial assets	-	(4)	(4)	-	(11)
Other temporary differences	-	(2)	(2)	(2)	-
	-	**(76)**	**(76)**	**(72)**	**(11)**

	2011				
	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	-	-	-	-	-
Financial instruments held at amortised cost	-	-	-	-	-
Fair value adjustments of financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale financial assets	7	-	7	-	(11)
Other temporary differences	-	-	-	-	-
	7	**-**	**7**	**-**	**(11)**

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. INTEREST INCOME AND INTEREST EXPENSE

	2012	2011
Interest income:		
Loans and advances to customers	1,822	2,564
Loans and advances to other banks and insurance companies	2,447	2,663
Interest compensation*	5,093	3,171
Securities	1,034	2,237
Other	3	214
Total	**10,399**	**10,849**
Interest expense:		
Loans and deposits from other banks	6,013	6,230
Debt securities issued	135	-
Total	**6,148**	**6,230**
Net interest income	**4,251**	**4,619**

***** 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 Hungarian State for special financing facilities.

NOTE 19. NET INCOME FROM FEES AND COMMISSIONS

	2012	2011
Fee and commission income:		
Guarantees counter-guaranteed by the state	129	222
Insurance fees devolved by MEHIB	24	12
Guarantees not counter-guaranteed by the state	112	56
Other	1	2
	266	**292**
Fee and commission expense:		
Insurance fees paid to MEHIB	23	58
Guarantees	31	44
Other	6	4
	60	**106**
Total	**206**	**186**

(All amounts stated in HUF million unless otherwise noted)

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

	2012	2011
Gain and losses on foreign currency swap deals, net	(493)	3,561
Other foreign currency gains and losses, net	1,337	(4,310)
Foreign currency gains and losses, net *	844	(749)
Other gains and losses, net	(4)	(7)
Total	**840**	**(756)**

* Also includes the revaluation of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, based on quoted market prices.

NOTE 21. OTHER OPERATING EXPENSES

	2012	2011
Personnel expenses	1,398	1,344
Material expenses	809	546
Bank tax *****	454	454
Special tax of credit institution**	396	321
Depreciation and amortisation	105	99
Other administration expenses	83	48
Other expenses/ (income), net***	746	(17)
Total	**3,991**	**2,795**

*****The Hungarian Parliament approved a new Act in August 2010 which provided a framework for the levying of a “bank tax” on financial institutions. According to this act each financial institution - that already had a closed financial year and related financial statements on 1 July 2010 - would be subject to assessment and payment of the bank tax for 2010. The basis and the rate of the bank tax that is payable differs depending on the type of financial institutions.

Tax rates are uniformly based on statutory reported financial data of the reporting entity for the period ended 31 December 2009.

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 prior year non net income measures 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.

According to the passed law the bank tax will remain in effect in 2013.

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. OTHER OPERATING EXPENSES (CONTINUED)

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

*** Other expenses contain the book value of cancelled available for sale securities written off in amount of HUF 736 million. See Note 8.

The average number of employees in 2012 was 106 (2011: 107).

NOTE 22. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2012	**2011**
Available for sale financial assets		
Gains (losses) arising during the year	58	(41)
Reclassification adjustments for (gains)/losses included in P&L	2	97
Other comprehensive income	60	56
Income tax	(11)	(11)
Other comprehensive income for the year	49	45

All the components of other comprehensive income for the year ended 31 December 2012 and 31 December 2011 stated above are items that may be reclassified subsequently to profit or loss.

(All amounts stated in HUF million unless otherwise noted)

NOTE 22. COMPONENTS OF OTHER COMPREHENSIVE INCOME (CONTINUED)

Tax recognised in Other comprehensive income

Deferred tax related to items charged or credited directly to equity during 2012 and 2011 is as follows:

	2012			**2011**		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Available for sale securities	60	(11)	49	56	(11)	45
Total	**60**	**(11)**	**49**	**56**	**(11)**	**45**

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

(All amounts stated in HUF million unless otherwise noted)

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

As at 31 December 2011	**Within 12 months**	**After 12 months**	**Total**
Assets			
Cash, due from banks and balances with the National Bank of Hungary	162	-	162
Loans and advances to other banks and insurance companies, net of impairment losses	59,904	68,989	128,893
Loans and advances to customers, net of impairment losses	18,898	35,691	54,589
Financial assets at fair value through profit or loss	47	-	47
Available-for-sale financial assets, net of impairment loss	9,970	1,118	11,088
Intangibles, property and equipment, net	-	176	176
Other assets, net	826	-	826
Total Assets	**89,807**	**105,974**	**195,781**
Liabilities			
Loans and deposits from other banks	81,687	94,009	175,696
Financial liabilities at fair value through profit or loss	1,407	-	1,407
Debt securities issued	-	-	-
Provision for guarantees and contingencies	21	-	21
Other liabilities	586	406	992
Deferred tax liabilities	-	-	-
Total Liabilities	**83,701**	**94,415**	**178,116**
Net	**6,106**	**11,559**	**17,665**

NOTE 24. RELATED PARTY TRANSACTIONS

24.1 Companies

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

Balances as at 31 December 2012, representing 18.41 % of total assets (2011: 23.1 %), 26.67 % of total liabilities (2011: 80.05 %) and 1.76 % of total commitments and contingent liabilities (2011: 0.15 %), and are presented below:

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NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

	2012	2011
Balances with NBH	1,313	6
Short-term placement to MFB incl. interest receivable	6,099	19,916
Loans to MFB's subsidiaries incl. interest receivable	10,744	12,944
Loans to MFB's associates incl. interest receivable	501	503
- less impairment losses	-	(5)
Advances to the State from interest compensation systems	3,148	946
Total loans and advances to related parties, net of impairment losses	20,492	34,304
Discounted bonds issued by NBH	24,967	9,970
Hungarian Government bonds	827	750
Total available for sale financial assets to related parties	25,794	10,720
Other assets to the State	-	41
Other assets to MFB	-	124
Total other assets to related parties	-	165
Total Assets	**47,599**	**45,195**
Loans and deposits from MFB incl. accrued int.payables	58,714	141,253
Loans and deposits from MFB's subsidiaries incl. accrued int.payables	5,306	-
Total loans and deposits from related parties	64,020	141,253
Cross currency interest rate swap with MFB	-	1,211
Total financial liabilities at fair value to related parties	-	1,211
Other liabilities to MFB	-	112
Total other liabilities to related parties	-	112
Total Liabilities	**64,020**	**142,576**
Guarantees provided on behalf of other state-owned company	99	169
Other commitments and contingent liabilities	1,456	-
Total commitments and contingent liabilities	**1,555**	**169**

(All amounts stated in HUF million unless otherwise noted)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

	2012	2011
Interest income:		
Short-term placements to MFB	39	14
Loans to MFB's subsidiaries	972	763
Loans to MFB's associates	59	40
State interest compensation	5,093	3,171
Interest on cross currency interest rate swap	-	214
Hungarian discounted treasury bills, discounted bonds issued by NBH and Hungarian Government bonds	1,027	2,114
Total	**7,190**	**6,316**
Interest expense:		
Loans and deposits from MFB	3,251	5,057
Loans and deposits from MFB's subsidiaries	352	-
Securities lending fee paid to Hungarian State	**337**	-
Total	**3,940**	**5,057**
Fee and commission expense:		
Insurance fees paid to MEHIB	23	58
Total	**23**	**58**
Net interest income and net income from fees and commissions	**3,227**	**1,201**
Provision and impairment losses Charge/ (release):		
Loans and credit lines to MFB's associates	(5)	5
Total	**(5)**	**5**
Gains and losses from trading activities, net :		
Hungarian discounted treasury bills and Hungarian Government bonds	-	(6)
Total	**-**	**(6)**
Operating income/(expenses):		
MFB's subsidiaries	1	19
Other state-owned companies	-	(10)
Total	**1**	**9**

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

24.2 Management and employees

Loans to employees of the Bank amounted to HUF 59 million and HUF 72 million as at 31 December 2012 and 2011, respectively. Interest rates vary between 0 % and 5.00 %, and average at 1.18 %. Out of the total amount HUF 2 million was granted to the management as at 31 December 2012 (2011: HUF 3 million).

The honorarium of the Board of Directors and the Supervisory Board added up HUF 25 million in 2012, while it was nil in 2011.
The Board of Directors had been terminated in June 2010 by the modification of the Act on Eximbank and the rights of the former Board of Directors were exercised by the Chief Executive Officer, however after the change in the ownership in May 2012 (Note 1) the Board of Directors was reformed by the modification of the Act on Eximbank as well. There are no any share-based payments to the Boards or the key management personnel.

In January 2012 the General Meeting recalled the Chief Executive Officer from his position. The nomination of the new CEO was effective from 22 March 2012 until 15 June 2012, when the new owner nominated another CEO.

The remuneration of the key management personnel amounted to HUF 122 million and HUF 138 million in 2012 and 2011, respectively. The remuneration of the management mentioned above includes the termination benefits paid to the management, which amounted to HUF 12 million in 2012 (2011: 19).

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

The table below summarises the maturity profile of the undiscounted cash flows of the Bank’s financial assets and liabilities as at 31 December 2012 and 2011. Trading derivatives are shown at fair value in a separate column.
Repayments which are subject to notice are treated as if notice were to be given immediately. The table also contain the contractual expiry by maturity of the Bank’s contingent liabilities and commitments.
The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of them.

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

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

(All amounts stated in HUF million unless otherwise noted)

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

As at 31 December 2011	**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	162	162	-	162	-	-	-	-
Loans and advances to other banks and insurance companies, net of impairment losses	128,893	134,991	-	29,873	5,958	28,995	62,814	7,351
Loans and advances to customers, net of impairment losses	54,589	62,207	-	4,704	1,984	16,969	29,114	9,436
Financial assets at fair value through profit or loss	47	47	47	-	-	-	-	-
Available-for sale financial assets	11,088	13,306	-	10,071	-	124	2,052	1,059
Financial assets	**194,779**	**210,713**	**47**	**44,810**	**7,942**	**46,088**	**93,980**	**17,846**
Loans and deposits from other banks	175,696	187,525	-	870	7,412	78,055	62,320	38,868
Derivative financial liabilities								
Foreign exchange contracts	196	196	196	-	-	-	-	-
Cross currency interest rate swaps	1,211	1,211	1,211	-	-	-	-	-
Financial liabilities	**177,103**	**188,932**	**1,407**	**870**	**7,412**	**78,055**	**62,320**	**38,868**
Liquidity (deficiency)/excess	**17,676**	**21,781**	**(1,360)**	**43,940**	**530**	**(31,967)**	**31,660**	**(21,022)**
Unutilised loan commitments		**78,019**	-	**78,019**	-	-	-	-
Financial guarantee contracts		**36,906**	-	**36,906**	-	-	-	-

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NOTE 26. FINANCIAL RISK MANAGEMENT

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

In order to diminish the risk of open bond positions the Bank holds bonds with no credit risk exclusively and does not deal with futures or options. Eximbank neither speculates on the stock exchange nor buys derivatives.
The Bank's policies for managing interest rate, credit, foreign currency exchange risk and liquidity risk are reviewed regularly by the Asset and Liability Committee (ALCO), Credit Committee and the Board of Directors. The policies are summarised as follows:

Risk management policies

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

Risk strategy and risk profile

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

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk

Management of credit risk, credit rating systems

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for clients, counterparties and for country concentrations, and by monitoring exposures in relation to such limits. The exposure to any one borrower is further restricted by sub-limits for different maturity and transaction type. The credit risk management is based on a client rating system, which applies different essentials for financial institutions and for corporate clients. The scoring system takes into account the business activity, financial position, 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

The classified outstanding and off-balance sheet items have to be categorised, where the banding pattern is the following:

Low-fair risk	0%
Watch list	1 – 10%
Substandard	11 – 30%
Doubtful	31 – 70%
Loss	71 – 100%

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 Bank’s own risk.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Exposure to credit risk

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

	Loans and advances to banks and insurance companies		**Loans and advances to customers**	
	2012	**2011**	**2012**	**2011**
Carrying amount	165,380	128,893	63,282	54,589
Individually impaired:				
1-10 %	-	-	7,363	12,806
11-30%	49	79	-	1,841
31-70 %	-	-	693	187
71-100 %	131	165	1,352	2,358
Gross amount	180	244	9,408	17,192
Allowance for impairment	(146)	(188)	(1,812)	(2,939)
Carrying amount	34	56	7,596	14,253
Collectively impaired:	-	-	-	-
Past due but not impaired:	-	251	60	787
Neither past due nor impaired:	165,346	128,586	42,993	28,456
Accounts with renegotiated terms:				
Gross amount	276	301	15,358	13,004
Allowance for impairment	(276)	(301)	(2,725)	(1,911)
Carrying amount	-	-	12,633	11,093
Total carrying amount	**165,380**	**128,893**	**63,282**	**54,589**

At 31 December 2012 *Financial assets at fair value through profit or loss* with a carrying value of HUF 130 million (2011: 47 million), *Cash, due from banks and balances with National Bank of Hungary*” with a carrying value of HUF 2,505 million (2011: HUF 162 million) and *Available-for-sale financial assets* with a carrying value of HUF 25,806 million (2011: HUF 10,732 million) are neither past due nor impaired, however the securities acquired in exchange for a loan with a carrying value of 34 million (2011: HUF 356 million) presented among available-for-sale financial assets are individually impaired in 2012 (Note 8).

Impaired loans and securities

The Bank does not apply the collective impairment, all loans are individually assessed.

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

Loans with renegotiated terms

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

Write-off policy

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

Collaterals

The Bank actively uses collateral and guarantee to reduce its credit risk. In order to minimise the credit loss, the Bank seeks additional collateral from the consumer, like for instance charges over accounts receivable. Most of the guarantees issued by the Eximbank are government-backed instruments. The Eximbank is bound up with the Hungarian Export Credit Insurance Ltd. (Mehib Ltd.). The majority of Eximbank's loans, which are carrying country risks are insured by Mehib Ltd., and these insurances are also state-backed.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1. Credit risk (continued)

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

	Loans and advances to banks and insurance companies		Loans and advances to customers	
	2012	2011	2012	2011
Against individually impaired:				
Insured by MEHIB	-	-	5,521	10,406
Cash Collateral	-	-	3	4
Bank guarantees	-	-	1,397	1,457
Property	-	-	373	522
Other	-	-	9	470
Against past due but not impaired:				
Insured by MEHIB	-	239	-	748
Cash Collateral	-	13	-	39
Bank guarantees	-	-	93	-
Property	-	-	-	-
Other	-	-	-	-
Against neither past due nor impaired:				
Insured by MEHIB	435	588	21,900	22,252
Cash Collateral	8	-	418	581
Bank guarantees	-	-	8,905	175
Property	-	-	1,398	450
Other	-	-	9,895	8,732
Against accounts with renegotiated terms:				
Insured by MEHIB	-	-	8,953	6,798
Cash Collateral	-	-	32	-
Bank guarantees	-	-	-	290
Property	-	-	1,039	920
Other	-	-	758	891
Total	**443**	**840**	**60,694**	**54,735**

As described in Note 5 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 9,695 million as at 31 December 2012 (in 2011: HUF 12,944 million). The total amount of the loan is guaranteed by the Hungarian State. This amount is not included in the table above.

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2. Liquidity risk

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

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

The maturity analysis table shows gross nominal in- and out-cash flows of both the financial assets and the financial liabilities.
The Bank considers maturity gap significant if the cash outflow becomes due 180 days earlier than it is defined in the given loan agreement irrespectively of the extent of the amount. During year 2012 and also 2011 there were no any significant maturity gaps.

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3. Market risk

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

The Bank's open foreign currency position was less than 2 % of solvency margin, thus - in accordance with Sections 39-41 of the Government Decree 244/2000 - it posed no capital requirement.
The following table shows the capital requirement covering risks from the trading book as at 31 December 2012 and 2011:

	2012	**2011**
Capital requirement of the trading book	-	-
Solvency margin	47,162	33,606
Capital requirement of the trading book as a percentage of solvency margin	-	-

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.1. Interest rate risk

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

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

	2012	2011
Fixed rate financial instruments		
Financial assets	58,435	58,473
Financial liabilities	142,501	12,719
Total fixed rate instruments	**200,936**	**71,192**
Variable rate financial instruments		
Financial assets	6,756	8,769
Financial liabilities	96,358	163,338
Total variable rate instruments	**103,114**	**172,107**
Financial assets under interest compensation system	**179,877**	**119,056**
Tied-aid credits	**6,352**	**7,399**

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 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 in interest rates of different currencies. 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 135 million (224 in previous year). The calculation assumes that other conditions (including foreign exchange rates) are unchanged during the period. Needs of capital requirement in respect of interest rate risk are calculated with duration gap methodology based on a basis point value model regarding VAR of changes in interest rates. Stress test is used for monitoring interest rate risks monthly.

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk

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

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

	EUR	USD	GBP	HUF	Total
Foreign currency assets:					
Loans and advances to other banks and insurance companies, net of impairment losses	140,996	12,576	-	11,808	165,380
Loans and advances to customers, net of impairment losses	54,265	5,263	-	3,754	63,282
Other	1,195	766	3	27,943	29,907
Total foreign currency Assets	196,456	18,605	3	43,505	258,569
Foreign currency liabilities	108,910	109,505	4	21,637	240,056
Foreign currency assets and liabilities, net	**87,546**	**(90,900)**	**(1)**	**21,868**	**18,513**
Effect of derivatives	(87,492)	91,642	-	(4,869)	(719)
Net exposure	54	742	(1)	16,999	17,794
Foreign currency off-balance sheet assets	12,819	422	-	25,407	38,648
Foreign currency off-balance sheet liabilities	78,813	8,297	-	1,168	88,278

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. Foreign currency risk (Continued)

Foreign currency exposure and foreign currency risk (including HUF exposures) as at 31 December 2011 are as follows:

	EUR	USD	GBP	HUF	Total
Foreign currency assets:					
Loans and advances to other banks and insurance companies, net of impairment losses	104,641	18,050	-	6,202	128,893
Loans and advances to customers, net of impairment losses	44,393	8,149	-	2,047	54,589
Other	204	529	3	11,563	12,299
Total foreign currency Assets	149,238	26,728	3	19,812	195,781
Foreign currency liabilities	175,737	498	-	1,881	178,116
Foreign currency assets and liabilities, net	**(26,499)**	**26,230**	**3**	**17,931**	**17,665**
Effect of derivatives	26,735	(26,224)	-	(1,913)	(1,402)
Net exposure	**236**	**6**	**3**	**16,018**	**16,263**
Foreign currency off-balance sheet assets	4,775	1,520	-	34,795	41,090
Foreign currency off-balance sheet liabilities	99,409	14,930	-	586	114,925

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3.2. 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 2012 and as at 31 December 2011 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 2012

	EUR	**USD**	**Total**
Foreign currency exchange rate as at 31 December 2012	291.29	220.93	
Exchange rates at strong HUF (minimum of historical rates in 2012)	276.07	211.36	
Effect on profit or (loss)	3	32	35
Exchange rates at weak HUF (maximum of historical rates in 2012)	321.93	250.28	
Effect on profit or (loss)	(5)	(99)	(104)

Extreme foreign currency risk calculation as at 31 December 2011

	EUR	**USD**	**Total**
Foreign currency exchange rate as at 31 December 2011	311.13	240.68	
Exchange rates at strong HUF (minimum of historical rates in 2011)	262.70	177.69	
Effect on profit or (loss)	37	2	39
Exchange rates at weak HUF (maximum of historical rates in 2011)	316.24	240.68	
Effect on profit or (loss)	(4)	-	(4)

(All amounts stated in HUF million unless otherwise noted)

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4. Capital management

Concerning the policy and the methods for capital handling the Bank follows the provisions of Hungarian Banking Act, of the Act on the Eximbank as well as of the Government Decree No. 196/2007 on the calculation of capital requirement.
According to the provisions of the Act CXII of 1996 on Credit Institutions and Financial Enterprises the financial institutions should dispose of a solvency margin ensuring the cover of the actual risks of its activity in order to maintain the actual financial solvency and to fulfil its liabilities, and the Bank should permanently maintain a minimum capital adequacy ratio of 8 percent.
The solvency margin is defined according to the Schedule No. 5 of the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the capital adequacy ratio is defined according to the Decree.
The provision of capital handling is controlled by the Hungarian Financial Supervisory Authority.
In 2007 according to provisions of Article 20 of Act on Eximbank (Solvency margin and capital adequacy) and Schedule No 5 of Act CXII of 1996 on Credit Institutions and Financial Enterprises, MFB has provided to the Bank a subordinated loan capital in the amount of EUR 100 million. The maturity of this particular loan is 12th of September 2017.
In line with the referred provisions, the amount of the subordinated loan capital is to be considered as a positive component of the guarantee capital of Eximbank. On the 31st of December 2012 and 2011 the amount of the long-term liability arising from the loan agreement is HUF 29,129 million and HUF 31,113 million, respectively. At the end of the year 2009 the Act on Hungarian Export-Import Bank Corporation has been modified: the amount of the subordinated loan capital is to be the component of the guarantee capital of the Bank in the year ended 31 December 2010 at the latest occasion. At the end of the year 2010 the Act on Hungarian Export-Import Bank Corporation (Article 20. of Act on Eximbank) has been modified again: the amount of the subordinated loan capital is to be the component of the guarantee capital of the Bank until its exposure. According to this modification the Solvency ratio will be satisfying till 2017.

The Bank fulfilled the legal and prudential requirements in the year of 2012 and 2011, permanently complied with the limits of the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the capital adequacy ratio has always significantly exceed the 8 percent required by the law as stated above.

	2012	**2011**
Core capital	18,033	16,803
Supplementary capital	29,129	16,803
Solvency margin	47,162	33,606
Total risk-weighted exposure to credit risk	201,707	145,098
Solvency ratio	22.39 %	21.65 %

NOTE 27. SEGMENT INFORNMATION

The Bank's segment reporting is based on the following operating segments: Banks, Corporate, Guarantees, Treasury and Other.

Banks

Eximbank refinances domestic banks that provide export finance to Hungarian companies. The Bank also provides credits to foreign banks. This business segment includes the funds that finance the placements to banks as well as nostro accounts and interbank placements to and credits from domestic and foreign banks.

Corporate

This segment involves export-financing loans to domestic and foreign companies, forfeit, letter of credit and other credit products. The funds financing loans to companies are also presented here.

Guarantees

Eximbank provides guarantees for its own risk as well as those counter-guaranteed by the state.

Treasury

Management of shareholders' equity is presented here; money market assets and the money market liabilities funding them are involved in this segment.

Other

This segment contains activities not directly attributable to any of the above segment.

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

Financial position segmented by businesses as at 31 December 2012

	Banks	Corporate	Guarantees	Treasury	Other	Total
Cash, due from banks and balances with NBH	1,193	-	-	1,312	-	2,505
Loans and advances to other banks and insurance companies, net of impairment losses	151,491	-	-	13,889	-	165,380
Loans and advances to customers, net of impairment losses	2,366	60,858	-	-	58	63,282
Financial assets at fair value through profit or loss	-	-	-	130	-	130
Available-for-sale financial assets	34	-	-	25,774	32	25,840
Intangibles, property and equipment	-	-	-	-	214	214
Other assets	-	-	-	-	1,218	1,218
Total Assets	**155,084**	**60,858**	**-**	**41,105**	**1,522**	**258,569**
Loans and deposits from other banks	128,855	-	-	-	-	128,855
Financial liabilities at fair value through profit or loss	-	-	-	856	-	856
Debt securities issued	-	-	-	109,148	-	109,148
Other liabilities incl. provision and deferred tax liabilities	-	252	325	-	620	1,197
Total Liabilities	**128,855**	**252**	**325**	**110,004**	**620**	**240,056**
Share capital	-	-	-	10,100	-	10,100
Reserves	-	-	-	8,413	-	8,413
Total Shareholder's Equity	**-**	**-**	**-**	**18,513**	**-**	**18,513**
Total Liabilities and Equity	**128,855**	**252**	**325**	**128,517**	**620**	**258,569**

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

Financial position segmented by businesses as at 31 December 2011

	Banks	Corporate	Guarantees	Treasury	Other	Total
Cash, due from banks and balances with NBH	156	-	-	6	-	162
Loans and advances to other banks and insurance companies, net of impairment losses	102,781	-	-	26,112	-	128,893
Loans and advances to customers, net of impairment losses	814	52,746	956	-	73	54,589
Financial assets at fair value through profit or loss	-	-	-	47	-	47
Available-for-sale financial assets	356	-	-	10,720	12	11,088
Intangibles, property and equipment	-	-	-	-	176	176
Other assets	93	7	-	165	561	826
Total Assets	**104,200**	**52,753**	**956**	**37,050**	**822**	**195,781**
Loans and deposits from other banks	104,200	52,732	-	18,764	-	175,696
Financial liabilities at fair value through profit or loss	-	-	-	1,407	-	1,407
Other liabilities incl. provision and deferred tax liabilities	-	21	420	116	456	1,013
Total Liabilities	**104,200**	**52,753**	**420**	**20,287**	**456**	**178,116**
Share capital	-	-	-	10,100	-	10,100
Reserves	-	-	-	7,565	-	7,565
Total Shareholder's Equity	**-**	**-**	**-**	**17,665**	**-**	**17,665**
Total Liabilities and Equity	**104,200**	**52,753**	**420**	**37,952**	**456**	**195,781**

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

Profit or Loss segmented by businesses for the year ended 31 December 2012

	Banks	Corporate	Guarantees	Treasury	Other	Total
Interest income	6,217	3,108	-	1,073	1	10,399
Interest expense	(4,033)	(1,993)	-	(122)	-	(6,148)
Net interest income	**2,184**	**1,115**	**-**	**951**	**1**	**4,251**
Net income from fees and commissions	-	1	211	(4)	(2)	206
Provisions and impairment (losses)/reversal	1,094	(854)	(225)	-	-	15
Gains and losses from trading and investment activities, net	-	-	-	840	-	840
Operating expenses, net	(1,403)	(1,652)	(404)	(531)	-	(3,991)
Profit/(loss) before income tax	1,875	(1,391)	(418)	1,257	(2)	1,321
Income taxes	(726)	609	167	(571)	(1)	(522)
Net profit/(loss)	1,149	(782)	(251)	686	(3)	799
Additional information						
Depreciation and amortisation	37	43	11	14	-	105
Non cash expenses	-	-	-	-	-	-
Cost to acquires intangible, property and equipment	50	59	14	19	-	143

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

Profit or Loss segmented by businesses for the year ended 31 December 2011

	Banks	Corporate	Guarantees	Treasury	Other	Total
Interest income	5,111	3,598	-	2,139	1	10,849
Interest expense	(3,494)	(2,677)	-	(59)	-	(6,230)
Net interest income	**1,617**	**921**	**-**	**2,080**	**1**	**4,619**
Net income from fees and commissions	-	(45)	234	(4)	1	186
Provisions and impairment (losses)/reversal	(784)	(768)	1,100	-	-	(452)
Gains and losses from trading and investment activities, net	-	-	-	(756)	-	(756)
Operating expenses, net	(1,052)	(1,258)	(309)	(407)	(1)	(3,027)
Profit/(loss) before income tax	**(219)**	**(1,150)**	**1,025**	**913**	**1**	**570**
Income taxes	14	73	(65)	(58)	-	(36)
Net profit/(loss)	**(205)**	**(1,077)**	**960**	**855**	**1**	**534**
Additional information						
Depreciation and amortisation	35	41	10	13	-	99
Non cash expenses	-	-	-	-	-	-
Cost to acquires intangible, property and equipment	30	36	9	12	-	87

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

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

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with NBH	1,811	661	15	18	2,505
Loans and advances to other banks and insurance companies net of impairment losses	164,650	-	558	172	165,380
Loans and advances to customers, net of impairment losses	25,629	-	33,595	4,058	63,282
Financial assets at fair value through profit or loss	130	-	-	-	130
Available-for-sale financial assets	25,806	-	-	34	25,840
Intangibles, property and equipment, net	214	-	-	-	214
Other assets, net	1,189	2	27	-	1,218
Total Assets	**219,429**	**663**	**34,195**	**4,282**	**258,569**
Loans and deposits from other banks	117,203	11,652	-	-	128,855
Financial liabilities at fair value through profit or loss	253	603	-	-	856
Debt securities issued *	-	-	-	109,148	109,148
Other liabilities incl. provision and deferred tax liabilities	630	174	37	356	1,197
Total liabilities	118,086	12,429	37	109,504	240,056
Share capital	10,100	-	-	-	10,100
Reserves	8,413	-	-	-	8,413
Total Shareholder's Equity	18,513	-	-	-	18,513
Total Liabilities and Equity	**136,599**	**12,429**	**37**	**109,504**	**258,569**
Off-balance sheet financial instruments					
Guarantees counter-guaranteed by the state	18,599	722	6,085	-	25,407
Unutilised part of credit lines	55,470	-	4,388	81	59,939
Guarantees not counter-guaranteed by the state	2,694	38	200	-	2,932
Total	**76,763**	**760**	**10,674**	**81**	**88,278**

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

Concentration of assets and liabilities by geographical segments as at 31 December 2011

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with NBH	15	32	16	99	162
Loans and advances to other banks and insurance companies net of impairment losses	127,392	-	1,244	257	128,893
Loans and advances to customers, net of impairment losses	11,332	3,827	34,688	4,742	54,589
Financial assets at fair value through profit or loss	47	-	-	-	47
Available-for-sale financial assets	10,732	-	-	356	11,088
Intangibles, property and equipment, net	176	-	-	-	176
Other assets, net	714	2	39	71	826
Total Assets	**150,408**	**3,861**	**35,987**	**5,525**	**195,781**
Loans and deposits from other banks	163,238	12,458	-	-	175,696
Financial liabilities at fair value through profit or loss	1,211	196	-	-	1,407
Other liabilities incl. provision and deferred tax liabilities	626	3	14	370	1,013
Total liabilities	165,075	12,657	14	370	178,116
Share capital	10,100	-	-	-	10,100
Reserves	7,565	-	-	-	7,565
Total Shareholder's Equity	17,665	-	-	-	17,665
Total Liabilities and Equity	**182,740**	**12,657**	**14**	**370**	**195,781**
Off-balance sheet financial instruments					
Guarantees counter-guaranteed by the state	25,917	787	8,091	-	34,795
Unutilised part of credit lines	66,245	-	11,774	-	78,019
Letter of Credit	-	-	-	-	-
Guarantees not counter-guaranteed by the state	1,844	41	226	-	2,111
Total	**94,006**	**828**	**20,091**	**-**	**114,925**

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. SEGMENT INFORMATION (CONTINUED)

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

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans to customers	1,128	77	519	97	1,821
Loans and advances to other banks and insurance companies	1,786	-	35	9	1,830
Other interest income	6,741	-	-	7	6,748
Total interest income	9,655	77	553	113	10,399
Income from fees and commissions:					
Guarantees counter-guaranteed by the state	108	-	-	19	128
Insurance fees devolved by MEHIB	-	-	4	19	24
Guarantees not counter-guaranteed by the state	110	-	-	1	112
Other	1	-	1	-	2
Total income from fees and commissions	220	-	5	40	266
Total Income	**9,875**	**77**	**559**	**153**	**10,665**

Segmented revenue by geographical segments for the year ended 31 December 2011

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans to customers	1,618	236	568	142	2,564
Loans and advances to other banks and insurance companies	2,555	11	83	14	2,663
Other interest income	5,500	-	-	122	5,622
Total interest income	9,673	247	651	278	10,849
Income from fees and commissions:					
Guarantees counter-guaranteed by the state	169	-	-	53	222
Insurance fees devolved by MEHIB	-	-	12	-	12
Guarantees not counter-guaranteed by the state	53	-	1	2	56
Other	2	-	-	-	2
Total income from fees and commissions	224	-	13	55	292
Total Income	**9,897**	**247**	**664**	**333**	**11,141**

NOTE 28. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date, which have any significant effect on figures in financial statements for the year 2012.

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS

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

These disclosures supplement the commentary on financial risk management (see Note 26.).

Key sources of estimation uncertainty

Allowances for credit losses

Assets measured at amortised cost are tested for impairment on a basis described in accounting policy described in accounting policy (see Note 3.11.1).

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.

Determining fair values

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

Critical accounting judgements in applying the Bank's accounting policies

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

Valuation of financial instruments, fair value hierarchy

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

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

- Level 1: unadjusted quoted prices in active markets for identical assets and liabilities;

(All amounts stated in HUF million unless otherwise noted)

NOTE 29. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

31 December 2012	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through profit or loss			
Derivative instruments	-	130	130
	-	130	130
Available-for-sale financial assets	873	24,967	25,840
	873	24,967	25,840
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	856	856
	-	856	856
31 December 2011			
Financial assets at fair value through profit or loss			
Derivative instruments	-	47	47
	-	47	47
Available-for-sale financial assets	1,118	9,970	11,088
	1,118	9,970	11,088
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	1,407	1,407
	-	1,407	1,407

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The estimated fair values disclosed below are designated to approximate values at which these instruments could be exchanged in an arm's length transaction between willing parties. 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 2012, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available -for-sale	Other amortised cost	Carrying amount	Fair value
Cash due from banks and balances with National Bank of Hungary	-	2,505	-	-	2,505	2,505
Loans and advances to other banks and insurance companies	-	165,380	-	-	165,380	165,380
Loans and advances to customers	-	63,282	-	-	63,282	63,282
Financial assets at fair value through profit or loss	130	-	-	-	130	130
Available-for-sale financial assets	-	-	25,840	-	25,840	25,840
Total	130	231,167	25,840	-	257,137	257,137
Loans and deposits from other banks	-	-	-	128,855	128,855	128,855
Debt securities issued	-	-	-	109,148	109,148	112,518
Financial liabilities at fair value through profit or loss	856	-	-	-	856	856
Total	856	-	-	238,003	238,859	242,229

(All amounts stated in HUF million unless otherwise noted)

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

As at 31 December 2011, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available -for-sale	Other amortised cost	Carrying amount	Fair value
Cash due from banks and balances with National Bank of Hungary	-	162	-	-	162	162
Loans and advances to other banks and insurance companies	-	128,893	-	-	128,893	128,893
Loans and advances to customers	-	54,588	-	-	54,588	54,588
Financial assets at fair value through profit or loss	47	-	-	-	47	47
Available-for-sale financial assets	-	-	11,088	-	11,088	11,088
Total	47	183,643	11,088	-	194,778	194,778
Loans and deposits from other banks	-	-	-	175,696	175,696	175,696
Financial liabilities at fair value through profit or loss	1,407	-	-	-	1,407	1,407
Total	1,407	-	-	175,696	177,103	177,103

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.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried at their fair values in the statement of financial position.

Available-for-sale financial assets
The carrying values of equity investments and other available-for-sale financial assets are provided in Note 8 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.

Loans and advances to other banks and insurance companies and Loans and advances to customers
The carrying values of Loans and advances to other banks and insurance companies and Loans and advances to customers are assumed to approximate the amortised cost using the effective rate method. Under the interest compensation system long term loans are re-prised every quarter according to market conditions (such as costs of acquiring funds, operating spread, risk premium) thus their carrying values approximate the fair value.

NOTE 30. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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 amounts Loans and deposits from other banks is assumed to approximate their carrying amount.

Debt securities issued
The bonds issued by the Bank are actively traded on London Stock Exchange and on OTC markets. Fair value of the bonds as at 31 December 2012 are determined based on the observable market prices.

Derivative financial instruments
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.

NOTE 31. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, 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.

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

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.
The IFRS 9 (2009) requirements represent a significant change from the exciting requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset’s contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the exciting IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date.

NOTE 31. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.
The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.
IFRS 9 (2012) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability‘s credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.
IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Bank has commenced the process of evaluating the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. Given the nature of the Bank’s operations, this standard is expected to have a pervasive impact on the Bank’s financial statements.

Amendment to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments of IFRS 7) introduces disclosures about the impact of netting arrangement on an entity’s financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Bank will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.
Based on our initial assessment, the Bank is not expecting a significant impact from the adoption of the amendments to IAS 32. However, the adoption of the amendments to IFRS 7 requires more extensive disclosures about rights of set-off.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated.

NOTE 31. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

IFRS 11 is not expected to have any impact on the Bank because the Bank does not have interests in joint ventures. IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 early adoption permitted.

These standards are not relevant to the Bank's financial statements as the Bank does not prepare consolidated financial statements, the Bank has no subsidiaries, significant interest in other entities.

IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by the other IFRSs. The Bank is currently reviewing its methodologies for determining fair values. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Bank to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities. IFRS 13 is effective for annual periods beginning or after 1 January 2013 with early adoption permitted.

IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.
This standard is not relevant to the Bank's financial statements as the Bank does not have benefit plan assets.

Annual Improvements May 2012

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

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

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

NOTE 31. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

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

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

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

These improvements are effective for annual periods beginning on or after 1 January 2013.

HUNGARIAN EXPORT-IMPORT BANK
LIMITED PRIVATE COMPANY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2011

**prepared underInternational Financial Reporting Standards
as adopted by the EU**

CONTENTS

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Independent Auditors' Report

To the shareholders of Hungarian Export-Import Bank Limited Private Company

Report on the Financial Statements

We have audited the accompanying financial statements of Hungarian Export-Import Bank Limited Private Company ("the Bank"), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 (or 'present fairly, in all material respects,') the financial position of the Bank as at 31 December 2011, 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, 13 April 2012

KPMG Hungária Kft.

Agócs Gábor
Partner

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

	Note	2011	2010
Cash, due from banks and balances with the National Bank of Hungary	4	162	67
Loans and advances to other banks, net of impairment losses	5	128,893	107,469
Loans and advances to customers, net of impairment losses	6	54,589	66,912
Financial assets at fair value through profit or loss	7	47	618
Available-for-sale financial assets, net of impairment loss	8	11,088	17,621
Intangibles, property and equipment, net	9	176	188
Other assets, net	10	826	904
Total Assets		**195,781**	**193,779**
Loans and deposits from other banks	12	175,696	173,884
Financial liabilities at fair value through profit or loss	7	1,407	1,074
Provision for guarantees and contingencies	11	21	1,121
Other liabilities	13	992	614
Total Liabilities		**178,116**	**176,693**
Share capital	14	10,100	10,100
Reserves	14	7,565	6,986
Total Shareholder's Equity		**17,665**	**17,086**
Total Liabilities and Equity		**195,781**	**193,779**

13 April 2012

Authorised for issue by

Katalin Mórgós
Chief Executive Officer

The accompanying notes to the financial statements on pages 7-68 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts stated in HUF million unless otherwise noted)

	Note	2011	2010
Interest income	17	10,849	10,348
Interest expense	17	(6,230)	(4,523)
Net interest income		**4,619**	**5,825**
Net income from fees and commissions	18	186	767
Provisions and impairment (losses)/reversal	11	(452)	(1,855)
Gains and losses from trading and investment activities, net	19.1	(756)	30
Operating expenses	19.2	(3,027)	(3,322)
Profit/(loss) before income tax		**570**	**1,445**
Income taxes	16	(36)	(235)
Profit /(loss) for the period		**534**	**1,210**
Other comprehensive income			
Fair value adjustment of available-for-sale securities, net of tax	20	45	(279)
Other comprehensive income for the period, net of income tax		**45**	**(279)**
Total comprehensive income for the period		**579**	**931**

13 April 2012

Authorised for issue by

Katalin Mórgós
Chief Executive Officer

The accompanying notes to the financial statements on pages 7-68 form an integral part of these financial statements.

HUNGARIAN EXPORT-IMPORT BANK PTE LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

	Note	2011	2010
OPERATING ACTIVITIES			
Profit/(loss) before income taxes		570	1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	19.2	99	197
Provision charged /(released) for impairment losses	11	1,552	853
(Profit)/loss from revaluation to fair value	7	315	2,276
Difference between impairment loss of a loan and the fair value of the collateral received in exchange for it	11	-	(1,800)
Net interest income		(4,619)	(5,825)
Interest received		11,632	10,418
Interest paid		(6,994)	(5,109)
Income taxes	16	(36)	(235)
Dividend paid		-	-
Changes in operating assets and liabilities:			
Net (increase)/decrease in loans and advances to other banks, before impairment losses	5	(21,104)	16,076
Net (increase)/decrease in loans and advances to customers, before impairment losses	6	12,527	11,240
Net (increase)/decrease in financial assets at fair value through profit or loss	7	589	3,051
Net (increase)/decrease in available-for-sale financial assets	8	5,422	(9,116)
Net (increase)/decrease in other assets	10	(838)	304
Net increase/(decrease) other liabilities	13	(645)	675
Net cash provided by/(used in) operating activities		**(1,530)**	**24,450**
INVESTING ACTIVITIES			
Net (increase)/decrease in held-to-maturity securities		-	-
Purchases of intangibles, property and equipment	9	(87)	(61)
Net cash used in investing activities		**(87)**	**(61)**
FINANCING ACTIVITIES:			
Proceeds from due to banks and deposits from banks	12	414,378	307,882
Repayment of due to banks and deposits from banks	12	(412,666)	(332,241)
Net cash provided by financing activities		**1,712**	**(24,359)**
Net increase/(decrease) in cash and cash equivalents		**95**	**30**
Cash and cash equivalents at the beginning of the year	4	**67**	**37**
Cash and cash equivalents at the end of the year	4	**162**	**67**

The accompanying notes to the financial statements on pages 7-68 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011
(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 2010	10,100	400	633	4,822	200	16,155
Total comprehensive income for the period						
Profit or loss			1,210			1,210
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					(279)	(279)
Total comprehensive income for the period			*1,210*		*(279)*	*931*
Other transactions, recorded directly in equity						
Release of Statutory reserves			(34)	34		
Reclassification (Note 3.10)			(273)	273		
Total other transactions			(307)	307		
Balance as at 31 December 2010	10,100	400	1,536	5,129	(79)	17,086

The accompanying notes to the financial statements on pages 7-68 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011	10,100	400	1,536	5,129	(79)	17,086
Total comprehensive income for the period						
Profit or loss			534			534
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax					45	45
Total comprehensive income for the period			*534*		*45*	*579*
Other transactions, recorded directly in equity						
Release of Statutory reserves			(13)	13		
Reclassification (Note 3.10)			(1,005)	1,005		
Total other transactions			(1,018)	1,018		
Balance as at 31 December 2011	10,100	400	1,052	6,147	(34)	17,665

The accompanying notes to the financial statements on pages 7-68 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

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's address is Nagymező St. 46-48., H-1065 Budapest, Hungary.

Eximbank – as a 100 % state owned company – was controlled by the Hungarian National Asset Management Company, the successor of the State Privatisation and Holding Company (ÁPV Rt.) between 1 January 1999 and 15 December 2004. On 15 December 2004, ÁPV Rt. sold 75 % less one share (and voting rights) of Eximbank to the Hungarian Development Bank Ltd. according to the rules of paragraph 138 (4) of Act XLVIII of 2004 on Financial Services and the respective Government Decree no. 2186/2004 (VII.22.).
Since 17 June 2010 Eximbank has been controlled solely by the Hungarian Development Bank Ltd. in accordance with the paragraph 12 (1) of Act LII on accountable management of state owned properties.

Therefore the Hungarian Development Bank Pte Ltd. – having its registered office at Nádor St. 31., H-1051 Budapest, Hungary – is the Bank's parent company. The Bank is included in the Consolidated Financial Statements of the Hungarian Development Bank Ltd. for the years ending 31 December 2011 and 31 December 2010. In both years the ultimate parent of the Bank is the Hungarian State.

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

These financial statements were authorised for issue by the Chief Executive Officer on 13 April 2012. These financial statements are not intended to be used for statutory filing purposes.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement

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

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 27.

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 Reclassifications

Where necessary, certain amounts in prior periods have been reclassified to conform to the current presentation.

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.

3.1 Financial statement presentation

These financial statements for years 2011 and 2010 include the accounts of Eximbank.

3.2 Financial instruments

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

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

Financial assets are derecognised when the Bank loses the right to receive cash flow from the related asset, loses rewards and risks related to the asset or loses the control over the contractual rights of the financial assets (at trade date). Financial liabilities are removed from the Bank's statement of financial position when they are extinguished, repaid or expire.

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.

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

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

For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. Determination of fair values is more detailed in Note 28.

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

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

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

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

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

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

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

The Bank uses foreign currency exchange contracts for economic hedging purposes, however, hedge accounting according to IAS 39 is not applied. These contracts include cross currency interest rate swaps contracted with the parent company. 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'.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

3.7 Held-to-maturity debt instruments

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

3.8 Loans and advances to banks and customers

Loans and advances to banks 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.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of financial assets

3.9.1 Impairment of loans and advances to banks and customers

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

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

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

Reversals of impairment

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

Write-off of loans and advances

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

Assets acquired in exchange for loans

During 2010 several securities were acquired in exchange for loan and relating interest receivable to a foreign bank within a restructuring plan due to the financial difficulties of the client. The securities were issued by the client. More details of the loan and securities are presented in Note 5 on Loans and advances to other banks and Note 8 on Available for sale financial assets, respectively.

3.9.2 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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.10 Statutory reserves

3.10.1 General risk reserve

Hungarian legislation allows the Bank to set aside amounts for general banking risks, including future losses and other unforeseeable risks or contingencies, in addition to those losses which have been specifically identified and those potential losses which experience indicates are present in the credit portfolio. The Bank sets aside 1.00 % (2010: 1.00 %) of risk-weighted assets and off-balance sheet exposures as at the reporting date. Such amounts are separately disclosed as appropriation of retained earnings and are not included in the determination of net profit or loss for the period.

3.10.2 General reserve

The the provisions of the Act CXII of 1996 on Credit Institutions and Financial Enterprises (" Hungarian Banking Act") prescribes that the Bank has to set a general reserve in the amount of 10 % of the current year profit after tax figure, which will be eliminated to cover the future losses. The Hungarian Banking Act also allows the Bank reclassify its retained earnings into the general reserve. In 2011 the Bank reclassified HUF 1,005 million retained earnings into the general reserve (2010: HUF 273 million).
The general reserve cannot be distributed as dividends.

3.11 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.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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, plant 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, plant 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, plant 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, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "Other expenses" in profit or loss.

3.13 Income taxes

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and the general risk reserve (due to uncertainty of reversal).

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.14 Interest income and expense

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

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

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

3.15 Provisions

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

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

The provision for possible losses on such commitments is maintained at a level adequate to absorb probable future losses. Provision for possible losses is recognised only if the Bank

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.16 Segment reporting

Based on its organisational and management structure the Bank uses business segments as its segment reports format, however the Bank also shows its assets, liabilities and revenues by geographical segments as additional information. Segment revenue, expense, assets and liabilities are allocated to the applicable segment on a consistent and reasonable basis, including factors such as the nature of items and the conducted activities throughout on inter-segment pricing process.

(All amounts stated in HUF million unless otherwise noted)

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

	2011	2010
Balances with NBH in HUF	6	1
Due from banks in HUF	1	2
Due from banks in foreign currency	155	64
Total	**162**	**67**

Based on the requirements for compulsory reserves set by the NBH, the amount of compulsory reserves maintained by the Bank and included in the balance above amounted to HUF 6 million and HUF 1 million as at 31 December 2011 and 2010, respectively. These reserves earn interest at below market rates.

NOTE 5. LOANS AND ADVANCES TO OTHER BANKS

	2011	2010
Short-term placements		
- in foreign currency	54.175	52.916
- in HUF	6.202	-
Sub-total	60.377	52.916
Long-term placements, in foreign currency	69.005	55.425
Sub-total	69.005	55.425
Total	129.382	108.341
Less: impairment losses (see Note 11)	(489)	(872)
Total	128.893	107.469

Loans and advances to other banks include refinancing loans disbursed.
A loan receivable from a foreign bank insured by Hungarian Export Credit Insurance Ltd (MEHIB) in amount of HUF 16.471 million (EUR 60.861.115.48) 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 of 31 December 2010 the balance of the claim (including relating accrued interest) against MEHIB was HUF 13.914 million (EUR 49.917.428), while as of 31 December 2011 it was HUF 12,944 million (EUR 41.604.224).
Within a restructuring plan due to financial difficulties, a loan – not insured by MEHIB – and the interest due in the total amount of HUF 3,923 million (EUR 13,906,352.88) against the same foreign bank was exchanged for debt securities and global depository receipts issued by this bank and cash in the amount of USD 1,948.111 in 2010. The details of the securities are presented in Note 8.
Information on the changes in the impairment losses relating to the above deals is presented in Note 11.

(All amounts stated in HUF million unless otherwise noted)

NOTE 5. LOANS AND ADVANCES TO OTHER BANKS (CONTINUED)

Remaining maturity of Loans and advances to other banks as at 31 December 2011 are as follows.

Remaining Maturity	Amount	Minimum and Maximum Fixed Interest Rates	Effective Interest Rate
Placements in foreign currency:			
1 to 7 days	772	1.02 % - 9.42 %	2.98 %
8 to 30 days	22,918	0.9 % - 5.42 %	1.24 %
31 to 90 days	5,878	0.5 % - 6.42 %	2.56 %
91 to 180 days	7,284	0.5 % - 5.55 %	2.61 %
181 to 365 days	17,323	0.5 % - 9.42 %	2.36 %
1 to 2 years	27,229	0.5 % - 9.42 %	2.05 %
2 to 5 years	34,770	0.5 % - 9.42 %	2.66 %
Over 5 years	7,006	2.25 % - 5.42 %	2.29 %
Sub-total	123,180		
Placements in HUF			
1 to 7 days	6,202	6.0 % - 6.15 %	6.12 %
Sub-total	6,202		
Total	**129,382**		

Remaining maturity of Loans and advances to other banks as at 31 December 2010 are as follows.

Remaining Maturity	Amount	Minimum and Maximum Fixed Interest Rates	Effective Interest Rate
Placements in foreign currency:			
1 to 7 days	2,934	2.58 % - 9.30 %	4.97 %
8 to 30 days	18,836	0.8 % - 5.30 %	1.08 %
31 to 90 days	6,775	0.75 % - 6.60 %	3.51 %
91 to 180 days	8,136	2.76 % - 5.55 %	5.07 %
181 to 365 days	16,235	2.61 % - 9.30 %	5.10 %
1 to 2 years	24,142	3.55 % - 9.30 %	5.10 %
2 to 5 years	26,392	3.55 % - 9.30 %	5.27 %
Over 5 years	4,891	4.70 % - 5.55 %	5.38 %
Sub-total	108,341		
Placements in HUF			
	-	-	-
Sub-total	-		
Total	**108,341**		

(All amounts stated in HUF million unless otherwise noted)

NOTE 5. LOANS AND ADVANCES TO OTHER BANKS (CONTINUED)

The geographical breakdown of Loans and advances to other banks as at 31 December 2011 and 2010 are as follows.

Country	2011	2010
Hungary	127,393	103,830
Russia	1,183	2,744
Ukraine	411	515
Tajikistan	257	296
Belarus	79	118
Turkey	59	-
Austria	-	780
Iran	-	58
Total	**129,382**	**108,341**

As at 31 December 2011 and 2010, placement with other banks insured by the Hungarian Export Credit Insurance Ltd. (MEHIB) amounted to HUF 827 million and 1,309 million, respectively.

(All amounts stated in HUF million unless otherwise noted)

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

	2011	2010
Short-term:		
- in foreign currency	19.703	35,877
- in HUF	4,077	3,179
Sub-total	23.780	39,056
Long-term:		
- in foreign currency	35.518	32.050
- in HUF	141	183
Sub-total	35.659	32.233
Total	59.439	71.289
Less: impairment losses (see Note 11)	(4.850)	(4.377)
Total	**54,589**	**66,912**

The remaining maturity of loans and advances to customers as at 31 December 2011 are as follows:

Remaining Maturity	Amount	Minimum and Maximum Fixed Interest Rates	Effective Interest Rate
In HUF:			
1 to 7 days	2.396	0.00 % - 10.26%	4.34 %
8 to 30 days	109	9.79 % - 9.79 %	9.79 %
31 to 90 days	1.049	0.00 % - 9.79 %	9.58 %
91 to 180 days	10	0.00 % - 7.46 %	5.97 %
181 to 365 days	513	0.00 % - 10.43 %	10.30 %
1 to 2 years	36	0.00 % - 7.46 %	5.57 %
2 to 5 years	86	0.00 % - 7.46 %	5.51 %
Over 5 years	19	0.00 % - 4.26 %	2.13 %
Sub-total	4.218		
In foreign currency:			
1 to 7 days	2.306	1.41 % - 9.42 %	4.40 %
8 to 30 days	484	3.08 % - 7.31 %	3.60 %
31 to 90 days	2.079	0.67% - 8.62 %	4.30 %
91 to 180 days	6.543	0.69 % - 9.42 %	4.59 %
181 to 365 days	8.291	0.67% - 9.42 %	4.32 %
1 to 2 years	11,739	0.67% - 9.42 %	4.45 %
2 to 5 years	14.758	0.67% - 9.42 %	4.04 %
Over 5 years	9.021	0.67% - 9.42 %	2.55 %
Sub-total	55.221		
Total	**59,439**		

Non-interest bearing loans and advances include balances with staff and balances with Hungarian State from interest compensation systems.

(All amounts stated in HUF million unless otherwise noted)

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

The remaining maturity of loans and advances to customers as at 31 December 2010 are as follows:

Remaining Maturity	Amount	Minimum and Maximum Fixed Interest Rates	Effective Interest Rate
In HUF:			
1 to 7 days	1.399	0.00 % - 10.26%	7.10 %
8 to 30 days	62	9.35 % - 9.35 %	9.35 %
31 to 90 days	1.054	0.00 % - 9.35 %	9.23 %
91 to 180 days	5	0.00 % - 5.00 %	2.50 %
181 to 365 days	659	0.00 % - 9.35 %	8.88 %
1 to 2 years	30	0.00 % - 5.97 %	4.12 %
2 to 5 years	110	0.00 % - 5.97 %	4.74 %
Over 5 years	43	0.00 % - 5.96 %	3.02 %
Sub-total	3.362		
In foreign currency:			
1 to 7 days	9,412	1.41 % - 9.30 %	4.98 %
8 to 30 days	308	4.06 % - 6.59 %	5.04 %
31 to 90 days	8.419	0.67% - 9.30 %	3.42 %
91 to 180 days	5.185	1.59 % - 9.30 %	4.90 %
181 to 365 days	12.553	0.67% - 9.30 %	4.20 %
1 to 2 years	10.320	0.67% - 9.30 %	5.26 %
2 to 5 years	12.591	0.67% - 9.30 %	6.43 %
Over 5 years	9.139	0.67% - 9.30 %	4.37 %
Sub-total	67.927		
Total	71.289		

Non-interest bearing loans and advances include balances with staff and balances with Hungarian State from interest compensation systems.

(All amounts stated in HUF million unless otherwise noted)

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

The geographical breakdown of loans and advances to customers as at 31 December 2011 and 2010 are as follows.

Country	2011	2010
Russia	25,723	40.012
Hungary	14,561	13,555
Montenegro	5.302	3.982
Poland	3,834	3.745
Laos	2.070	1.647
Egypt	1,557	618
Bosnia and Herzegovina	1,270	1.300
Ukraine	1,231	1,561
Turkey	1,120	1.836
Tajikistan	1,046	1,372
Romania	880	779
China	665	658
Serbia	111	104
Brazil	69	105
Italy	-	15
Total	59,439	71,289

As at 31 December 2011 and 2010. the loans insured by the Hungarian Export Credit Insurance Ltd. (MEHIB) amounted to HUF 40.205 million and HUF 54.100 million respectively.

NOTE 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 December 2011 and 31 December 2010 are as follows:

	2011	2010
Short-term derivative assets (trading):		
Foreign exchange swap	47	65
Sub-total	47	65
Long-term trading assets:		
Hungarian Government bonds in HUF	-	553
Sub-total	-	553
Total	**47**	**618**

Financial liabilities at fair value through profit or loss as at 31 December 2011 and 31 December 2010 are as follows:

	2011	2010
Short-term derivative liabilities (trading):		
Cross currency interest rate swap	1.211	1.074
Foreign exchange swap	196	
Total	1,407	1,074

The details of the cross currency interest rate swap for the year ended 31 December 2011 – with Hungarian Development Bank Ltd - are shown below:

Contractual maturity	Receive notional	Receive notional in HUF million	Pay notional	Pay notional in HUF million
11.11.2012	55.227.109 EUR	17.183	76.600.000 USD	18.436

The interest rates are 3-month EURIBOR + 2.5% p.a. and 3-month USD LIBOR + 2.5% p.a. or the SDR interest rates in the given currency shown on the web-site of 'IMF SDR Interest rate calculation' + 2.45% p.a. + interest premium on the web-site of 'IMF SDR interest rate. Rate of Remuneration. Rate of Charge and Burden Sharing Adjustments' (2011: 100 basis points). The higher one of the interest rates calculated based on the two methods is to be paid. The notional amounts are decreased quarterly by 8 equal instalments from 11 February 2011.

The fair value adjustments of Hungarian Government bonds and treasury bills as at 31 December 2011 and 2010 are as follows:

	2011	2010
Cost	-	589
Fair value adjustment	-	(36)
Book value	-	553

(All amounts stated in HUF million unless otherwise noted)

NOTE 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The remaining maturity of financial assets at fair value through profit or loss as at 31 December 2011 and 2010 are as follows.

Remaining Maturity	2011	2010
1-7 days	47	65
8-30 days	-	-
31-90 days	-	553
91 to 180 days	-	-
181 to 365 days	-	-
1 to 2 years	-	-
2 to 5 years	-	-
Over 5 years	-	-
Total	47	618

As at 31 December 2011 the Bank has no Hungarian Government Bonds presented as financial assets at fair value through profit or loss.

Remaining maturity of Hungarian Government bonds as at 31 December 2010 are detailed below:

Remaining Maturity	Amount	Minimum and Maximum Interest Rates	Effective Interest Rate
31-90 days	553	7.50%	7.50 %
Total	553		

(All amounts stated in HUF million unless otherwise noted)

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
Hungarian discounted treasury bills in HUF	-	16,182
Discounted bonds issued by National Bank of Hungary in HUF	9,973	-
Hungarian Government bonds in HUF	788	-
Fair value adjustment	(41)	(30)
	10,720	16,152
Senior Notes	1,151	1,151
Subordinated Notes	182	182
Recovery Units	131	131
Global Depository Receipts	59	59
Fair value adjustment	-	(66)
Impairment loss (Note 11)	(1,167)	-
Securities acquired in exchange for loan	356	1,457
HUF shares	12	12
Fair value adjustment	-	-
	12	12
Total	**11,088**	**17,621**

Details of the securities acquired in exchange for the loan mentioned in Note 5 are as follows:

All securities were issued by a bank in Kazakhstan.

Principal amount of the Senior Notes at inception date as well as at year end is USD 4,753,250. Senior Notes are interest bearing debt instruments at the rate of 10.75% p.a. from 1 July 2010 to 1 January 2013 and 12.50 % p.a. thereafter. Interest is payable on the outstanding principal amount in arrears on 1 January and 1 July in each year. Notes will be redeemed in 8 equal semi-annual instalments on 1 January and 1 July of each year, with the first such instalment being payable on 1 January 2015 and the last being payable on 1 July 2018.

Principal amount of the Subordinated Notes at inception date as well as at year end is USD 1,077,004. Subordinated Notes are interest bearing debt instruments at the rate of 7.20 % p.a. Interest is payable on the outstanding principal amount in arrears on 1 January and 1 July in each year. Notes will be redeemed in 10 equal semi-annual instalments on 1 January and 1 July of each year, with the first such instalment being payable on 1 January 2021 and the last being payable on 1 July 2025.

The first interest payments of the Senior Notes and Subordinated Notes were due on 1 January 2011.

Principal amount of the Recovery Units at inception date as well as at year end is USD 9,819,745. Initial settlement date is 30 June 2020 and the deferred settlement date is 30 June 2022. The issuer shall make recovery payments pro rata to unit holders on 30 September, 31 December, 31 March and 30 June of each year, commencing 31 December 2010 provided that certain conditions and circumstances set out in Trust Deed are fulfilled. During 2011 and 2010 no such payments were settled.

Global Depositary Receipts (GDRs) were issued, for no consideration, to the Restructuring Creditors who are non-Kazakh residents. Each GDR represents 500 shares. GDR holders are entitled to receive an amount of equivalent to any dividends or other proceeds payable on

(All amounts stated in HUF million unless otherwise noted)

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

and have voting rights, or with respect to, the deposited shares corresponding to its GDRs. Eximbank holds 23,002 units of GDRs. The price of each unit was USD 12.

The securities above are valued at their fair value based on the market price information provided by the custodian. The fair values of the securities at inception date and at year end of 2011 and 2010 are presented below:

	2011	2010	At inception date
Senior Notes	201	1,075	1,151
Subordinated Notes	19	162	182
Recovery Units	130	163	131
Global Depository Receipts	6	57	59
	356	1,457	1,523

The difference between the fair values at inception date and the current fair value in amount of HUF 1,167 million is reclassified from other comprehensive income to profit or loss as impairment loss on available-for-sale securities acquired in exchange for loan.

The GDRs and the notes mentioned above were listed on the official list of the Luxembourg Stock Exchange on 22 February 2011 and the trading is effective from 23 February 2011.

Remaining maturity of discounted bonds issued by National Bank of Hungary, Hungarian discounted treasury bills and Hungarian Government bonds as at 31 December 2011 are detailed below:

Remaining Maturity	2011	2010
1-7 days	9,970	-
8-30 days	-	5,090
31-90 days	-	-
91 to 180 days	-	3,601
181 to 365 days	-	7,461
1 to 2 years	-	-
2 to 5 years	750	-
Over 5 years	-	-
Total	10,720	16,152

Shares as at 31 December 2011 are detailed below.

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

No reliable market information was available for these financial instruments, therefore they are stated at cost.

(All amounts stated in HUF million unless otherwise noted)

NOTE 9. INTANGIBLES, PROPERTY AND EQUIPMENT

Movement table of intangible and tangible assets as at 31 December **2011** is as follows:

	Leasehold improve-ments	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2010	152	364	-	1,101	6	1.623
Additions	-	13	13	74	74	174
Disposals	-	(11)	(13)	-	(74)	(98)
31 December 2011	152	366	-	1.175	6	1.699
Accumulated depreciation and amortisation						
31 December 2010	144	299	-	992	-	1.435
Charge for year	4	25	-	70	-	99
Disposals	-	(11)	-	-	-	(11)
31 December 2011	148	313	-	1,062	-	1,523
Net book value						
31 December 2010	8	65	-	**109**	6	**188**
31 December 2011	4	53	-	**113**	6	**176**

Movement table of intangible and tangible assets as at 31 December **2010** is as follows:

	Leasehold improve-ments	Furniture, fixtures & office equipment	Assets under construc-tion	Intangible assets	Intangible assets under construction	Total
Cost						
31 December 2009	149	421	3	1.029	18	1,620
Additions	3	21	21	78	66	189
Disposals	-	(78)	(24)	(6)	(78)	(186)
31 December 2010	152	364	-	1.101	6	1.623
Accumulated depreciation and amortisation						
31 December 2009	140	315	-	841	-	1.296
Charge for year	4	36	-	157	-	197
Disposals	-	(52)	-	(6)	-	(58)
31 December 2010	144	299	-	992	-	1.435
Net book value						
31 December 2009	9	106	3	188	18	324
31 December 2010	8	65	-	109	6	188

(All amounts stated in HUF million unless otherwise noted)

NOTE 10. OTHER ASSETS

	2011	2010
Accrued interest receivable on debt securities	111	513
Accrued interest receivable re CCIR	124	213
Prepaid expenses	16	35
Taxation recoverable	537	135
Other	38	8
Sub-total	826	904
Less: impairment loss (see Note 11)	-	-
Total	826	904

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

NOTE 11. PROVISIONS AND IMPAIRMENT LOSSES

	Loans and advances to other banks	Loans and advances to customers	Available-for-sale securities	Guarantees and contingencies	Total
As at 31 December 2009	4.757	2.333	-	119	7,209
Write-offs	(823)*	(71)**	-	-	(894)
Charge/ (release)	(1.262)	2.115	-	1.002	1,855
Derecognised due to defaulted loan exchanged for debt securities (Note 5)	(1.800)	-	-	-	(1,800)
As at 31 December 2010	872	4.377	-	1.121	6,370
Write-offs	-	(295)***	-	-	(295)
Charge/ (release)	(383)	768	1.167****	(1.100)	452
As at 31 December 2011	489	4.850	1.167	21	6,527

* In 2010 Eximbank assigned one of its loans to bank to MEHIB (Note 5). The book value of the unsecured part of the loan, net of impairment losses was nil and the impairment loss was HUF 823 million was released.
** Eximbank sold two of its loans to a third party. The sales price was HUF 38 million in total. The aggregate book value of the loans, net of impairment losses was HUF 18 million and the impairment loss of HUF 71 million was released.
***In 2011 bad debts in the amount of HUF 295 million were written off.
**** In 2011 impairment loss was recognised on the available-for-sale securities in the amount of HUF 1.167 million (Note 8)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

NOTE 12. LOANS AND DEPOSITS FROM OTHER BANKS

	2011	2010
Short-term		
- in foreign currency	81,687	24,970
- in HUF	-	2,907
Sub-total	81,687	27,877
Long-term		
- in foreign currency	94,009	146,007
Sub-total	94,009	146,007
Total	**175,696**	**173,884**

The table above contains a loan granted by Hungarian Development Bank Ltd. in June 2009 in amount of EUR 142 million with the main conditions stated below:
The interest rate is 3-month EURIBOR + 2.5 p.a. or the SDR interest rate in the given currency shown on the web-site of 'IMF SDR Interest rate calculation' + 2.45% p.a. + interest premium on the web-site of 'IMF SDR interest rate, Rate of Remuneration, Rate of Charge and Burden Sharing Adjustments' (2011: 100 basis points). The higher one of the interest rates calculated based on the two methods is to be paid. The loan is decreased quarterly by 8 equal instalments from 11 February 2011. The final maturity date of the loan agreement is 11 November 2012.

Remaining maturity of loans and deposits from other banks as at 31 December 2011 are as follows.

Remaining Maturity	Amount	Minimum and Maximum Fixed Interest Rate	Effective Interest Rate
In foreign currency:			
1 to 7 days	131	0.65 % - 3.80 %	1.92 %
8 to 30 days	708	0.65 % - 3.80 %	2.70 %
31 to 90 days	6.599	3.73 % - 4.09 %	4.05 %
91 to 180 days	5.735	3.66 % - 4.09 %	4.08 %
181 to 365 days	68.514	3.65 % - 4.33 %	4.28 %
1 to 2 years	16.389	3.29 % - 4.02 %	3.69 %
2 to 5 years	39.708	3.65 % - 4.10 %	4.04 %
Over 5 years	37.912	1.67% - 3.90 %	2.04 %
Sub-total	175.696		
In HUF			
	-	-	-
Sub-total	-		
Total	**176,696**		

(All amounts stated in HUF million unless otherwise noted)

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

Remaining maturity of loans and deposits from other banks as at 31 December 2010 are as follows.

Remaining Maturity	Amount	Minimum and Maximum Fixed Interest Rate	Effective Interest Rate
In foreign currency:			
1 to 7 days	633	1.25 % - 3.15 %	1.39 %
8 to 30 days	938	1.25 % - 3.15 %	1.39 %
31 to 90 days	5,657	3.04 % - 3.55 %	3.50 %
91 to 180 days	6.193	3.15 % - 3.55 %	3.50 %
181 to 365 days	11.549	3.04 % - 3.55 %	3.51 %
1 to 2 years	72,520	3.15 % - 3.93 %	3.80 %
2 to 5 years	44,012	3.04 % - 3.63 %	3.36 %
Over 5 years	29,475	1.26 % - 3.49 %	1.38 %
Sub-total	170,977		
In HUF			
1 to 7 days	2.100	5.00 % - 5.25 %	5.24%
8 to 30 days	807	5.15 % - 5.15 %	5.15 %
Sub-total	2.907		
Total	173,884		

(All amounts stated in HUF million unless otherwise noted)

NOTE 13. OTHER LIABILITIES

	2011	2010
Accrued interest payable re CCIR	112	191
Accrued interest payable re FX swap	4	-
Accrued expenses	13	21
Accrued revenue	420	248
Tax liability	367	63
Other	76	91
Total	992	614

NOTE 14. SHAREHOLDER' S EQUITY

	2011	2010
Share capital	10,100	10,100
Share premium	400	400
Retained earnings	1,052	1,536
Fair value reserve, net of tax	(34)	(79)
Statutory reserves	6,147	5,129
Total	17,665	17,086

As at 31 December 2010 the Bank's share capital is comprised of 2020 fully paid dematerialised shares, each with a nominal value of HUF 5 million. Reserves available for distribution as at 31 December 2011 under Hungarian Law amount to HUF 300 million (2010: HUF 1,0005 million).

As at 31 December 2011 and 31 December 2010, the shareholders' rights were the following:

Shareholder	Number of shares	Face value of shares	Equity owned	Votes owned
Hungarian Development Bank Ltd	1,514	7,570	74.95 %	75 % -1
Hungarian State*	506	2,530	25.05 %	25 %+1
Total	2,020	10,100	100 %	100 %

* Rights of Hungarian State are represented by Hungarian Development Bank Ltd.

(All amounts stated in HUF million unless otherwise noted)

NOTE 15. 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. Commitments and contingent liabilities as at 31 December 2011 and 2010 are summarised as follows:

	2011	2010
Guarantees counter-guaranteed by the Republic of Hungary	34,795	34,576
Unutilised part of credit lines	78,019	21,445
Guarantees provided	2,111	3,489
Total	**114,925**	**59,510**

Guarantees issued by the Bank are mainly guarantees issued to Hungarian companies for receivables relating to exports.

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

NOTE 16. TAXATION

	2011		2010	
Profit (loss) before income tax		570		1,445
Applicable tax rate up to MHUF 500 (up to MHUF 250 in 2010)	10 %	50	10 %	25
Applicable tax rate above MHUF500 (above MHUF 250 in 2010)	19 %	13	19 %	227
Average tax rate	11 %	63	17 %	252
Adjustments:				
(Charge)/Release of General risk reserve	1%	4	1%	15
Fair values not recognised by tax rules	3%	15	29%	416
Fair values in equity recognised by tax rules	(1%)	4	(31%)	(448)
Non deductible expenses	(9%)	(50)	0%	-
Total adjustments	(5%)	(27)	(1%)	(17)
Effective tax	6 %	36	16 %	235

As a result of the Bank's accounting policies, no material temporary differences existed between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Therefore, no deferred tax asset or liability was recognised.

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. INTEREST INCOME AND INTEREST EXPENSE

	2011	2010
Interest income:		
Loans and advances to customers	2,564	3,436
Loans and advances to other banks	2,663	3,375
Cross currency interest rate swap	214	64
Interest compensation*	3,171	2,591
Securities	2,237	882
Total	**10,849**	**10,348**
Interest expense:		
Loans and deposits from other banks	6,230	4,523
Total	**4,619**	**5,825**

* 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 Hungarian State for special financing facilities.

(All amounts stated in HUF million unless otherwise noted)

NOTE 17. INTEREST INCOME AND INTEREST EXPENSE (CONTINUED)

Interest income by country and activity for the year ended 2011 and 2010 are detailed below:

	2011				2010			
Country	**Loans**	**Invest-ment**	**Non-Allocated**	**Total**	**Loans**	**Invest-ment**	**Non-Allocated**	**Total**
Hungary	7,558	2,114	1	9,673	7,862	821	1	8,684
Austria	11	-	-	11	9	-	-	9
United Kingdom	-	-	-	-	1	-	-	1
Germany	-	-	-	-	1	-	-	1
Romania	63	-	-	63	43	-	-	43
Poland	173	-	-	173	165	-	-	165
Belarus	6	-	-	6	9	-	-	9
Bosnia and Herzegovina	17	-	-	17	19	-	-	19
Serbia	4	-	-	4	2	-	-	2
Montenegro	26	-	-	26	27	-	-	27
Russia	469	-	-	469	1,194	-	-	1,194
Turkey	66	-	-	66	30	-	-	30
Ukraine	63	-	-	63	81	-	-	81
Brazil	-	-	-	-	8	-	-	8
Kazakhstan	-	-	122	122	(44)	-	-	(44)
Egypt	42	-	-	42	3	-	-	3
China	48	-	-	48	49	-	-	49
Tajikistan	66	-	-	66	67	-	-	67
Total	8,612	2,114	123	10,849	9,526	821	1	10,348

NOTE 18. NET INCOME FROM FEES AND COMMISSIONS

	2011	2010
Income from fees and commissions:		
Guarantees covered by the state	222	1,048
Insurance fees devolved by MEHIB	12	51
Refund of MEHIB insurance fees	-	8
Guarantees	56	78
Other	2	5
	292	1,190
Expenses from fees and commissions:		
Insurance fees paid to MEHIB	58	4
Transfer of refunded MEHIB insurance fees	-	8
Guarantees	44	407
Other	4	4
	106	423
Total	186	767

(All amounts stated in HUF million unless otherwise noted)

NOTE 18. NET INCOME FROM FEES AND COMMISSIONS (CONTINUED)

Income from fees and commissions by country and activity for the year ended 2011 and 2010 are detailed below:

	2011				2010			
Country	**Loans**	**Invest-ment**	**Non-Allocated**	**Total**	**Loans**	**Invest-ment**	**Non-Allocated**	**Total**
Hungary	2	-	222	224	14	-	1,082	1,096
Poland	-	-	-	-	2	-	-	2
Russia	12	-	-	12	49	-	-	49
USA	-	-	55	55	-	-	43	43
Macedonia	-	-	1	1	-	-	-	-
Total	14	-	278	292	65	-	1,125	1,190

NOTE 19.1 GAINS AND LOSSES FROM TRADING AND INVESTMENT ACTIVITIES, NET

	2011	2010
Trading securities gains and losses, net *	(7)	434
Gain and losses on foreign currency swap deals, net	3,561	(1,914)
Other foreign currency gains and losses, net	(4,310)	1,510
Foreign currency gains and losses, net *	(749)	(404)
Total	(756)	30

* - Also includes the revaluation of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, based on quoted market prices.

NOTE 19.2 OTHER OPERATING EXPENSES

	2011	2010
Personnel expenses	1,344	1,637
Material expenses	546	604
Depreciation and amortisation	99	197
Other administration expenses	48	51
Special tax of credit institution*	321	301
Local government taxes	197	150
Tax on financial institutions	207	433
Tax of credit institutions	247	-
Other expenses/ (income), net	18	(51)
Total	3,027	3,322

(All amounts stated in HUF million unless otherwise noted)

NOTE 19.2 OTHER OPERATING EXPENSES (CONTINUED)

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

Since 2011, a new tax, the tax of credit institutions – 30 % of the adjusted pre-tax profit - is included in other expenses as well. The adjusted pre-tax profit is the pre-tax profit in accordance with the Hungarian accounting law increased by the tax on financial institutions. Tax of credit institutions cannot exceed the amount of tax on financial institutions which is based on the adjusted total assets for the year ended in 31 December 2009. The tax on financial institutions can be decreased by the amount of the tax of credit institutions and recognised as other expenses. The amount of tax of credit institutions is deductible from the corporate income tax base.

The average number of employees as at 2011 was 107 (2010: 114).

NOTE 20.1 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2011	2010
Available for sale financial assets		
Gains (losses) arising during the year	(41)	(97)
Less: Reclassification adjustments for gains included in P&L	97	(239)
Other comprehensive income	56	(336)
Income tax relating to components	(11)	57
Other comprehensive income for the year	45	(279)

All the components of other comprehensive income for the year ended 31 December 2011 and 31 December 2010 stated above are items that may be reclassified subsequently to profit or loss.

NOTE 20.2 TAX EFFECTS RELATING TO EACH COMPONENT OF THE OTHER COMPREHENSIVE INCOME

	2011			2010		
	Before-tax amount	Tax (expense) benefit	Net of tax amount	Before-tax amount	Tax (expense) benefit	Net of tax amount
Available for sale financial assets	56	(11)	45	(336)	57	(279)
Total comprehensive income	(1,112)	211	(901)	(336)	57	(279)

NOTE 21. RELATED PARTY TRANSACTIONS

21.1 Companies

All transactions with the Hungarian Development Bank Ltd. ("MFB") and MFB's subsidiaries, associates and jointly controlled entities and other state-owned companies are conducted at market rates. Balances as at 31 December 2011, representing 23.10 % of total assets (2010: 20.37 %), 80.05 % of total liabilities (2010: 83.55 %) and 0.15 % of total commitments and contingent liabilities (2010: 33.87 %), and are presented below:

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

	2011	2010
Balances with NBH	6	1
Short-term placement to MFB incl. interest receivable	19,916	6,972
Loans to MFB's subsidiaries incl. interest receivable	12,944	13,914
Loans to MFB's associates incl. interest receivable	503	454
- less impairment losses	(5)	-
Advances to the State from interest compensation systems	946	768
Total loans and advances to related parties, net of impairment losses	34,304	22,108
Hungarian Government bonds	-	553
Total financial assets at fair value to related parties	-	553
Hungarian discounted treasury bills	-	16,152
Discounted bonds issued by NBH	9,970	
Hungarian Government bonds	750	-
Total available for sale financial assets to related parties	10,720	16,152
Other assets to the State	41	452
Other assets to MFB	124	215
Total other assets to related parties	165	667
Total Assets	**45,195**	**39,481**
Loans and deposits from MFB incl. accrued int.payables	141,253	146,360
Cross currency interest rate swap with MFB	1,211	1,074
Total financial liabilities at fair value to related parties	1,211	1,074
Other liabilities to MFB	112	191
Other liabilities to MFB's subsidiaries	-	1
Total other liabilities to related parties	112	192
Total Liabilities	**142,576**	**147,626**
Guarantees provided on behalf of other state-owned company	169	153
Other commitments and contingent liabilities	-	20,000
Total commitments and contingent liabilities	**169**	**20,153**

(All amounts stated in HUF million unless otherwise noted)

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

	2011	2010
Interest income:		
Short-term placements to MFB	14	7
Loans to MFB's subsidiaries	763	977
Loans to MFB's associates	40	47
State interest compensation	3,171	2,591
Interest on cross currency interest rate swap	214	64
Hungarian discounted treasury bills, discounted bonds issued by NBH and Hungarian Government bonds	2,114	821
Total	6,316	4,507
Interest expense:		
Loans and deposits from MFB	5,057	3,548
Total	5,057	3,548
Income from fees and commissions:		
Refund of MEHIB insurance fees	-	8
Total	-	8
Expenses from fees and commissions:		
Insurance fees paid to MEHIB	58	4
Total	58	4
Net interest income and net income from fees and commissions	1,201	963
Provision and impairment losses Charge/ (release):		
Loans and credit lines to MFB's associates	5	(3)
Total	5	(3)
Gains and losses from trading activities, net :		
Hungarian discounted treasury bills and Hungarian Government bonds	(6)	218
Total	(6)	218
Operating income/(expenses):		
MFB	-	2
MFB's subsidiaries	19	12
Other state-owned companies	(10)	(12)
Total	9	2

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

21.2 Management and employees

Loans to the management and employees of the Bank amounted to HUF 72 million and HUF 1051 million as at 31 December 2011 and 2010, respectively. Interest rates vary between 0 % and 5.00 %, and averages at 1.21 %. The remuneration of the management amounted to HUF 138 million and HUF 335 million in 2011 and 2010, respectively. The remuneration of the management mentioned above includes the termination benefits paid to the management, which amounted to HUF 19 million in 2011 (2010: 119).
The honorarium of the Board of Directors and the Supervisory Board added up HUF 8 million in 2010, while it was nil in 2011. The Board of Directors has been terminated in June 2010 by the modification of the Act on Eximbank and the rights of the former Board of Directors are exercised by the Chief Executive Officer. In January 2012 the General Meeting recalled the Chief Executive Officer from his position. The nomination of the new CEO is effective from 22 March 2012.

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NOTE 22. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES AS AT 31 DECEMBER 2011

	Carrying amount	Gross nominal inflow / (outflow)	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	162	162	162	-	-	-	-
Loans and advances to other banks, net of impairment losses	128,893	134,991	29,873	5,958	28,995	62,814	7,351
Loans and advances to customers, net of impairment losses	54,589	62,207	4,704	1,984	16,969	29,114	9,436
Financial assets at fair value through profit or loss	47	47	47	-	-	-	-
Available-for sale financial assets	11,088	13,306	10,071	-	124	2,052	1,059
Financial assets	194,779	210,713	44,857	7,942	46,088	93,980	17,846
Loans and deposits from other banks	175,696	187,525	870	7,412	78,055	62,320	38,868
Derivative financial liabilities							
Foreign exchange contracts	196	196	196	-	-	-	-
Cross currency interest rate swaps	1,211	1,211	-	296	915	-	-
Financial liabilities	177,103	188,932	1,066	7,708	78,970	62,320	38,868
Liquidity (deficiency)/excess	17,676	21,781	43,791	234	(32,882)	31,660	(21,022)
Unutilised loan commitments		78,019	78,019	-	-	-	-
Financial guarantee contracts		36,906	36,906	-	-	-	-

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NOTE 22. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES AS AT 31 DECEMBER 2010

	Carrying amount	Gross nominal inflow / (outflow)	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	67	67	67	-	-	-	-
Loans and advances to other banks, net of impairment losses	107,469	113,916	21,782	6,857	26,143	54,078	5,056
Loans and advances to customers, net of impairment losses	66,912	73,570	9,709	8,719	19,289	25,925	9,928
Financial assets at fair value through profit or loss	618	636	636	-	-	-	-
Available-for sale financial assets	17,621	18,348	5,153	-	11,274	652	1,269
Financial assets	192,687	206,537	37,347	15,576	56,706	80,655	16,253
Loans and deposits from other banks	173,884	186,450	4,021	6,773	20,366	125,139	30,151
Derivative financial liabilities							
Foreign exchange contracts	-	-	-	-	-	-	-
Cross currency interest rate swaps	1,074	1,074	-	125	392	557	-
Financial liabilities	174,958	187,524	4,021	6,898	20,758	125,696	30,151
Liquidity (deficiency)/excess	17,729	19,013	33,326	8,678	35,948	(45,041)	(13,898)
Unutilised loan commitments		21,445	21,445	-	-	-	-
Financial guarantee contracts		38,065	38,065	-	-	-	-

NOTE 23. 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 25 % direct and with a 75 % indirect shareholding stake via Hungarian Development Bank Ltd. The Bank is a credit institution and its primary task is to promote Hungarian exporters on external markets.

In order to diminish the risk of open bond positions the Bank holds bonds with no credit risk exclusively and does not deal with futures or options. Eximbank neither speculates on the stock exchange nor buys derivatives and does not issue bonds.
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 Operative Management. 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 and the CEO. These principles are determined within the prescriptions established by the National Bank of Hungary, the Hungarian Financial Institutions Supervision and with the rules of MFB Group. The Asset and Liability Committee and the Board of Operative Management and Credit Committee 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. Eximbank has created its risk map, which enables further separation of risks in terms of products and risk types.

Risk map and risk profile

The Bank's risk strategy includes the exploration, identification and separation of risks, furthermore the calculation of the risk level and weight of them. The risk map 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. Certain risk factors were evaluated on a 1-5 scale by the Bank's different areas. Most of the rates in the table point to the fact that the majority of the risks are low or represent moderate risk level. The assessment of risk profile is based on the risk map, taking 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 credit, country and concentration risk can be detected by the vertical aggregation of the rows of the risk map. The level of credit risk is moderate, since the credit portfolio consists of products with lower risk level: products carrying risk exposure to domestic banks, counter-guarantees of state. The aggregated country risk components seem to be at a very low risk level at first sight, which can be explained by the excess weight of domestic risk taking. Furthermore, the foreign positions tend to be oriented towards more reliable directions and they are also backed with insurance.

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1. 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, 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

The classified outstanding and off-balance sheet items have to be categorised, where the banding pattern is the following:

Low-fair risk	0%
Watch list	1 – 10%
Substandard	11 – 30%
Doubtful	31 – 70%
Loss	71 – 100%

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 our own risk.

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1. 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		Loans and advances to customers	
	2011	**2010**	**2011**	**2010**
Carrying amount	128.893	107.469	54.589	66.912
Individually impaired:				
1-10 %	-	2.031	12,806	22.267
11-30%	79	-	1,841	111
31-70 %	-	-	187	172
71-100 %	165	141	2,358	1,736
Gross amount	244	2,172	17,192	24,286
Allowance for impairment	(188)	(246)	(2,939)	(2,148)
Carrying amount	56	1,926	14,253	22.138
Collectively impaired:	-	-	-	-
Past due but not impaired:	251	-	787	4.322
Neither past due nor impaired:	128.586	104.917	28.456	34.819
Accounts with renegotiated terms:				
Gross amount	301	1.252	13.004	7.862
Allowance for impairment	(301)	(626)	(1.911)	(2.229)
Carrying amount	-	626	11.093	5.633
Total carrying amount	128.893	107.469	54.589	66.912

In the year ended 2011 financial assets at fair value through profit or loss in amount of HUF 47 million (2010: 618 million) and available-for-sale financial assets in amount of HUF 10.732 million (2010: HUF 17.621 million) are neither past due nor impaired. however the securities acquired in exchange for loan in amount of HUF 356 million presented among available-for-sale financial assets are individually impaired in 2011 (Note 7).

Impaired loans and securities

The Bank does not apply the collective impairment. all loans are individually assessed.

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1. Credit risk (continued)

Loans with renegotiated terms

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

Write-off policy

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collaterised loan, when the proceeds from realising the security have been received.

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 government-backed instruments. The Eximbank is bound up with the Hungarian Export Credit Insurance Ltd. (Mehib Ltd.). The majority of Eximbank's loans, which are carrying country risks are insured by Mehib Ltd., and these insurances are also state-backed.

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1. 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		Loans and advances to customers	
	2011	2010	2011	2010
Against individually impaired:				
Insured by MEHIB	-	1.035	10.406	17.224
Cash Collateral	-	-	4	6
Bank guarantees	-	-	1.457	649
Property	-	-	522	1.573
Other	-	-	470	1.122
Against past due but not impaired:				
Insured by MEHIB	239	-	748	2,651
Cash Collateral	13	-	39	44
Property	-	-	-	744
Other	-	-	-	194
Against neither past due nor impaired:				
Insured by MEHIB	588	274	22.252	30,026
Cash Collateral	-	14	581	662
Bank guarantees	-	-	175	944
Property	-	-	450	1.127
Other	-	-	8.732	9.403
Against accounts with renegotiated terms:				
Insured by MEHIB	-	-	6.798	4.199
Cash Collateral	-	-	-	221
Bank guarantees	-	-	290	-
Property	-	-	920	332
Other	-	-	891	939
Total	840	1.323	54.735	72.060

23.3. 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.

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis table set out in Note 22 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. The table also shows a maturity analysis for derivative financial liabilities including the remaining contractual maturities for those derivatives for which contractual maturities are essential for an understanding of the timing of the cash flows. 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 disclosure for derivatives shows a gross inflow and outflow amount for derivatives (e.g., forward exchange contracts and currency interest rate swaps).

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 the year 2011 there were no any significant maturity gaps.

It is important from Bank's liquidity risk point of view that its liabilities are solely from credit institutions. As a specialized governmental credit institution Eximbank has no right to collect deposits either from corporate clients or from individuals. Loans borrowed from domestic and foreign banks are secured by the general guarantee of the Government of Hungary as it is defined in the Act on the Budget of Hungary with respect to the maximum amount of guarantee. The Bank finances its operation mainly from funds given by its main shareholder. Some loan agreements define maturity extension option in favor of the Bank. Eximbank occasionally turns to interbank market for medium term funding. Except for the termination notices of the standard agreement forms used by the 'Loan Market Association' and for the negative changes regarding the State Guarantee there is no option for the lenders to terminate the loan agreements. Termination of short term money market deals is not possible due to its market characteristic. Based on the legal background of the Bank, the high proportion of the borrowings from the parent company and its experiences, Eximbank reckons the probability of the premature termination of funds as extremely low. There is a minimal liquidity risk regarding the state backed bank guarantees issued by the Bank, which are 90 % of the total guarantee portfolio of the Bank, as state backed bank guarantees can be paid after the total amount received from the State Budget. It is possible to terminate the unutilized loan commitments based on the 'Material Adverse Changes Clause' defined in all loan agreements, which can mitigate the liquidity risk if necessary.

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3. Market risk

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

The Bank's open foreign currency position was less than 2 % of solvency margin, thus - in accordance with Sections 39-41 of the Government Decree 244/2000 - it posed no capital requirement.
The following table shows the capital requirement covering risks from the trading book as at 31 December 2011 and 2010:

	2011	2010
Capital requirement of the trading book	-	-
Solvency margin	33,606	44,351
Capital requirement of the trading book as a percentage of solvency margin	-	-

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3.1. 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 with basis risk and inherent risk in banking products. Interest rate risk is largely reduced by a compensation system, which covers the risk arising from fixed interest-bearing assets compared to floating rate funds with a certain amount approved by the Parliament for a one year period in the budgetary law.

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

	2011	2010
Fixed rate financial instruments		
Financial assets	58,473	63,646
Financial liabilities	12,719	14,635
Total fixed rate instruments	**71,192**	**78,281**
Variable rate financial instruments		
Financial assets	8,769	25,314
Financial liabilities	163,338	159,376
Total variable rate instruments	**172,107**	**184,690**
Financial assets under interest compensation system	119,056	96,412
Tied-aid credits	7,399	6,852

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 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 (i.e. value at risk) based estimation of changes in interest rates of different currencies. The estimated decrease in the market interest rates would affect negatively the net interest income for the next twelve months by HUF 224 million (2010: HUF 119 million). (VAR parameters: 99% probability and 3 month time horizon, based on 5 years' historical data of LIBOR6m rates for EUR and USD and BUBOR6m rates for HUF) The calculation assumes that other conditions (including foreign exchange rates) are unchanged during the period. Adverse change in interest rate would make the same profit effect, but positively. 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 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3.2. Foreign currency risk

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

23.3.2. Foreign currency risk (Continued)

Foreign currency exposure and foreign currency risk (including HUF exposures) as at 31 December 2011 are as follows:

	EUR	USD	GBP	HUF	Total
Foreign currency assets:					
Loans and advances to other banks, net of impairment losses	104,641	18,050	-	6,202	128,893
Loans and advances to customers, net of impairment losses	44,393	8,149	-	2,047	54,589
Other	204	529	3	11,563	12,299
Total foreign currency Assets	149,238	26,728	3	19,812	195,781
Foreign currency liabilities	175,737	498	-	1,881	178,116
Foreign currency assets and liabilities, net	(26,499)	26,230	3	17,931	17,665
Effect of derivatives	26,735	(26,224)	-	(1,913)	(1,402)
Net exposure	236	6	3	16,018	16,263
Foreign currency off-balance sheet assets	4,775	1,520	-	34,795	41,090
Foreign currency off-balance sheet liabilities	99,409	14,930	-	586	114,925

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3.2. Foreign currency risk (Continued)

Foreign currency exposure and foreign currency risk (including HUF exposures) as at 31 December 2010 are as follows:

	EUR	USD	GBP	HUF	Total
Foreign currency assets:					
Loans and advances to other banks, net of impairment losses	80.767	26.702	-	-	107.469
Loans and advances to customers, net of impairment losses	56.409	8.874	-	1.629	66.912
Other	262	1.532	2	17.602	19.398
Total foreign currency Assets	137,438	37.108	2	19.231	193.779
Foreign currency liabilities	172,126	405	-	4.162	176.693
Foreign currency assets and liabilities, net	(34,688)	36.703	2	15.069	17.086
Effect of derivatives	35.138	(36.248)	-	-	(1.110)
Net exposure	450	455	2	15.069	15,976
Foreign currency off-balance sheet assets	3.304	2.332	-	34.593	40.229
Foreign currency off-balance sheet liabilities	47.438	12.036	-	36	59.510

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.3.2. 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 2011 and as at 31 December 2010 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 2011

	EUR	USD	Total
Foreign currency exchange rate as at 31 December 2011	311.13	240.68	
Exchange rates at strong HUF (minimum of historical rates in 2011)	262.70	177.69	
Effect on profit or (loss)	37	2	39
Exchange rates at weak HUF (maximum of historical rates in 2011)	316.24	240.68	
Effect on profit or (loss)	(4)	-	(4)

Extreme foreign currency risk calculation as at 31 December 2010

	EUR	USD	Total
Foreign currency exchange rate as at 31 December 2010	278.75	208.65	
Exchange rates at strong HUF (minimum of historical rates in 2010)	261.6	184	
Effect on profit or (loss)	117	(118)	(1)
Exchange rates at weak HUF (maximum of historical rates in 2010)	290.03	240.57	
Effect on profit or (loss)	(77)	153	76

(All amounts stated in HUF million unless otherwise noted)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.4. Capital management

Concerning the policy and the methods for capital handling the Bank follows the provisions of Hungarian Banking Act, of the Act on the Eximbank as well as of the Government Decree No. 196/2007 on the calculation of capital requirement.
According to the provisions of the Act CXII of 1996 on Credit Institutions and Financial Enterprises the financial institutions should dispose of a solvency margin ensuring the cover of the actual risks of its activity in order to maintain the actual financial solvency and to fulfil its liabilities, and the Bank should permanently maintain a minimum capital adequacy ratio of 8 percent.
The solvency margin is defined according to the Schedule No. 5 of the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the capital adequacy ratio is defined according to the Decree.
The provision of capital handling is controlled by the Hungarian Financial Supervisory Authority.
In 2007 according to provisions of Article 20 of Act on Eximbank (Solvency margin and capital adequacy) and Schedule No 5 of Act CXII of 1996 on Credit Institutions and Financial Enterprises, MFB has provided to the Bank a subordinated loan capital in the amount of EUR 100 million. The maturity of this particular loan is 12th of September 2017.
In line with the referred provisions, the amount of the subordinated loan capital is to be considered as a positive component of the guarantee capital of Eximbank. On the 31st of December 2011 and 2010 the amount of the long-term liability arising from the loan agreement is HUF 31,113 million and HUF 27,875 million, respectively. At the end of the year 2009 the Act on Hungarian Export-Import Bank Corporation has been modified: the amount of the subordinated loan capital is to be the component of the guarantee capital of the Bank in the year ended 31 December 2010 at the latest occasion. At the end of the year 2010 the Act on Hungarian Export-Import Bank Corporation (Article 20. of Act on Eximbank) has been modified again: the amount of the subordinated loan capital is to be the component of the guarantee capital of the Bank until its exposure. According to this modification the Solvency ratio will be satisfying till 2017.

The Bank fulfilled the legal and prudential requirements in the year of 2011 and 2010, permanently complied with the limits of the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the capital adequacy ratio has always significantly exceed the 8 percent required by the law as stated above.

	2011	2010
Core capital	16.803	16.476
Supplementary capital	16.803	27.875
Solvency margin	33.606	44.351
Total risk-weighted exposure to credit risk	145.098	108.639
Solvency ratio	21.65 %	37.31 %

NOTE 24. CONCENTRATION OF ASSETS AND LIABILITES BY BUSINESS SEGMENTS

Banks

Eximbank refinances domestic banks that provide export finance to Hungarian companies. The Bank also provides credits to foreign banks. This business segment includes the funds that finance the placements to banks as well as nostro accounts and interbank placements to and credits from domestic and foreign banks.

Corporate

This segment involves export-financing loans to domestic and foreign companies, forfeit, letter of credit and other credit products. The funds financing loans to companies are also presented here.

Guarantees

Eximbank provides guarantees for its own risk as well as those counter-guaranteed by the state.

Treasury

Management of shareholders' equity is presented here: money market assets and the money market liabilities funding them are involved in this segment.

Other

This segment contains activities not directly attributable to any of the above segment.

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NOTE 24. FINANCIAL POSITION SEGMENTED BY BUSINESSES AS AT 31 DECEMBER 2011

	Banks	Corporate	Guarantees	Treasury	Other	Total
Cash, due from banks and balances with NBH	156	-	-	6	-	162
Loans and advances to other banks, net of impairment losses	102,781	-	-	26,112	-	128,893
Loans and advances to customers, net of impairment losses	814	52,746	956	-	73	54,589
Financial assets at fair value through profit or loss	-	-	-	47	-	47
Available-for-sale financial assets	356	-	-	10,720	12	11,088
Intangibles, property and equipment	-	-	-	-	176	176
Other assets	93	7	-	165	561	826
Total Assets	**104,200**	**52,753**	**956**	**37,050**	**822**	**195,781**
Loans and deposits from other banks	104,200	52,732	-	18,764	-	175,696
Financial liabilities at fair value through profit or loss	-	-	-	1,407	-	1,407
Other liabilities incl. provision	-	21	420	116	456	1,013
Total Liabilities	**104,200**	**52,753**	**420**	**20,287**	**456**	**178,116**
Share capital	-	-	-	10,100	-	10,100
Reserves	-	-	-	7,565	-	7,565
Total Shareholder's Equity	-	-	-	**17,665**	-	**17,665**
Total Liabilities and Equity	**104,200**	**52,753**	**420**	**37,952**	**456**	**195,781**

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NOTE 24. FINANCIAL POSITION SEGMENTED BY BUSINESSES AS AT 31 DECEMBER 2010

	Banks	Corporate	Guarantees	Treasury	Other	Total
Cash, due from banks and balances with NBH	66	-	-	1	-	67
Loans and advances to other banks, net of impairment losses	88,066	-	2	19,401	-	107,469
Loans and advances to customers, net of impairment losses	635	66,109	63	-	105	66,912
Financial assets at fair value through profit or loss	-	-	-	618	-	618
Available-for-sale financial assets	1,457	-	-	16,152	12	17,621
Intangibles, property and equipment	-	-	-	-	188	188
Other assets	80	6	-	665	153	904
Total Assets	**90,304**	**66,115**	**65**	**36,837**	**458**	**193,779**
Loans and deposits from other banks	90,286	65,013	-	18,585	-	173,884
Financial liabilities at fair value through profit or loss	-	-	-	1,074	-	1,074
Other liabilities incl. provision	19	1,102	248	191	175	1,735
Total Liabilities	**90,305**	**66,115**	**248**	**19,850**	**175**	**176,693**
Share capital	-	-	-	10,100	-	10,100
Reserves	-	-	-	6,986	-	6,986
Total Shareholder's Equity	-	-	-	**17,086**	-	**17,086**
Total Liabilities and Equity	**90,305**	**66,115**	**248**	**36,936**	**175**	**193,779**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

NOTE 24. PROFIT OR LOSS SEGMENTED BY BUSINESSES FOR THE YEAR ENDED 31 DECEMBER 2011

	Banks	Corporate	Guarantees	Treasury	Other	Total
Interest income	5,111	3,598	-	2,139	1	10,849
Interest expense	(3,494)	(2,677)	-	(59)	-	(6,230)
Net interest income	1,617	921	-	2,080	1	4,619
Net income from fees and commissions	-	(45)	234	(4)	1	186
Provisions and impairment (losses)/reversal	(784)	(768)	1,100	-	-	(452)
Gains and losses from trading and investment activities, net	-	-	-	(756)	-	(756)
Operating expenses, net	(1,052)	(1,258)	(309)	(407)	(1)	(3,027)
Profit/(loss) before income tax	(219)	(1,150)	1,025	913	1	570
Income taxes	14	73	(65)	(58)	-	(36)
Net profit/(loss)	**(205)**	**(1,077)**	**960**	**855**	**1**	**534**
Additional information						
Depreciation and amortisation	35	41	10	13	-	99
Non cash expenses	-	-	-	-	-	-
Cost to acquires intangible, property and equipment	30	36	9	12	-	87

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

NOTE 24. PROFIT OR LOSS SEGMENTED BY BUSINESSES FOR THE YEAR ENDED 31 DECEMBER 2010

	Banks	Corporate	Guarantees	Treasury	Other	Total
Interest income	5,307	4,203	-	837	1	10,348
Interest expense	(2,668)	(1,740)	-	(115)	-	(4,523)
Net interest income	2,639	2,463	-	722	1	**5,825**
Net income from fees and commissions	3	41	720	(4)	7	767
Provisions and impairment losses	1,262	(2,115)	(1,002)	-	-	(1,855)
Gains and losses from trading and investment activities, net	-	-	-	30	-	30
Operating expenses, net	(1,123)	(1,379)	(344)	(456)	(20)	(3,322)
Profit/(loss) before income tax	**2,781**	**(990)**	**(626)**	**292**	**(12)**	**1,445**
Income taxes	(453)	161	102	(47)	2	(235)
Net profit/(loss)	**2,328**	**(829)**	**(524)**	**245**	**(10)**	**1,210**
Additional information						
Depreciation and amortisation	69	82	20	26	-	197
Non cash expenses	-	-	-	-	-	-
Cost to acquires intangible, property and equipment	22	25	6	8	-	61

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts stated in HUF million unless otherwise noted)

NOTE 25. CONCENTRATION OF ASSETS AND LIABILITIES BY GEOGRAPHICAL SEGMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with NBH	15	32	16	99	162
Loans and advances to other banks net of impairment losses	127,392	-	1,244	257	128,893
Loans and advances to customers, net of impairment losses	11,332	3,827	34,688	4,742	54,589
Financial assets at fair value through profit or loss	47	-	-	-	47
Available-for-sale financial assets	10,732	-	-	356	11,088
Intangibles, property and equipment, net	176	-	-	-	176
Other assets, net	714	2	39	71	826
Total Assets	**150,408**	**3,861**	**35,987**	**5,525**	**195,781**
Loans and deposits from other banks	163,238	12,458	-	-	175,696
Financial liabilities at fair value through profit or loss	1,211	196	-	-	1,407
Other liabilities incl. provision	626	3	14	370	1,013
Total liabilities	165,075	12,657	14	370	178,116
Share capital	10,100	-	-	-	10,100
Reserves	7,565	-	-	-	7,565
Total Shareholder's Equity	17,665	-	-	-	17,665
Total Liabilities and Equity	**182,639**	**12,657**	**14**	**370**	**195,680**
Off-balance sheet financial instruments					
Guarantees insured by the state	25,917	787	8,091	-	34,795
Unutilised part of credit lines	66,245	-	11,774	-	78,019
Letter of Credit	-	-	-	-	-
Guarantees	1,844	41	226	-	2,111
Total	**94,006**	**828**	**20,091**	**-**	**114,925**

(All amounts stated in HUF million unless otherwise noted)

NOTE 25. CONCENTRATION OF ASSETS AND LIABILITIES BY GEOGRAPHICAL SEGMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Cash, due from banks and balances with NBH	10	47	-	10	67
Loans and advances to other banks net of impairment losses	103.830	781	2.636	222	107.469
Loans and advances to customers, net of impairment losses	10.869	3.760	48.637	3.646	66.912
Financial assets at fair value through profit or loss	553	65	-	-	618
Available-for-sale financial assets	16.164	-	-	1.457	17.621
Intangibles, property and equipment, net	188	-	-	-	188
Other assets, net	842	-	-	62	904
Total Assets	**132,456**	**4,653**	**51,273**	**5,397**	**193,779**
Loans and deposits from other banks	162.679	11.205	-	-	173.884
Financial liabilities at fair value through profit or loss	1.074	-	-	-	1.074
Other liabilities incl. provision	1.367	-	63	305	1.735
Total liabilities	165.120	11.205	63	305	176.693
Share capital	10.100	-	-	-	10.100
Reserves	6.986	-	-	-	6.986
Total Shareholder's Equity	17.086	-	-	-	17.086
Total Liabilities and Equity	**182,206**	**11.205**	**63**	**305**	**193.779**
Off-balance sheet financial instruments					
Guarantees insured by the state	27.913	682	5.981	-	34.576
Unutilised part of credit lines	3.225	213	16.798	1.209	21.445
Letter of Credit	-	-	-	-	-
Guarantees	3.282	36	171	-	3.489
Total	34,420	931	22,950	1,209	59,510

(All amounts stated in HUF million unless otherwise noted)

NOTE 25. SEGMENT REVENUE BY GEOGRAPHICAL SEGMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans	1,618	236	568	142	2,564
Loans and advances to other banks	2,555	11	83	14	2,663
Other interest income	5,500	-	-	122	5,622
Total interest income	9,673	247	651	278	10,849
Income from fees and commissions:					
Guarantees covered by the state	169	-	-	53	222
Insurance fees devolved by MEHIB	-	-	12	-	12
Refund of MEHIB insurance fee	-	-	-	-	-
Guarantees	53	-	1	2	56
Other	2	-	-	-	2
Total income from fees and commissions	224	-	13	55	292
Total Income	**9,897**	**247**	**664**	**333**	**11,141**

SEGMENT REVENUE BY GEOGRAPHICAL SEGMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Hungary	EU Members	Non-EU European Countries	Other Countries	Total
Interest income:					
Loans	1,937	208	1,178	113	3,436
Loans and advances to other banks	3,272	11	183	(91)	3,375
Other interest income	3,476	-	-	61	3,537
Total interest income	8,685	219	1,361	83	10,348
Income from fees and commissions:					
Guarantees covered by the state	1,007	-	-	41	1,048
Insurance fees devolved by MEHIB	-	2	49	-	51
Refund of MEHIB insurance fee	8	-	-	-	8
Guarantees	76	-	-	2	78
Other	5	-	-	-	5
Total income from fees and commissions	1,096	2	49	43	1,190
Total Income	9,781	221	1,410	126	11,538

NOTE 26. EVENTS AFTER THE BALANCE SHEET DATE

On 12 April 2012 the Hungarian Government announced that Hungarian State acquires the shares in Eximbank owned by Hungarian Development Bank Ltd. and all the shareholders' rights are exercised by Ministry of National Economy. The Government asked the relevant Ministries to make the necessary steps immediately including preparing modification of relevant laws and agreements.
There were no events after the balance sheet date, which have any significant effect on figures in financial statements for the year 2011.

NOTE 27. 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 22.).

Key sources of estimation uncertainty

Allowances for credit losses

Assets measured at amortised cost are tested for impairment on a basis described in accounting policy described in accounting policy (see Note 3.9.1).

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.

Determining fair values

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

Critical accounting judgements in applying the Bank's accounting policies

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

Valuation of financial instruments, fair value hierarchy

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

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 27. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

31 December 2011	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through profit or loss			
Debt and equity instruments	-	-	-
Derivative instruments	-	47	47
	-	47	47
Available-for-sale financial assets	11,088	-	11,088
	11,088	-	11,088
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	1,407	1,407
	-	1,407	1,407
31 December 2010			
Financial assets at fair value through profit or loss			
Debt and equity instruments	553	-	553
Derivative instruments	-	65	65
	553	65	618
Available-for-sale financial assets	17,621	-	17,621
	17,621	-	17,621
Financial liabilities at fair value through profit or loss			
Derivative instruments	-	1,074	1,074
	-	1,074	1,074

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

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The estimated fair values disclosed below are designated to approximate values at which these instruments could be exchanged in an arm's length transaction between willing parties. 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 2011, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available -for-sale	Other amortised cost	Carrying amount	Fair value
Cash due from banks and balances with National Bank of Hungary	-	162	-	-	162	162
Loans and advances to other banks	-	128,893	-	-	128,893	128,893
Loans and advances to customers	-	54,588	-	-	54,588	54,588
Financial assets at fair value through profit or loss	47	-	-	-	47	47
Available-for-sale financial assets	-	-	11.088	-	11,088	11,088
Total	47	183,643	11,088	-	194,778	194,778
Loans and deposits from other banks	-	-	-	175,696	175,696	175,696
Financial liabilities at fair value through profit or loss	1,407	-	-	-	1,407	1,407
Total	1,407	-	-	175,696	177,103	177,103

(All amounts stated in HUF million unless otherwise noted)

NOTE 28. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

As at 31 December 2010, the fair values of the Eximbank's financial assets and liabilities were as follows:

	Trading	Loans and receivables	Available -for-sale	Other amortised cost	Carrying amount	Fair value
Cash due from banks and balances with National Bank of Hungary	-	67	-	-	67	67
Loans and advances to other banks	-	107,469	-	-	107,469	107,469
Loans and advances to customers	-	66,912	-	-	66,912	66,912
Financial assets at fair value through profit or loss	618	-	-	-	618	618
Available-for-sale financial assets	-	-	17,621	-	17,621	17,621
Total	618	174,448	17,621	-	192,687	192,687
Loans and deposits from other banks	-	-	-	173,884	173,884	173,884
Financial liabilities at fair value through profit or loss	1,074	-	-	-	1,074	1,074
Total	1,074	-	-	173,884	174,958	174,958

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.

Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss are carried at their fair values in the statement of financial position.

Available-for-sale financial assets The carrying values of equity investments and other available-for-sale financial assets are provided in Note 8 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.

Loans and advances to other banks and Loans and advances to customers The carrying values of Loans and advances to other banks and Loans and advances to customers are assumed to approximate the amortised cost using the effective rate method. Under the interest compensation system long term loans are re-prised every quarter according to market conditions (such as costs of acquiring funds, operating spread, risk premium) thus their carrying values approximate the fair value.

NOTE 28. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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 amounts Loans and deposits from other banks is assumed to approximate their carrying amount.

Derivative financial instruments 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.

NOTE 28. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these financial statements:

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets: (effective for annual periods on or after 1 January 2012) In general a the measurement of deferred tax assets and liabilities is based on the excepted manner of recovery or settlement of the underlying asset or liability. The 2010 amendment provides an exception to this measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. Therefore, the presumption cannot be rebutted in respect of the land component of investment property as it is a non-depreciable asset. Amendments to IAS 12 are not relevant to the Bank's financial statements as the Bank does not have any investment properties.

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