Hungarian Export-Import Bank Private Limited Company and its subsidiary

Consolidated financial statements

based on IFRS standards adopted by the EU

31 December 2023

Contents

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of consolidated financial position
31 December 2023

HUF million	Note	31.12.2023	31.12.2022
Cash and cash equivalents	4	965 591	186 306
Securities measured at amortised cost	5	149 145	113 056
Loans and advances to credit institutions and insurance companies	6	1 528 308	1 195 483
Loans and advances to other customers	7	860 644	446 979
Derivative transactions – Held for trading, measured at fair value through profit or loss	8	900	9 746
Derivatives held for hedging purposes	8	3 523	-
Investments measured at fair value through profit or loss	9	32 824	34 367
Investments accounted for using the equity method	10	94 444	88 973
Intangible assets	11	2 183	2 251
Property, plant and equipment	12	1 636	1 727
Other tax receivables	13	428	442
Deferred tax receivables	13	193	2 502
Other assets	14	2 410	9 619
Total assets		**3 642 229**	**2 091 451**
Loans and deposit from credit institutions and insurance companies	16	1 185 600	1 171 812
Deposit from other customers	17	10 514	2 514
Derivatives held for hedging purposes	8	21 167	32 180
Securities issued	18	1 994 599	519 453
Provisions	15	1 934	1 507
Current income tax liabilities	13	2 246	-
Other tax liabilities	13	236	710
Other liabilities	19	6 973	8 063
Total liabilities		**3 223 269**	**1 736 239**
Subscribed capital	20	340 000	310 000
Retained earnings	20	63 552	48 849
Other reserves	20	15 408	(3 637)
Total equity		**418 960**	**355 212**
Total equity and liabilities		**3 642 229**	**2 091 451**

15 April 2024
Authorised for issue by:

Kornél Kisgergely
Chairman & CEO

Mihály Hoffmann
Chief Financial Officer

HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of Consolidated Comprehensive Income
31 December 2023

HUF million	Note	2023	2022
Interest income recognised using the effective interest method	22	262 420	89 454
Other interest income	22	50 169	2 888
Interest expense recognised using the effective interest method	22	(206 244)	(43 788)
Other interest expense	22	(45 346)	(37)
Net interest income/loss		**60 999**	**48 517**
Fee and commission income	23	943	907
Fee and commission expense	23	(325)	(290)
Net income from fees and commissions		**618**	**617**
Gains or losses on derecognition of financial assets measured at amortised cost	24	(25)	-
Gains or losses on modifications in financial assets	33	-	(36)
Impairment losses on financial instruments and (creation)/reversal of provisions	15	(16 342)	(28 560)
Impairment (losses) or reversal of impairment on non-financial assets	15	(59)	(5)
Gains or losses from trading and investment activities	25	10 077	4 248
Other operating income	26	506	-
Other operating expenses	26	(7 924)	(8 740)
Personnel expenses	26	(5 567)	(4 787)
Depreciation	26	(1 074)	(984)
Share of profit/(loss) of investments accounted for using the equity method	10	(18 462)	(7 029)
Profit before tax		**22 747**	**3 241**
Income taxes	13	(4 164)	(991)
Profit for the year		**18 583**	**2 250**
Other comprehensive income to be reclassified to profit or loss		**15 165**	**(2 610)**
Currency translation difference on foreign currency-based associates	10	(943)	1 307
Unrealised gains/losses on cash flow hedges – Changes of cost of hedging	8	17 495	(945)
Unrealised gains/losses on cash flow hedges – Changes of hedging reserves	8	6 350	(11 197)
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges	8	(6 038)	11 197
Amortisation of hedging costs to profit or loss	8	(106)	(3 359)
Related deferred tax	13	(1 593)	387
Other comprehensive income for the period (net)		**15 165**	**(2 610)**
Total comprehensive income for the period		**33 748**	**(360)**

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HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of changes in consolidated equity
31 December 2023

HUF million	Subscribed capital	Capital reserve	Retained earnings	General reserve	Cost of hedging reserves	Hedge reserve	Foreign currency translation reserves	Total
Balance as at 31 December 2022	**310 000**	**400**	**48 849**	**11 471**	**(17 083)**	**-**	**1 575**	**355 212**
Comprehensive income for the year								
Profit/loss for the year	-	-	18 583	-	-	-	-	**18 583**
Other comprehensive income								
Currency translation difference on foreign currency-based associates	-	-	-	-	-	-	(943)	**(943)**
Unrealised gains/losses on cash flow hedges – Changes of cost of hedging	-	-	-	-	17 495	-	-	**17 495**
Unrealised gains/losses on cash flow hedges – Changes of hedging reserves	-	-	-	-	-	6 350	-	**6 350**
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges	-	-	-	-	-	(6 038)	-	**(6 038)**
Amortisation of hedging costs to profit or loss	-	-	-	-	(106)	-	-	**(106)**
Related deferred tax	-	-	-	-	(489)	(1 104)	-	**(1 593)**
Total comprehensive income for the year	***-***	***-***	***18 583***	***-***	***16 900***	***(792)***	***(943)***	***33 748***
Other transactions recognised directly in equity								
Subscribed capital increase	30 000	-	-	-	-	-	-	**30 000**
Subscribed capital decrease	-	-	-	-	-	-	-	**-**
Reclassification from retained earnings to general reserve	-	-	(3 880)	3 880	-	-	-	-
Total other transactions	***30 000***	***-***	***(3 880)***	***3 880***	***-***	***-***	***-***	***30 000***
Balance as at 31 December 2023	**340 000**	**400**	**63 552**	**15 351**	**(183)**	**(792)**	**632**	**418 960**

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HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY

Statement of changes in consolidated equity
31 December 2022

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

15 April 2024
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Consolidated cash flow statement
31 December 2023
(All amounts in HUF million, unless stated otherwise)

Description	**Note**	**31.12.2023**	**31.12.2022**
Profit for the year		18 583	2 250
Depreciation	26	1 074	984
Impairment losses on assets	15	12 966	32 284
(Profit)/loss from revaluation to fair value		22 582	(14 433)
Share of the profit or loss of investments accounted for using the equity method (loss + / profit -)	10	19 404	5 723
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges	8	(6 038)	11 198
Changes in hedging adjustments accounted for in profit and loss		(7 146)	-
Foreign exchange loss/(gain) on non-operating cash flows	18	16 386	1 307
Changes in other assets not involving cash flow (IFRS 16)	12	(90)	(103)
Net interest income	22	(60 997)	(48 517)
Income tax expense	13	4 164	991
Net change in loans and advances to credit institutions and insurance companies (excluding impairment)		(332 127)	(214 310)
Net change in loans and advances to other customers (excluding impairment)		(420 775)	(71 473)
Net change in other assets		3 416	(3 956)
Net change in loans and deposits from credit institutions and insurance companies, except change of loans that can considered as long-term subordinated loan		6 165	221 103
Net change in deposits from other customers		7 879	1 489
Net change in other liabilities and provisions		431	1 717
Interest received		311 710	92 981
Interest paid		(183 129)	(27 038)
Income taxes paid		(1 746)	(867)
Net cash flow from operating activities		**(587 288)**	**(8 670)**
INVESTMENT ACTIVITIES			
Purchase of government securities and corporate bonds	5	(102 662)	(8 623)
Maturity of government securities	5	72 847	-
Subscribing an investment accounted for using the equity method / providing a financial contribution	10	(26 649)	(34 450)
Investment accounted for using the equity method - capital reduction / yield payment	10	1 775	9 610
Investment measured at fair value through profit or loss - acquisition	9	(3 254)	(10 931)
Investment measured at fair value through profit or loss - capital reduction / yield payment	9	263	14 201
Acquisition of intangible and tangible assets	11.12	(901)	(529)
Disposal/(derecognition) of intangible and tangible assets	11.12	33	-
Net cash flows from investing activities		**(58 548)**	**(30 722)**

Description	**Note**	31.12.2023	31.12.2022
FINANCIAL ACTIVITIES:			
Cash inflow from capital increase	20	30 000	100.000
Lease payments	12	(500)	(516)
Cash inflow from bond issuance	18	1 699 777	319 570
Repayment of bonds issued	18	(304 142)	(194 939)
Net cash flow from financial activities		**1 425 135**	**224 115**
Net increase/decrease in cash and cash equivalents		**779 299**	**184 723**
Net foreign exchange difference		(14)	40
Cash and cash equivalents at the beginning of the year	4	186 306	1 543
Cash and cash equivalents at the end of the year	4	**965 591**	**186 306**

15 April 2024
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NOTE 1 GENERAL INFORMATION

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

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

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

The Minister for Economic Development (as of 1 January 2024, the Minister for the National Economy) exercises shareholder rights on behalf of the Hungarian State.

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

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

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

The Bank's subsidiary:

The purpose of Exim Invest is to enforce the provisions of Government Decree 1512/2022 (X.24.) by establishing a equity fund structure in which, in the case of the vast majority of state-owned equity funds, the creation and termination of the equity fund and the exercise of investor rights in respect of directly or indirectly state-owned investment units are carried out under one single strategic management.

Exim Invest Zrt issued 5,000,000 shares, each with a nominal value of HUF 1 and an issue value of HUF 3. The shares included 4,999,999 A-series ordinary shares owned by Eximbank and 1 B-series preference share, which is now owned by Nemzeti Tőke Holding Zrt. (NTH). The volume/ratio of the Bank's shareholding and voting right is 99.99%.
Exim Invest began its actual operations in 2023, and therefore became subject to the obligation to prepare consolidated financial statements.

Exim Invest contributed HUF 32 million to the Bank's and the subsidiary's after-tax profit, while the value of the services provided to the Bank was HUF 372 million, which was eliminated in accordance with the consolidation settlements detailed in accounting methods described under section 3.17. Exim Invest did not pay any dividends in 2023.

The cash flow between the Bank and its subsidiary is the amount paid by the Bank as an advance payment for services of HUF 592 million.

Registered office of Exim Invest Zrt.: Kapás u. 6-12., 1065 Budapest, Hungary.

- Eximbank website: https://exim.hu

NOTE 2 PRINCIPLES OF COMPILATION

2.1 IFRS compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the EU.
IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body, as adopted by the EU.
The Bank has prepared separate financial statements in accordance with IFRS since 2019.

Eximbank, as a parent company, is required to prepare consolidated financial statement from the 2023 business year onwards, due to its share in Exim Invest Zrt. and that Eximbank has control over its relevant activities.

The comparative data of the consolidated financial statements contain the data shown in the Bank's separate financial statements of the previous year. In the consolidated financial statements, the assets and liabilities were valued at the carrying amount at which they were recorded in the Bank's separate financial statements.
These consolidated financial statements have not been prepared in accordance with the provisions of Act C of 2000 on Accounting, in force in Hungary, applicable to entities preparing their annual consolidated financial statements in accordance with IFRS, therefore not intended for statutory filing purposes. The statutory consolidated financial statements are available: https://exim.hu.

The Bank is obliged to publish its consolidated financial statements, as a consequence of a 2023 bond issue on the London Exchange Stock

2.2 Valuation principles

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

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

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

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

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

2.3 Functional and presentation currency

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Financial instruments

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

The Bank and its subsidiary initially recognise their financial instruments on the settlement date, except for derivative financial instruments, which are recognised on the trade date.

The financial assets and liabilities of Exim Invest are measured consistently at amortised cost.

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

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

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

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

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

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

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

The following table shows the result of the SPPI test:

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

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

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

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

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

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

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

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

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

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

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

The Bank derecognises a financial asset when

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

Modification of contractual terms of financial assets and liabilities

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

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

In order to determine whether a contract modification is significant, the Bank performs

- a quantitative, and
- a qualitative test.

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

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

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

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

In particular, a contract modification is considered significant in the following cases:

- change in currency
- fundamental change in the nature (type) of the asset or liability
- change if interest rate from fixed to variable (or from variable to fixed) the change results in the modified cash flows not meeting the SPPI test

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

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

3.2 Financial instruments measured at fair value (derivatives)

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

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

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

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

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

3.4 Financial instruments measured at amortised cost

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

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

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

3.4.1 Cash and cash equivalents

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

3.4.2 Securities measured at amortised cost (government securities and corporate bonds)

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

3.4.3 Loans and advances to credit institutions and insurance companies and Loans and advances to other customers

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

3.4.4 Loans and deposits from credit institutions and insurance companies, and Deposits from other customers

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

3.5 Financial guarantees and loan commitments (credit lines)

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

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

(i) the amount of the loss allowance determined in accordance with IFRS 9, or
(ii) the amount initially recognised less the amount of deferred income recognised in accordance with the principles of IFRS 15.

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

3.6 Determination of fair values

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

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

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

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

3.7 Impairment on financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank performs PD correction on the corporate lifetime PD model by applying the forward-looking ARMAX (auto regressive moving average eXogeneous, autoregressive moving average with external explanatory variables) macroeconomic model in accordance with MNB regulations. The model design represents an ARMA (1,1) model incorporating external explanatory variables. The autoregressive term (AR) expresses the own previous value of the time series, whereas moving average (MA) stands for the estimation error measured in the previous period. The source of historical actual data series of explanatory variables was the database of Central Statistical Office (KSH). To make default rate forecast, the Bank used the most up-to-data available macroeconomic forecasts disclosed in the MNB Inflation Report. The R-squared ratio showing model fit was 67.8%. All parameters and the whole model were significant. The stationarity of model variables met all statistical application assumptions. This modelling methodology was not changed since the transformation to IFRS, however, within the framework of the comprehensive model review in 2022, the earlier applied unemployment rate and inflation rate were replaced by the investment volume index and the unemployment rate, due to the availability of longer data series and for economic and statistical reasons. This macro model was applied again in 2023. In order to estimate the macro multiplier, which is brought up to date quarterly, the Bank continuously updated the available factual data.

When estimating corporate PDs in a forward-looking manner, the Bank uses the macroeconomic forecasts published in the MNB Inflation Report and the corporate default rate time series published in the MNB Stability Report. The Bank constructed the macro model used for the PD adjustment by taking into account the autoregressive term expressing the previous value of the time series, the moving average expressing the model's prior-period error, the six-quarter lag of the investment rate in the MNB Inflation Report and the one- and two-quarter forward-looking values of the change in the unemployment rate in the MNB Inflation Report. In view of the fact that IFRS 9 requires the Bank to take into account its expectations of the macroeconomic environment in an unbiased manner in the expected loss calculation, and given that the relationship between macroeconomic indicators and the development of expected loss is not linear in practice (a certain amount of macroeconomic shock may have a larger impact on loss than an equal positive shock), the Bank has based its unbiased estimate used as a basis for forward-looking expectations on a probability-weighted average of three scenarios. The weights of the scenarios have been developed by the Bank in accordance with the MNB's Executive Circular on the use of macroeconomic information and factors indicating a significant increase in credit risk for the purposes of IFRS 9. The baseline scenario was included in the estimate with a weight of 60% (70% in 2022), the optimistic scenario 10% (20% in 2022), and the pessimistic scenario 30% (10% in 2022).

In Q4 2023, updated with the most recent macroeconomic forecasts, the Bank projected the corporate default rate for two years using the macro model, with a quarterly frequency. For the eight-quarter forecast, the Bank used the facts and forecasts set out in the MNB Inflation Report. Since the corporate default rate data series is two quarters behind the reporting date, the Bank also used the latest financial report issued by the European Central Bank to interpolate the interim period.

Investment volume index is defined by KSH as the annual index of gross accumulation of fixed assets. With regard to the indicator, using the values published in the annex to the latest MNB IFRS-9 Executive Circular, the Bank assumed that, based on the latest factual data, which were extremely unfavourable in 2023, and applying linear interpolation, it would result in 3.0% in the baseline scenario and -8.0% in the pessimistic scenario, while in the optimistic scenario it would improve to 10.5%.

The unemployment rate is defined by KSH as the ratio of unemployed people to the economically active population as at a given date. With regard to the unemployment rate, the Bank assumed, using the values published in the annex to the latest MNB IFRS 9 Executive Circular, that based on the latest facts and applying linear interpolation, it would reach 3.6% in the baseline scenario and 5.0% in the pessimistic scenario, while in the optimistic scenario it would improve to 2.8%.

In the corporate segment, the Bank uses LGD modelled on internal data using the collection LGD methodology in a vintage approach to determine expected loss. In the sovereign/sub-sovereign segment the Bank applies a (Moody's) benchmark LGD backed by an external study, whereas in the case of financial institutions, the Bank applies a discounted return-based LGD, supported by data collected by Global Credit Data covering a wide range of non-performing banks. The external benchmark study looked at the non-performing transactions of 1,483 financial institutions around the world. The results showed an overall recovery rate of 72% using the workout LGD method, as a result of which a 28% LGD was applied for the Bank. The change in methodology was applied by the Bank at the rating date of 30 September 2023, which, based on the impact assessment, resulted in an additional impairment charge of HUF 181 million compared to the previously applied LGD.

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

In 2023, the Bank continuously applied management overlay impairment, which is a lump sum expected loss determined by the Bank on the basis of risk factors that are not or are not fully covered by the risk models it uses, making the impact of these risks not adequately quantifiable by running the models on a bottom-up basis. The Bank applies a top-down model with a management overlay adjustment differentiated by sector groups to determine the expected loss for the corporate segment. The Bank does not consider the level of management overlay to be significant with respect to the reporting date.

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

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

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

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

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

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

The enforcement is significant if

- enforcement has been initiated more than 3 times in the last 12 months or
- in the last 12 months, an enforcement was in process that had not been settled within 30 days

(That is, if at the time of the investigation there is an unsettled enforcement in process that was launched within the last 30 days, this does not yet mean an enforcement of significant scale.)

- In the case of a non-real estate financing project loan, the project is not or is not fully realised and/or cannot generate the debt servicing requirement.
- Non-payment of insurance premium (30+ days past due or contract becomes inactive).
- A negative change in coverage level, which refers to a significant, unfavourable change in the economic entity's solvency (significant depreciation in the value of productive assets) or in its willingness to pay (withdrawal of coverage).A reduction of at least 15 percentage points in the coverage ratio compared to the last decision is classed as significant.
- A breach of contractual commitments and covenants, as a result of which the profitability of the given transaction may be in jeopardy.
- Deterioration of data provision discipline – a delay in customer, transaction and collateral-related data provision by the customer. In the case of regular delays, the transaction must be classified as Stage 2.
- A change in legislation that negatively affects the business of the customer, which threatens the financial stability of the customer.
- Significant negative information affecting the customer, the customer group, its partners or industry.
- A significant adverse change in the sectoral outlook that threatens the financial stability of the customer.
- A negative change in the majority of financial indicators calculated during regular rating. The indicators to be examined are set out in detail in the Bank's Monitoring regulations.

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

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

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

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

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

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

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

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

Reversal of loss allowance

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

Write-off of loans and advances

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

Restructured loans

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

3.8 General reserve

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

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

3.9 Foreign currency translation

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

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

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

3.10 Intangible and tangible assets

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

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

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

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

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

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

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

3.11 Leases

The lessee recognises a right to use the asset concerning the related asset and a lease liability for the obligations related to the lease. The lessor distinguishes between operating and finance leases.

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

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

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

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

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

3.12 Income taxes

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

The actual tax is the tax payable or recoverable on taxable profits for the financial year, plus an adjustment for the relevant tax payable or recoverable carried forward from previous years. The Bank and its subsidiary consider the income tax to be the tax that is calculated on the current year's tax base. The amount of the actual tax payable or receivable is the best estimate of the amount of tax payable or receivable, reflecting the uncertainty associated with income taxes. The amount of the actual tax is determined using tax rates enacted or substantively enacted at the balance sheet date.

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

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

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

3.13 Interest income and interest expense

Interest income and expense on financial instruments are recognised in profit or loss under "Interest income" and "Interest expense" using the effective interest method (see Note 3.4). Interest income is classified as "Interest income recognised using the effective interest method" and "Other interest income" and is recognised in profit or loss. "Interest income recognised using the effective interest method" includes interest on financial assets measured at amortised cost, while "Other interest income" includes the interest income from interest rate swaps. Interest expense is classified as "interest expense recognised using the effective interest method" and "Other interest expense" and is recognised in profit

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

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

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

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

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

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

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

In accordance with the rules and conditions of Government Decree 85/1998 (V.6.) on the interest equalisation system and of Government Decree 232/2003 (XII.16.) on tied-aid credits the Bank receives interest compensation, and in relation to aid credit, an interest subsidy, from the Hungarian State for the financing facilities specified in the statutory regulations mentioned above. The Bank's interest equalisation mechanism determines the amount of interest compensation provided by the Hungarian State on the basis of the difference between the interest rate paid by the borrower and the Bank's funding cost operating cost and the amount of the relevant risk premium (collectively "the base cost"), in accordance with the provisions of Decree 16/1998 (V.20.) of the Ministry of Finance. For each transaction, the Bank determines the interest due pro rata in the quarter concerned, as well as the amount for the same period calculated by applying the approved base cost. If the amount calculated by applying the base cost is higher than the interest due pro rata, the Hungarian State reimburses the Bank for the difference by way of interest equalisation. If the amount calculated by applying the base cost is lower than the interest due pro rata, the Bank makes a payment to the Hungarian State equal to the difference. The Bank submits its claim for interest equalisation to the Hungarian State within 15 days of the end of the calendar quarter. The quarterly payment is made to the Bank by the 20^{th} day following the end of the calendar quarter.

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

The Bank receives an interest subsidy in relation to tied-aid credits (where the Bank performs the role of lender in the tied-aid agreements), which differs from the above interest equalisation system in that the Hungarian State does not offset the Bank's operating costs and risk premiums, but only reimburses the costs of its funding. The tied-aid credit facilities are in all cases covered by MEHIB insurance, the premiums for which are passed on to the borrower and waived in the form of a donation element, with the Hungarian State reimbursing this to the Bank.

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

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

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

3.14 Fee and commission income and expense

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

For more detailed information see Note 23.

3.15 Provisions and contingent liabilities (IAS 37)

A provision is recognised if, as a result of a past event, the Bank and its subsidiary have 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 under IFRS 9 are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, also takes into account the risk characteristics specific to the liability.
Contingent liabilities are not recognised in the financial statements. Contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote.

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

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

3.16 Segments

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

3.17 Investments in subsidiaries, associates and joint ventures

Subsidiaries are entities controlled by the Bank. An entity is controlled by the Bank if the Bank is subject to, or has rights to, variable yields from its participation in the entity and is able to influence those yields through its power over the entity. The financial statements of the subsidiaries are consolidated in the consolidated financial statements from the time the Bank acquires control until the time the Bank no longer has control over the subsidiary.

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

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

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

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

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

The financial statements of the investee used for the application of the equity method are prepared for the same reporting period as the Bank's financial statements, and are in line with the Bank's accounting policy.
Following the application of the equity method, the Bank determines whether it is necessary to recognise impairment on its investment in the investee. The Bank assesses at each reporting date whether there is

objective evidence that an investment in an investee is impaired. The Bank calculates the amount of impairment as the difference between the recoverable value and the carrying amount of the investment in the investee. The impairment or reversal thereof is then recognised by the Bank as "Impairment or reversal of impairment on non-financial assets" in the statement of comprehensive income.
For investments accounted for under the equity method, the determination of whether a venture capital or private equity fund that has subsidiaries meets the definition of an investment entity can have a significant effect on the carrying amount of the investment.
IFRS 10 defines the concept of an investment entity and requires parent companies that are classed as an investment entity to measure their subsidiaries at fair value through profit or loss in accordance with IFRS 9. Whether the definition of an investment entity applies must be considered in respect of every fund.

An investment entity is an entity that:

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

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

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

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

3.17.1 Consolidation accounting methods

When compiling the consolidated financial statements, the receivables, liabilities, yields, expenses and costs from transactions between the Bank and its subsidiary, as well as the intercompany profits or losses, are eliminated.

3.18 Hedge accounting

The Bank may, for business reasons, choose to apply hedge accounting. The hedge accounting requirements of IFRS 9 are applied to all micro-hedging relationships.
If a hedge relationship exists between a hedging instrument and a hedged item, the Bank accounts for these items in accordance with hedge accounting rules. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged item.
The hedged item may be a recognised asset or liability, an unrecognised firm commitment, a forecast transaction or a net investment in a foreign operation. A hedged item may be:

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

For hedge accounting purposes, only assets, liabilities, firm commitments or highly probable forecast transactions with a party external to the Bank can be designated as hedged items.
The Bank may designate and account for a hedge relationship under the hedge accounting requirements of IFRS 9 if the following conditions (hedge designation criteria) are met:

a) the hedge relationship contains only eligible hedging and hedged items

b) at the inception of the hedging relationship, the Bank formally documents the relationship (i.e. identifies the hedged item, the hedging instrument, the hedged risk and how it will assess whether the effectiveness requirements are met) and the hedging strategy underlying the hedge.
c) all of the following 3 requirements (effectiveness requirements) are met:
    i. there is an economic relationship between the hedged item and the hedging instrument
    ii. the credit risk does not dominate changes in the value of the hedged item and/or the hedging instrument
    iii. the hedge ratio is the ratio of the volume of items actually hedged to the volume of items actually used as hedging instruments.

The Bank applies the layer component approach to its hedge relationships, taking into account, where significant, the following factors: amortisation of loan principal, commitments to extend loans from undrawn credit lines, expected prepayments and expected credit losses.

The Bank measures hedge effectiveness using a hypothetical derivative methodology. The Bank assesses its hedging relationships from inception and on an ongoing basis, in terms of whether the hedging relationship meets the hedge effectiveness requirements. This assessment is performed by the Bank on a monthly basis, but no later than the reporting date of financial statements or whenever there is a significant change in circumstances that affect the hedge effectiveness requirements. The assessment is focused on the expectations related to hedge effectiveness, whereby the Bank examines the causes of the hedge ineffectiveness that is expected to affect the hedge relationship over its lifetime (taking into account the rebalancing of the hedge relationship). Any adjustment to the hedge ratio allows the Bank to react to changes in the hedge relationship between the hedging instrument and the hedged item due to underlying or risk variables.

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

Cash flow hedge relationships

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

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

In respect of each hedge relationship, the Bank decides, and also records in a hedge documentation, whether it designates the spot or forward element of its hedge derivatives as the hedging instruments. Changes in the fair value of all other elements *(e.g. foreign currency basis spread or, if a spot element has been designated, then the forward components – the latter representing interest rate swaps for CCIRS designated as hedging instruments)* other than the designated hedged element are recognised as hedging costs in a separate component of capital in the hedging costs reserve for the changes in value described in this paragraph. The Bank presents in the Hedge cost reserve the changes in the fair value of costs being outside the scope of the hedge relations but that are accounted for as hedging costs. The costs – outside the scope of the hedge relations but representing a hedging cost – arising at the beginning of the hedging period, becomes amortised from the Hedge reserve in linear proportions during the period of the hedge, as reclassification.

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

Fair value hedge relationships

Fair value hedge transaction: a hedge of an exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or a component of such items, attributable to a particular risk and that may affect profit or loss.

If a fair value hedge relationship meets the qualification criteria, the Bank accounts for it as follows:

a) the gain or loss on the hedging instrument is recognised in profit or loss;

b) the carrying amount of the hedged item is adjusted for the hedging gain or loss on the hedged item, and the amount of the adjustment is accounted for in profit or loss.

Sometimes the Bank may designate fair value hedge relationships at some point after initial recognition of the hedged item. In these cases, the Bank takes into account the guidance in IFRS 9 that allows the designation of a risk component as a hedged item that is equal to the current market (benchmark) interest rate and higher than the contractual interest rate paid on the asset. The only condition for this is that the underlying market interest rate must be still lower than the theoretical effective interest rate on the asset, which is calculated as if the asset had been created on the date of designation as a hedged item.

If a fair value hedging relationship is terminated, the Bank applies the following accounting treatment, depending on whether the hedged instrument is on the books:

<u>If the hedged items remain on the books:</u>

The adjustment to the carrying amount of the hedged financial instrument measured at amortised cost resulting from fair value hedge accounting must be amortised to profit or loss, and such amortisation must begin no later than the date on which the hedged item is no longer adjusted through the hedging gain or loss (i.e. the hedge relationship has been terminated). Amortisation must be recognised using the recalculated effective interest rate valid at the commencement date.

The fair value hedge adjustment that forms part of the carrying amount of the hedged item is derecognised using the EIR method until maturity of the instrument as described above.

<u>If all or part of the hedged items are derecognised:</u>

The fair value hedge adjustment that forms part of the carrying amount is derecognised from the books in proportion to the derecognised principal amount of the hedged asset against the profit and loss account.

If the hedged instrument is derecognised in full, the fair value hedge adjustment must also be derecognised in full.

If the hedged instruments have been derecognised only in part, the fair value hedge adjustment remaining on the equity side of the balance sheet is amortised using the EIR method only if the hedge relationship designation is removed.

3.19 Changes in accounting policies

There was no change in accounting policy in 2023.

3.20 New IFRS standards, amendments and new interpretations effective from 1 January 2023 onward

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

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

- Classification of Liabilities as Current or Non-Current- Amendment to standard IAS 1 effective for annual reporting periods beginning on or after 1 January 2024, earlier application is permitted.
- Lease Liability in a Sale and Leaseback – Amendment to standard IFRS 16 effective for annual reporting periods beginning on or after 1 January 2024, earlier application is permitted.

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

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

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Supplier Finance Arrangements – Amendment to standards IAS 7 and IFRS 7
- Lack of Exchangeability – Amendments to standard IAS 21

NOTE 4 CASH AND CASH EQUIVALENTS

Description	**31.12.2023**	**31.12.2022**
Deposit and settlement accounts with the National Bank of Hungary	955 950	35 668
Interbank placements in HUF	10 221	149 575
Nostro accounts in HUF	24	3
Nostro accounts in foreign currency	2 531	1 121
Petty cash in foreign currency	3	2
Other	1	1
Impairment	(3 139)	(64)
Total	**965 591**	**186 306**

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 955 950 million as at 31 December 2023, and HUF 35 668 million as at 31 December 2022 (reserve requirement: the maintenance of an average balance corresponding to the reserve requirement on a settlement account with the central bank over a reserve period of 1 month). Eximbank's reserve-requirement funds and the reserve ratio also increased, which increased the required balance of the account kept at the MNB. Compared with the end of 2022, the HUF balance of nostro accounts increased significantly, while the HUF balance of interbank placements decreased. This is because, although Eximbank's year-end liquidity was, as in the past, mostly placed with the MNB, the form of this was changed by the MNB as a part of its monetary policy toolkit. Unlike previously, starting from October 2023, no deposit transactions are concluded, and instead, the MNB pays interest directly to the current accounts kept with it.

NOTE 5 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

The Bank includes Hungarian government and corporate bonds on its balance sheet at amortised cost, but it adjusts corporate bonds for the impact of changes in fair value due to hedged risk. The balance sheet values of Hungarian government bonds and corporate bonds as at 31 December 2023 and 31 December 2022 are detailed in the following table:

HUF million	**31.12.2023**	**31.12.2022**
Gross value of government bonds	97 737	113 214
Expected loss	(290)	(158)
Sub-total	**97 447**	**113 056**
Gross value of corporate bonds	51 971	-
Expected loss	(273)	-
Sub-total	**51 698**	**-**
Total	**149 145**	**113 056**

The breakdown of Hungarian government and corporate bonds by maturity as at 31 December 2023 and 31 December 2022 is detailed in the table below:

HUF million	**31.12.2023**	**31.12.2022**
3 months to 1 year	9 383	24 128
1 to 5 years	80 456	89 086
Over 5 years	59 869	-
Total	**149 708**	**113 214**

During 2023, the Bank purchased government securities with a nominal value of HUF 57,539 million at a cost of HUF 54,038 million and corporate bonds with a nominal value of HUF 48,623 million (in 2022, government securities with a nominal value of HUF 10,000 million at a cost of HUF 8,623 million).

NOTE 6 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND INSURANCE COMPANIES

HUF million	**31.12.2023**	**31.12.2022**
Short-term maturity (up to 1 year)		
- foreign currency	81 427	143 248
- HUF	77 904	118 440
Sub-total	**159 331**	**261 688**
Long-term maturity (over 1 year)		
- foreign currency	580 733	538 556
- HUF	793 986	399 608
Sub-total	**1 374 719**	**938 164**
Total	**1 534 050**	**1 199 852**
Impairment	(5 742)	(4 369)
Total	**1 528 308**	**1 195 483**

As at 31 December 2023, 98.06% of loans and advances to credit institutions and insurance companies qualified for interest compensation from the Hungarian State (as at 31 December 2022: 96.28%). For details about the interest equalisation programme, please refer to Note 3.13.

The table below shows the value of loans and advances to credit institutions and insurance companies by contractual maturity (i.e. a transaction is only included in a particular range based on the maturity date under the contract) as at 31 December 2023 and 31 December 2022.

HUF million	**31.12.2023**	**31.12.2022**
Foreign currency	Gross value	Gross value
Up to 1 month	2 255	13 123
1 to 3 months	7 922	11 593
3 months to 1 year	45 506	118 531
1 to 5 years	447 890	374 183
Over 5 years	158 587	164 374
Sub-total	**662 160**	**681 804**
HUF	Gross value	Gross value
Up to 1 month	2 034	6 685
1 to 3 months	10 184	2 592
3 months to 1 year	84 244	109 163
1 to 5 years	612 745	247 677
Over 5 years	162 683	151 931
Sub-total	**871 890**	**518 048**
Total	**1 534 050**	**1 199 852**

97.18% of loans and advances to other credit institutions and insurance companies were refinancing loans (as at 31 December 2022: 95.02%). 99.98% of refinanced loans is eligible for interest compensation. For details about the interest equalisation programme, please refer to Note 3.13.

With the signing of the mortgage agreement between Eximbank and the MNB on 30 April 2020, a mortgage of first rank was established in favour of the MNB on all claims of Eximbank on entities classified as large corporations under the central bank's business conditions and on debtors under refinancing loan agreements for sub-lending purposes that meet the criteria of the central bank's business conditions, provided that they are not subject to the legislation specified in Section 39 of the Act on the National Bank of Hungary, are headquartered in Hungary, and meet the criteria for large corporate claims as defined in the mortgage agreement and the central bank's business conditions, and for which the underlying loan agreement is submitted by Eximbank to the MNB through the data reporting method specified in the mortgage agreement and the central bank's business conditions, thereby pledging the loan agreement to the MNB, as defined in the mortgage agreement.
The carrying amount of the transactions covered by the contract is HUF 55 120 million in 2023 (HUF 111 632 million in 2022).

NOTE 7 LOANS AND ADVANCES TO OTHER CUSTOMERS

HUF million	31.12.2023	31.12.2022
Short-term maturity (up to 1 year)		
- foreign currency	358 775	29 148
- HUF	57 523	28 341
Sub-total	**416 298**	**57 489**
Long-term maturity (over 1 year)		
- foreign currency	500 851	416 361
- HUF	10 458	32 639
Sub-total	**511 309**	**449 000**
Total	**927 607**	**506 489**
Impairment	(66 963)	(59 510)
Total	**860 644**	**446 979**

At 31 December 2023, 80.49% of loans and advances to other customers were subject to interest compensation from the Hungarian State (31 December 2022: 66.28% (see Note 3.13 for a description of the interest equalisation) and 11.16% of the receivables were aid credits (31 December 2022: 20.25%).

The table below shows the gross value of loans and advances to other customers by contractual maturity, also taking into account the payment moratorium (i.e. a transaction is only included in a particular range based on the maturity date under the contract) as at 31 December 2023 and 31 December 2022.

HUF million	31.12.2023	31.12.2022
Foreign currency	Gross value	Gross value
Up to 1 month	22 673	22 255
1 to 3 months	38 615	443
3 months to 1 year	6 373	6 449
1 to 5 years	8 506	9 589
Over 5 years	783 459	406 773
Sub-total	**859 626**	**445 509**
HUF	Gross value	Gross value
Up to 1 month	49 214	27 262
1 to 3 months	-	-
3 months to 1 year	1 078	1 079
1 to 5 years	13 831	21 995
Over 5 years	3 858	10 644
Sub-total	**67 981**	**60 980**
Total	**927 607**	**506 489**

NOTE 8 DERIVATIVES

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

The balances of financial assets and liabilities resulting from derivative transactions as at 31 December 2023 and 31 December 2022 are presented in the table below:

Description	31.12.2023		31.12.2022	
	Asset	Liability	Asset	Liability
Foreign exchange swaps, for hedging purposes, but not involved in hedge accounting	900	-	9 746	-
Interest rate swaps (IRS) for hedging purposes	-	10 684	-	-
Cross-currency interest rate swaps (CCIRS) for hedging purposes	3 523	10 483	-	32 180
Total	**4 423**	**21 167**	**9 746**	**32 180**

The gain achieved on derivatives traded for hedging purposes however are not involved in hedge accounting amounted to HUF 21,507 million at 31 December 2023, an increase of HUF 9,915 million compared to a gain of HUF 11,592 million at 31 December 2022, which was recognised in "Gains or losses from trading and investment activities".

The breakdown by maturity of foreign exchange swaps, as well as undiscounted cash flows as at 31 December 2023 are presented in the following table:

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable amount in foreign currency	Foreign currency	Payable amount in HUF million*
Up to 1 month	413 000 000	EUR	158 088	157 544 685 000	HUF	157 545
Up to 1 month	20 000 000	EUR	7 656	21 955 833	USD	7 606
1 to 3 months	10 000 000	EUR	3 828	3 840 490 000	HUF	3 841
Total			**169 572**			**168 992**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2023.

The breakdown by maturity of foreign exchange swaps, as well as undiscounted cash flows as at 31 December 2022 are presented in the following table:

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

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

Fair value and cash flow hedges
Derivatives for hedging purposes are derivative transactions that the Bank included in hedge accounting (transactions other than FX swaps) and that were, accordingly, designated as hedge transactions. The accounting method for these derivatives is detailed in the paragraph on hedge accounting in the accounting policy, as well as below.

Hedging relationships
The items relating to the balance sheet value of Derivatives held for hedging purposes and to the recognition of the hedge relationship are presented in the tables below. The year of the contract is indicated in brackets.

Cash flow hedges 31 December 2023 *(data in HUF million)*

Description	Carrying amount (Derivatives held for hedging purposes)		Total change in clean fair value of hedging instruments during the year gains (+) / losses (-)	Changes in balance of cash-flow hedging relationships during the year					
				Changes in balance of other comprehensive income (OCI) during the year		Change in fair value used in the calculation of hedge ineffectiveness (gains (+) / losses (-))	Recognised in the profit and loss under Trading profit or loss (including the ineffective part of the year) (gains (+) / losses (-))	Reclassified to profit and loss account (Gains or losses from trading and investment activities)	
	Asset	Liability		Change in cost of hedging reserve balance (gains (+) / losses (-))	Change in cash-flow hedging reserve balance (gains (+) / losses (-))			Gains (+) / losses (-) of hedging cost	Cash flow hedge transaction – Foreign currency revaluation gain (+) / loss (-)
CCIRS transactions (2021)	**-**	**10 483**	**21 699**	5 432	12 178	9 627	3 367	(5 538)	6 260
of which: clean fair value	-	*10 963*							
of which: accrued interest	-	*(480)*							
CCIRS transactions (2023)	**3 523**	**-**	**3 057**	-	92	(222)	3 186	-	(222)
of which: clean fair value	*3 055*	-					*		
of which: accrued interest	*468*	-							
Total	**3 523**	**10 483**	**24 756**	**5 432**	**12 270**	**9 405**	**6 553**	**(5 538)**	**6 038**
of which: clean fair value	*3 055*	*10 963*							
of which: accrued interest	*468*	*(480)*							

Fair value hedges 31 December 2023 *(data in HUF million)*

Description	Carrying amount (Derivatives held for hedging purposes)		Changes in balance of fair value hedging relationships during the year – Recognised in profit and loss account		
	Asset	Liability	Changes in clean fair value of hedging transactions during the period	Fair value hedge correction on hedged item	Amortisation of initial fair value difference on hedged item during the period
IRS transactions (2023)	**-**	**10 684**	*(10 415)	7 135	11
of which: clean fair value	*-*	*10 415*			
of which: accrued interest	*-*	*269*			

* The initial fair value of the IRS transactions was HUF -3 087 million; the change in fair value without the initial fair value was HUF -7 328 million,

31 December 2022 *(data in HUF million)*

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

31 December 2023	Balance sheet classification	Change in fair value used in the calculation of hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Hedged item	Loans and advances to other customers	(6 038)	(792)	-

31 December 2022	Balance sheet classification	Change in fair value used in the calculation of hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Hedged item	Loans and advances to other customers	11 197	-	-

Settlement of EUR-HUF cash flow hedging relationships (transactions started in 2021) during the period

The Bank has reclassified some of the effective amounts recognised in other comprehensive income into the profit and loss account in the reporting period, to the extent that the hedged cash flows affected profit or loss. No hedge relationship was terminated during the reporting period. The principal amounts of the CCIRS transactions are not amortised (there is only one principal swap on the forward leg of the transactions, at maturity) and interest is recognised annually.
The net (without-interest) fair value of CCIRS transactions is HUF 10,963 million. Compared to 31.12.2022, of the HUF 21 699 million change in fair value, the effective part of the hedging relationship, in the amount of HUF 12 178 million, was accounted for in Other comprehensive income (the "*Cash flow hedge reserve*" balance sheet line). The amount of the ineffective part was a HUF 3 367 million gain as at 31 December 2023, which the Bank accounted for on the "*Gains or losses from trading and investment activities*" line of the profit and loss account. Applying the concept of cost of hedging under IFRS 9 to the EUR/HUF currency basis spread, the Bank recognised a loss-type change of HUF 5 538 million in Other comprehensive income (*"Cost of hedging reserve"*) and a profit-type amount of HUF 106 million from the amortisation of the currency basis spread calculated at initial recognition of the hedging instrument in the profit and loss account under *"Gains or losses from trading and investment activities"* and in Other comprehensive income under *"Cost of hedging reserve"*. The change in Other comprehensive income for the period thus amounts to HUF 17 610 million *(after the settlement of a HUF 6 260 million profit-type income recycled simultaneously with the appearance of the foreign currency revaluation difference on the hedged item during the period)*, consisting of the amount attributable to the effective portion and the amortisation of the cost of hedging.

Hedging strategy behind the EUR-HUF cash-flow hedging relationships

The Bank has raised funds to finance fixed-rate loans denominated in euro synthetically through EUR-HUF CCIRS transactions and by issuing HUF-denominated bonds. The loans disbursed give rise to a foreign exchange risk, which is managed through CCIRS transactions.
The volatility of the cash flows from the principal receivable of hedged loans, expressed in HUF, due to the variability of the EUR-HUF spot exchange rate, is offset by the same volatility of the cash flows of the EUR leg of the CCIRS transactions, given that the hedged cash flows of the loans and the EUR cash flows of the CCIRS transactions are in opposite directions, and the amounts of the hedged risk portion of the loans and the principal amounts of the EUR leg of the CCIRS transactions are equal.
The Bank has decided to apply the hedge accounting rules under IFRS 9 to the accounting settlements of these economic relationships, in which the Bank has designated cash flow hedge relationships that reflect the Bank's risk management objectives.

Items designated as hedged items

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

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

The Bank measures loan receivables at amortised cost and recognises the foreign exchange revaluation difference on these financial assets classified as monetary items in the profit and loss account.
The Bank has designated as the hedged item the forward element comprising the forward points. Furthermore, the Bank exercises the option under IFRS 9 of accounting for the change in the EUR-HUF foreign currency basis spread (FCBS) during the term of the hedging relationship as a cost of hedging, and therefore the resulting effects are recognised under "Other comprehensive income". The profit-type FCBS calculated at the inception of the hedging relationship, i.e. the element excluded from the hedged risk, is recognised in "Other comprehensive income" and the profit and loss account over the term from the inception of the hedging relationship.
Hedge ineffectiveness may be caused by prepayments and final payments on designated loans, which can be avoided by including in the hedging relationship the very likely capital cash flows of loans in the financing plan for the following years. Hedge ineffectiveness may also arise if the expected credit loss on loans included in the hedged item group increases, while on the other hand the Bank has only included loans classified in the performing (stage 1 and stage 2) categories in the hedged item group, when designating hedging relationships.

Transactions designated as hedging instruments

The Bank has designated as hedging instruments all its CCIRS transactions, so it pays a fixed EUR interest rate and receives a fixed HUF interest rate on the principal amount determined and actually exchanged at the inception of the transaction (at the inception of the transaction, the Bank receives the EUR principal and pays the HUF principal). At the end of the term of the transaction, the parties return the principal amounts exchanged at the inception of the transaction (i.e. at the end of the term, the Bank receives the HUF principal and pays the EUR principal). The Bank settles the exchange of fixed interests annually, on a gross basis (EUR and HUF interest separately).
The Bank has designated the change in the forward exchange rate as the hedged risk in the hedging relationships. The Bank excludes from the hedging relationship the foreign currency basis spread elements of hedging instruments (CCIRS transactions), and only designates the forward elements of the hedging instruments.
Changes in the fair value of the forward element and the foreign currency basis spread are accounted for by the Bank as hedging costs, and changes in their fair value are recognised in other comprehensive income and accumulated in a separate component of equity. The Bank amortises the forward and foreign currency basis spread elements on a straight-line basis, quantified at the beginning of hedge accounting, from the inception of the hedge relationship over the term of the hedge from other comprehensive income to the profit and loss account, as the hedged risk affects the entire term (time-period related hedged items), and is not related to a cash flow element.
In calculating the foreign currency basis spread, the Bank subtracts the fair values of CCIRS transactions, which include the foreign currency basis spread and are calculated using the same yield curves.
The Bank applies the cash flow hedge accounting to reclassify amounts from fair value revaluation differences accumulated in other comprehensive income to the profit and loss account during periods when the expected future hedged cash flows (principal repayments) affect profit or loss as a result of the hedged risk, i.e. in periods when hedged foreign currency loan receivables cause a foreign currency revaluation to the MNB exchange rate).

Assessment of hedge effectiveness

On the designation date and on each closing date, the Bank assesses the expected effectiveness of the hedging relationship prospectively (in a forward-looking manner) using quantitative and qualitative methods. In making this assessment, the Bank examines the impact of changes in credit risk on the hedging relationship.
During the period, the Bank reviewed its approach to the quantitative measurement of hedge effectiveness. The approach used in previous years for this purpose included some simplifications, which have been fine-tuned in order to ensure that the accounting recognition of hedging relationships under IFRS 9 requirements best approximates the Bank's actual risk management objectives. The impact of the changes in the calculation methodology and its components (the most significant of which is the change in the type of instrument used to measure effectiveness) was not deemed by the Bank to be significant and the impact of the change was

(All amounts in HUF million, unless stated otherwise)

therefore recognised in "Comprehensive income" for the period. The methodology presented below reflects the revised approach.
The Bank measures hedge effectiveness by applying hypothetical CCIRS under IFRS 9, where it compares the changes in fair value of the hypothetical CCIRS and the actual CCIRS transactions. The valuation of the two transactions differs in that the Bank measures the fair value of the hypothetical CCIRS using yield curves that do not include the FCBS. At each measurement date, the Bank calculates the cumulative amount of the changes in fair value below from the inception of the hedging relationship, and adjusts the Cash flow hedge reserve for the lower of the two (in absolute value) against Other comprehensive income, thus accounting for the effective portion of the change in fair value of the hedging instrument. The remainder of the ineffective portion of the change in the fair value of the hedging instrument is recognised by the Bank in the profit and loss account. The Bank therefore calculates the following for each valuation date:

a) The change in clear fair value of the hypothetical CCIRS transaction, and
b) The change in the net fair value (without accrued interest) of the actual CCIRS transactions (Accrued interest is recognised in the profit and loss account on an ongoing basis).

Recognition of EUR-USD fair value and cash flow hedging relationships (transactions commenced in 2023)

In respect of its fair value hedging relationships, from the HUF 10,415 million profit-type net (without-interest) fair value of IRS transactions, the Bank recognised the effective portion of the hedging relationship in the amount of HUF 7,135 million in the Profit and Loss Account ("*Trading gain/loss"* line). The amount of the ineffective part was a HUF 3 280 million loss as at 31 December 2023.
In the case of its cash flow hedging relationships, from the HUF 3,055 million net (without-interest) fair value of CCIRS transactions, the Bank recognised the effective portion of the hedging relationship in "Other comprehensive income" ("*Cash flow hedge reserve"* balance sheet line). At the same time as the foreign currency revaluation difference appeared on the hedged item during the period, the Bank recycled a loss-type amount of HUF 774 million to the profit and loss account.

The hedging strategy behind the EUR-USD fair value and cash-flow hedging relationships

On 4 May 2023, the Bank issued a fixed-rate bond denominated in USD. To hedge the foreign currency risk of the balance sheet, the Bank entered into EUR-USD basis swaps and to hedge the interest rate risk, it entered into IRS transactions in EUR and USD for a portion of the issued amount for a principal amount of HUF 1 billion, adjusted to the maturity of the bond on 3 December 2027, as follows:

#	Derivative instrument	Interest rate condition	Hedged transaction(s)	Hedged risk
1	IRS	EUR (pay fix, receive floater)	EUR fixed-rate loan receivables	Interest rate risk
2	CCIRS	EUR pay floater – USD receive floater	EUR loan receivables and USD bonds issued	Foreign currency risk
3	IRS	USD pay floater – receive fix	USD fixed-rate bonds issued	Interest rate risk

The Bank's objective is to apply hedge accounting in its IFRS-based financial statements in accordance with its risk management strategy and the individual objectives included in it, in order to ensure that the effects on profit or loss that are recognised on hedged items and hedging instruments occur in the same periods and do not cause significant volatility in profit or loss. IRS transactions are designated in fair value hedging relationships, while CCIRS transactions are designated in cash hedging relationships, as follows:

Type of hedging relationship	**Hedged risk**	**Hedging instrument**	**Hedged items**
Fair value	interest rate risk on fixed-rate instruments	IRS transactions	interest rate risk on EUR loan receivables and corporate bonds, and interest rate risk on bonds issued in USD
Cash flow	change of spot exchange rate risk on EUR-denominated loan receivables and USD-denominated bonds issued	CCIRS transactions	EUR loan receivables and USD bonds issued

Fair value hedging relationships for interest rate risk

The Bank designated fair value hedging relationships for the interest rate risk of its designated loan receivables (at the transaction identification level) where the hedging instrument is an IRS transaction denominated in EUR. The group of hedged transactions consists of 3 EUR-denominated instruments for which 2 separate hedging relationships have been established. In Hedge I, the principal amount designated is EUR 750 million (total principal amount of the loan receivable), while in Hedge II, the combined amount of the loan receivable and corporate bond transactions is EUR 180 million at maturity, of which EUR 156 million that is equal to the principal amount of the IRS transaction is the principal amount designated. The Bank applies the layer component approach (in relation to "hedges of a group of items") under IFRS 9. The IRS transaction denominated in USD is designated by the Bank as a hedge against the interest rate risk of the bond issued.

The Bank recognises its fair value hedges as follows, as long as they meet the designation criteria under IFRS 9:

- the gain or loss on the hedging instrument (i.e. the IRS transactions) is recognised in profit or loss;
- the carrying amount of the hedged item is adjusted for the hedging gain or loss on the hedged item, which is then recognised in profit or loss.

The Bank measures hedge effectiveness using the hypothetical derivative methodology, where hedged items are represented by fixed-rate hypothetical loan/bond transactions with maturities equal to the maturity of the hedged item and interest rates equal to the net fixed component of the interest rates on the hedged IRS transactions (i.e. fixed leg minus variable leg fixed spread).

Cash flow hedge relationship

To hedge currency risk, the Bank established a cash flow hedging relationship, the purpose of which is to express in the same currency the future cash flows of financial assets and financial liabilities that are denominated in different currencies, but that economically and in risk management terms are related. The future cash flows of synthetically-generated floating-rate EUR assets (a combination of EUR fixed-interest loan receivables and EUR IRS transactions) and USD liabilities (a combination of USD fixed-rate issued bonds + USD IRS transactions) as hedged items in hedging relationships were indicated. In the hedging relationship, the hedging instrument consists of basis swap (variable rate EURUSD CCIRS) transactions. In order to create a hedging relationship, the Bank has split the CCIRS transaction denominated in the currencies EUR-USD into separate transactions in terms of accounting: into EURHUF and USDHUF CCIRS transactions.

The Bank accounts for the effective portion of the hedging relationship (using the "lower of" rule) in other comprehensive income (OCI). The Bank reclassifies amounts from the effective portion of the fair value difference accumulated in OCI to the profit and loss account in the periods when the hedged expected future cash flows (repayments) affect profit or loss (i.e. periods when the foreign currency revaluation to the MNB exchange rate results in a revaluation of the hedged foreign currency loan receivables). This means that the foreign currency revaluation effect of CCIRS transactions is "rolled over" through OCI, but is immediately

accounted for in the profit and loss account in the same way as the foreign currency revaluation effect of hedged loan transactions. The change in the fair value of the CCIRS transaction resulting from the change in the currency basis spread is not considered to be significant based on the Bank's estimates.
For cash flow hedge relationships for foreign currency risk, the Bank measures effectiveness using a volume test ("layer approach"); no quantitative analysis is performed to quantify the expected effectiveness as long as EUR loans and USD bonds are available in volumes equal to the nominal principal value of the CCIRS transactions, given that the spot element has been designated in the hedge relationship. This is because the spot revaluation difference is exactly the same amount as the foreign currency revaluation differences of the nominal value of the EUR loan/bond receivables and the nominal value of the USD bond, only in the opposite direction.

Due dates for cash flows of hedging instruments
The tables below show the principal and interest due dates of CCIRS transactions designated as hedging instruments at the exchange rate on the reporting date, in non-discounted (nominal) amounts.

31 December 2023 *(data in HUF million)*

CCIRS transactions (2021)	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
Due date for EUR principal value	-	21 657	-	115 500	-	**137 157**
Due date for HUF principal value	-	20 300	-	106 950	-	**127 250**
Due date for net interest	2 881	2 881	2 477	2 477	-	**10 716**
Average fixed interest rate (EUR)	-0.22%	-0.22%	-0.21%	-0.21%	-	**-0.21%**
Average fixed interest rate (HUF)	2.02%	2.02%	2.09%	2.09%	-	**2.06%**
Average exchange rate of principal swap (HUF/EUR)		358.80		353.86		**356.33**

CCIRS transactions (2023)	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
Due date for EUR principal value	-	-	-	346 564	-	**346 564**
Due date for USD principal value	-	-	-	346 440	-	**346 440**
Due date for net interest	6 017	6 017	6 017	6 017	-	**24 066**
Average interest rate (EUR)*	6.49%	6.49%	6.49%	6.49%	-	**6.49%**
Average interest rate (USD)*	8.23%	8.23%	8.23%	8.23%	-	**8.23%**
Average exchange rate of principal swap (USD/EUR)				1.10		1.10

*

IRS (2023)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Amount received USD	-	-	-	346 440	-	**346 440**
Amount received EUR	-	-	-	346 564	-	**346 564**
Amount provided USD	-	-	-	346 440	-	**346 440**
Amount provided EUR	-	-	-	346 564	-	**346 564**
Due date for net interest	3 508	3 508	3 508	3 508	-	**14 031**
Average interest rate (received)	-	-	-	5,58%	-	**5,58%**
Average interest rate (provided)	-	-	-	6.32%	-	**6.32%**

31 December 2022 *(data in HUF million)*

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

The table below shows the undiscounted (nominal) amounts of the cash flows of CCIRS transactions designated as hedging instruments, expressed in original currency and in HUF.
31 December 2023 *(data in HUF million)*

Remaining maturity	Due amount in foreign currency	Foreign currency	Due amount in HUF million*	Payable amount in foreign currency	Foreign currency	Payable amount in HUF million*
Within 5 years	127 250 000 000	HUF	127 250	358 318 896	EUR	137 157
Within 5 years	1 000 000 000	USD	346 440	905 387 053	EUR	346 564
Total			**473 690**			**483 721**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2023.

The table below shows the undiscounted (nominal) amounts of the cash flows of IRS transactions designated as hedging instruments, expressed in original currency and in HUF.

Remaining maturity	Amount received, in foreign currency	Foreign currency	Amount received, in million HUF*	Amount provided, in foreign currency	Foreign currency	Amount provided, in HUF million*
1 to 5 years	1 000 000 000	USD	346 440	1 000 000 000	USD	346 440
1 to 5 years	905 387 053	EUR	346 564	905 387 053	EUR	346 564
Total			**693 004**			**693 004**

*The HUF amount was determined on the basis of the exchange rate set by the Hungarian National Bank on 31 December 2023.

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

31 December 2022 *(data in HUF million)*

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

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

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

31 December 2023 *(data in HUF million)*

Data in HUF million	Movements of other comprehensive income in the reporting year	Profit/loss for the year
OCI opening balance 31.12.2022	**(17 083)**	
The effective portion of the change in fair value and the cost of hedging:	**23 739**	**106**
Of which: Cost of hedging reserves:	*17 495*	
Of which: Amortisation of the cost of hedging in the reporting period:	*(106)*	*106*
Of which: Cash flow hedge reserve	*6 350*	
The ineffective portion of the change in fair value:	**-**	**6 002**
Gains reclassified to the profit and loss account:	**(6 038)**	**6 038**
Of which: foreign currency revaluation loss:	*(6 038)*	*6 038*
OCI movements in the reporting year at 31 December 2023, before tax:	**17 701**	**12 146**
Tax effect of all the above (income+, expense-):	(1 593)	(1 093)
OCI movements in the reporting year at 31 December 2023, after tax:	**16 108**	
OCI closing balance 31.12.2023	**(975)**	

31 December 2022 *(data in HUF million)*

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

NOTE 9 INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of equity funds and participations are provided as at 31 December 2023 and 31 December 2022.

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

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

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

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

Name of investment	Share %	
	31.12.2023	31.12.2022
China CEE Fund – USD	6.90	6.90
China CEE Fund II – USD	8.75	8.75
China CEE Management S.Á.R.L. – EUR	10.00	10.00
East West – EUR	25.24	25.24
Hungarian – Kazakh Cooperation Fund – USD	49.58	49.58
IFC FIG Fund – USD	11.65	11.42
SINO-CEE Fund – EUR	2.40	2.39
Three Seas Fund – EUR	2.19	2.20

Cost of individual shareholdings:

Name of investment	Cost			
	31.12.2023		31.12.2022	
	Foreign currency	HUF million	Foreign currency	HUF million
China CEE Fund – USD	0.1	-	0.1	-
China CEE Fund II – USD	37 684 322	12 728	37 121 821	12 530
China CEE Management S.Á.R.L. – EUR	1 250	-	1 250	-
East West – EUR	3 013 380	1 161	2 537 380	978
Hungarian – Kazakh Cooperation Fund – USD	13 461 722	3 725	12 995 234	3 561
IFC FIG Fund – USD	22 336 370	7 212	21 323 950	6 787
SINO-CEE Fund – EUR	16 748 223	5 648	16 511 506	5 560
Three Seas Fund – EUR	16 026 736	6 021	10 941 077	4 088
Total		**36 495**		**33 505**

In the case of the China CEE Fund, the fund paid back the entire previously paid capital to the investors during 2022 (and a yield on top), and therefore the cost of the equity fund is recorded as USD 0.1.

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

Name of investment	Fair value difference HUF million		Carrying amount HUF million	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
China CEE Fund – USD	813	988	813	988
China CEE Fund II – USD	(1 839)	(950)	10 889	11 580
China CEE Management S.Á.R.L. – EUR	-	-	-	-
East West – EUR	(143)	190	1 018	1 168
Hungarian – Kazakh Cooperation Fund – USD	(3 725)	(2 180)	0	1 381
IFC FIG Fund – USD	4 013	4 944	11 225	11 731
SINO-CEE Fund – EUR	(3 540)	(2 561)	2 108	2 999
Three Seas Fund – EUR	738	420	6 759	4 508
Total	**(3 683)**	**850**	**32 812**	**34 355**

Statement of financial position The amount measured at fair value through profit or loss in investments (HUF 32,824 million) is the sum of the carrying amount of the share in each fund and the share in Garantiqa.

The HUF 4 351 million loss included in the statement of comprehensive income under Gains or losses from trading and investment activities for the reporting year occurred as a result of the change in fair value for the year (HUF -4 534 million) and the yield from the China CEE Fund investment (HUF 183 million) for the year, which the Bank presents in detail in the table of movements under Note 34.

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

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

China-CEE Fund I was established in November 2013 as a limited partnership under the laws of Luxemburg. The fund is a closed-end specialised investment fund managed by the fund manager. The term of the fund lasts until 30 November 2024. The main objective of the fund is to invest the assets available to it in a risk-diversified manner in private equity instruments primarily, in accordance with the intentions of the fund’s investors, in Central and Eastern European countries and to achieve returns on these investments in excess of the capital appreciation and yields available in the public capital markets over the long term.

According to the fund’s private placement memorandum and the related subscription agreement signed by Eximbank, Eximbank committed to subscribe for up to USD 30 million of the fund's capital. The fund paid back the entire previously paid capital to the investors during 2022 (plus a yield on top).
The subscription agreement for the China-CEE Fund II was signed by Eximbank in November 2017, under which Eximbank committed to underwrite up to USD 70 million. This fund was established in February 2018 as a limited partnership under the laws of Luxembourg. The fund is a closed-end specialised investment fund managed by the fund manager. This fund aims to continue the well-established investment programme started by China-CEE Fund I. The fund’s final maturity is set at 31 March 2027.

At the end of December 2023, Eximbank had USD 37 684 322 (HUF 12 728 million) of capital subscribed in the fund. The remaining amount of USD 32 315 678 (HUF 11 195 million) was shown in Eximbank’s books as contingent liability as at 31 December 2023.
Eximbank does not have a significant influence over the activities of the funds as it has no voting right in the bodies that make investment decisions. Fund agreements only allow Eximbank, through its representation in the fund’s advisory bodies, to vote on investment proposals submitted by the fund manager if those investments

are to be made in sectors not listed in the fund documentation or are in excess of certain investments limits, conflicts of interest with respect to the fund manager or the fund's investors, or vote on the extension of the funds' investment period or term.

East West VC Fund EuVECA: East West VC Fund EuVECA is a venture equity fund established under EU regulations by Hungarian, Portuguese and other international institutional and private investors, and is registered with the Portuguese Capital Markets Authority. Originally, the fund's total size was EUR 20 million, with Eximbank committing to contribute up to EUR 4.5 million. Due to a non-performing investor, on 16 October 2020 the registered capital of the fund decreased to EUR 17.83 million; after an exit in 3 instalments (summer 2021, spring 2022 and autumn 2022) the registered capital of the fund decreased to EUR 12 795 520, though this did not affect the nominal value of the issued investment units. The amount of Eximbank's liability has not changed, but the repaid capital component has reduced the total Eximbank exposure and therefore the latter is recorded at EUR 3 229 380 as at the end of 2023. The fund is managed by Alpac Capital Sociedade de Capital de Risco, S.A., registered in Portugal (with offices in Lisbon and Budapest) and primarily aims to invest in early-stage technology companies in Hungary, Portugal and neighbouring countries. Eximbank does not have a significant influence over the activities of the fund as it does not participate in the financial and operating policy decisions of the fund, and the investment decisions are made by the fund manager. The contracts only allow Eximbank to appoint one member to the fund's 6-member investment committee. The role of the investment committee is to formulate non-binding recommendations to the fund manager about investment and exit opportunities.

At the end of December 2023, Eximbank held EUR 3 013 380 (HUF 1 161 million) in investment units in the fund. The remaining amount of EUR 216 000 (HUF 83 million) was shown in Eximbank's books as contingent liability as at 31 December 2023.

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

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

On 31 December 2023, Eximbank had USD 13 461 722 (HUF 3 725 million) of capital subscribed in the fund. The remaining amount of USD 6 538 278 (HUF 2 265 million) was shown in Eximbank's books as a contingent liability as at 31 December 2023.

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

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

On 31 December 2023, Eximbank had USD 22 336 370 (HUF 7 212 million) of capital subscribed in the fund. The remaining amount of USD 27 663 630 (HUF 9 584 million) was shown in Eximbank's books as a contingent liability as at 31 December 2023.

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

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

On 31 December 2023, Eximbank had EUR 16 748 223 (HUF 5 648 million) of capital subscribed in the fund. The remaining amount of EUR 33 251 778 (HUF 12 728 million) was shown in Eximbank's books as a contingent liability as at 31 December 2023.

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

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

On 31 December 2023, Eximbank had EUR 16 026 736 (HUF 6 021 million) of capital subscribed in the fund. The remaining amount of EUR 3 973 264 (HUF 1 521 million) was shown in Eximbank's books as a contingent liability as at 31 December 2023.

COMMITMENTS TO EQUITY FUNDS:

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

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

The net asset value of the equity funds in proportion to Eximbank's financial participation decreased by 4.49%, from HUF 34.4 billion at the end of 2022 to HUF 32.8 billion by the end of 2023. This value already includes the effect of changes in exchange rates, given that Eximbank also participates in equity funds denominated in foreign currency.

NOTE 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

10.1 IHT Informatika Zrt.

IHT Informatika Zrt. was established in December 2023 as a pre-company. Its purpose is to provide state-owned companies within its scope of ownership with information technology and infrastructure solutions, and being a complex IT service centre, it is capable of coordinating the information technology tasks performed by the Company, carrying them out more efficiently, and of performing joint innovation..
The ownership rights of the Hungarian State in the Company are exercised by Magyar Nemzeti Vagyonkezelő Zrt. [Hungarian National Asset Management Ltd.], and MFB Zrt., START Garancia Zrt., NTH Zrt., MEHIB Zrt. and Eximbank Zrt. have ownership shares in the Company. Eximbank holds a total of 400 ordinary shares in the Company, making it a 20% shareholder through a cash contribution of HUF 40 million paid at the time the Company was incorporated. Eximbank participates in the management of the Company at the General Meeting in accordance with its share, and through the attendance of its 1 delegate in the 5-member Board of Directors. Based on the Bank's assessment, it has no control but significant influence over the Company.

10.2 Equity funds

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

PortfoLion Regionális Magántőkealap
PortfoLion Regionális Magántőkealap (PortfoLion Regional Private Equity Fund, hereinafter: "PortfoLion Fund") was established in June 2012 by OTP Bank Nyrt. (OTP Bank Plc). with a share capital of HUF 5 000 million.

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

In 2013, Eximbank started negotiations with OTP Bank Nyrt. (OTP Bank Plc). and PortfoLion Kockázatitőke Alapkezelő Zrt. (PortfoLion Venture Capital Fund Management Ltd.) to join as a new investor by raising the share capital with an additional HUF 5 000 million to HUF 10 000 million.
In 2018, the Bank undertook to invest an additional HUF 750 million in the fund. In 2022, the fund paid HUF 4.52 billion in yields to investors (in two stages), through which Eximbank received back HUF 2.26 billion. In addition to the yield payment, in April 2022 the PortfoLion Fund also implemented a capital reduction, as a result of which HUF 300 million was paid back to investors, of which Eximbank received HUF 150 million. In December 2022, a decision was made on another capital reduction (HUF 9 124 million) and yield payment (HUF 6 125 million), pursuant to which the registered capital of the PortfoLion Fund decreased to HUF 251.7 million. The financial settlement of the capital reduction and yield payment took place in January 2023, during which the PortfoLion Fund repaid the Bank a total of HUF 7 203 million (HUF 4 562 million capital and HUF 2 641 million yield). The amount of the above repayment is presented by the Bank as a receivable (see note 14) at 31 December 2022. The amount of the yield differed from the ownership percentage because Exim entered the fund at a later date and was therefore due a lower yield pro rata temporis.

In its decision no. 75/2022 (XI.28.), the Owners' Investment Committee of Eximbank approved the closing of PRMA I (PRMA I to PRMA II transaction package), whereby the active contracts and portfolio companies of PRMA I were transferred to PRMA II (VCC Live, CodeCool), and the fund manager fully settled with the investors. However, the situation of the only remaining investment was only resolved later, and thus the fund manager initiated the termination of the fund at the end of 2023 at the National Bank of Hungary. Following the MNB's approval relating to the closure, the fund's investment units were also liquidated by KELER Zrt. on 20.12.2023, and through this the fund was terminated.

PortfoLion Regionális Magántőkealap II
PortfoLion Regionális Magántőkealap II was established in August 2020 with an initial capital of HUF 25 050 million. 49.9-49.9% of the capital is provided by Eximbank (HUF 12 500 million) and OTP Bank (HUF 12 500 million). The fund manager of the fund is PortfoLion Kockázati Tőkealap-kezelő Zrt.

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

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

As of 31 December 2023, Eximbank had invested HUF 7 604 million and its remaining contingent commitment as at 31 December 2023 was HUF 4 896 million.

EXIM Exportösztönző Magántőkealap

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

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

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

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

Enter Tomorrow Europe Magántőkealap

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

The Bank has committed to invest up to EUR 25 million in the fund. As of 31 December 2023, Eximbank had invested EUR 19 690 280 (HUF 7 155 million) and its remaining contingent commitment as at 31 December 2023 was EUR 5 309 720 (HUF 2 032 million).

Európa Agrár Magántőkealap

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

As of 31 December 2023, Eximbank had invested EUR 31 729 336 (HUF 12 159 million) to the fund and its remaining contingent commitment as at 31 December 2023 was EUR 10 270 664 (HUF 3 931 million).

Herius-1 Magántőkealap

The Herius-1 Magántőkealap was launched in September 2021 with a focus on the aerospace and aeronautics industry and EUR 14 million of capital. At the beginning, Eximbank's share in the fund was 70%, with a EUR 9.8 million commitment, and 30% subscribed by Space Oddity Kft. for EUR 4.2 million. The fund is registered in Hungary and the fund manager is Herius Capital Management Zrt. The fund intends to implement space and aerospace investments, building synergies. The private investor changed to a private individual (Balázs Rábely) at the start of March 2022. On 31 March 2022, Eximbank purchased from the private investor a EUR 4.06 million investment unit with a 10% (EUR 406 000) contribution rate at the yearend-2021 net asset value (EUR 274 000). In April 2022, Eximbank carried out a capital increase of EUR 39 million in the fund. As a result of the two transactions, Eximbank's share increased to 99.74%. In 2023, the fund manager implemented a capital reduction; the subscribed capital of the fund was reduced to EUR 8 million, while Eximbank's share in the fund remained unchanged. In the Fund's 3-member investment committee Eximbank has 1 vote, the committee makes its decisions by simple majority, and these recommendations are for the CEO as the final decision-maker, who makes his decisions on a business basis. According to the statement of the Fund Manager, the Fund complies with the terms and conditions of the Investment Entity.

As of 31 December 2023, Eximbank had invested EUR 5 703 626 (HUF 2 098 million) to the Fund and its remaining contingent liability as at 31 December 2023 was EUR 2 118 748 (HUF 811 million).

Innova-1 Járműipari Magántőkealap

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

As of 31 December 2023, Eximbank had invested HUF 4 100 million to the Fund, and its remaining contingent liability as at 31 December 2023 was HUF 5 900 million.

Based on the statement the Fund, it complies with the terms and conditions of the Investment Entity.

Columbus Magántőkealap

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

The initial subscribed capital of the fund was HUF 10 000 million. The Bank has committed to invest up to HUF 7000 million in the fund, while CARION Holding has committed to invest the remaining HUF 3000 million. In June 2021, the fund manager launched a new call for subscription, which Eximbank joined. During the capital increase, a new investor, Beton-Art Kft. joined the fund. With the capital increase, Eximbank's commitment increased to HUF 17 000 million, while Beton-Art Kft., which joined the fund, committed to pay up to HUF 4.3 billion. In September 2022, the fund manager launched a new call for subscription, which Eximbank and Beton-Art Kft. joined in October 2022. With the capital increase, Eximbank's commitment increased to HUF 47 005 million, while Beton-Art Kft.'s commitment increased to HUF 17 145 million.

As of 31 December 2023, Eximbank had invested HUF 40 999 million and its remaining contingent commitment as at 31 December 2023 was HUF 6 006 million.

Közép-Ázsiai Kifektetési Magántőkealap

Közép-Ázsia Kifektetési Magántőkealap (Central Asia Private Equity Fund) was registered by the National Bank of Hungary on 5 September 2023. The Bank has committed to invest USD 50 million in the fund.

The fund manager, Hiventures Zrt., focused on identifying investment opportunities in the year of launch, and there were no investments made in 2023. The fund intends to support projects to be implemented in the Central Asia region, including the financing of a subsidiary registered in Hungary and domiciled in a country of the target region.
Based on the decision-making structure, the Bank's role consists primarily of exercising the ownership rights of investment units and delegating one member to the Fund Manager's decision-making body (Investment Committee), which consists of 4 members (two members being nominated by the Fund Manager). This body makes its decisions with a simple majority, where the delegate of Eximbank does not have veto rights.

As of 31 December 2023, Eximbank had invested USD 5 million (HUF 1 759 million) and its remaining contingent commitment as at 31 December 2023 was USD 45 million (HUF 15 590).

Magyar-Amerikai Magántőkealap

The Bank has committed to invest USD 50 million in the fund (Hungarian-American Private Equity Fund).
The fund manager of the fund is Hiventures Zrt. The fund manager focused on identifying investment opportunities in the year of launch; there were no realised investments in 2023. The fund intends to support projects in the United States by majority Hungarian-owned companies, including the financing of an existing or newly established US-based subsidiary, as well as projects planned in Hungary by majority US-owned companies, including the financing of an existing or newly established subsidiary with its registered office in Hungary.

As of 31 December 2023, Eximbank had invested USD 10 million (HUF 3 669 million) and its remaining contingent commitment as at 31 December 2023 was USD 40 million (HUF 13 858).

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

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

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

The net asset value of the equity funds in proportion to Eximbank's financial participation increased by 6.21%, from HUF 89 billion at the end of 2022 to HUF 94.5 billion by the end of 2023. This value already includes the effect of changes in exchange rates, given that Eximbank also participates in equity funds denominated in foreign currency.

Name of investment	Share %	
	31.12.2023	31.12.2022
COLUMBUS Magántőkealap - HUF	70.00	69.99
Enter Tomorrow Europe Magántőkealap – EUR	50.00	50.00
Európa Agrár Magántőkealap – EUR	70.00	70.00
EXIM Exportösztönző Magántőkealap – HUF	99.99	99.99
Innova-1 Magántőkealap – HUF	100.00	100.00
Herius-1 Magántőkealap – EUR	99.74	99.74
Közép-Ázsiai Kifektetési Magántőkealap - USD	100.00	0.00
Magyar-Amerikai Magántőkealap - USD	100.00	0.00
PortfoLion Regionális Magántőkealap I – HUF	0.00	50.00
PortfoLion Regionális Magántőkealap II – HUF	49.89	49.89

Name of investment	Cost HUF million		Dividend payment HUF million	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
COLUMBUS Magántőkealap- HUF	40 999	24 957	-	-
Enter Tomorrow Europe Magántőkealap – EUR	7 155	7 155	-	-
Európa Agrár Magántőkealap – EUR	12 159	11 266	-	-
EXIM Exportösztönző Magántőkealap – HUF	56 000	56 000	-	-
Herius-1 Magántőkealap – EUR	2 098	3 747	-	-
Innova-1 Magántőkealap – HUF	4 100	1 000	-	-
Közép-Ázsiai Kifektetési Magántőkealap - USD	1 759	-	-	-
Magyar-Amerikai Magántőkealap - USD	3 669	-	-	-
PortfoLion Regionális Magántőkealap I – HUF	-	4 688	-	(10 861)
PortfoLion Regionális Magántőkealap II – HUF	7 604	6 443	-	-
Total	**135 544**	**115 256**	**-**	**(10 861)**

Name of investment	Equity method adjustment HUF million		Carrying amount HUF million	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
COLUMBUS Magántőkealap - HUF	(12 235)	(323)	28 764	24 634
Enter Tomorrow Europe Magántőkealap – EUR	(2 376)	(1 216)	4 780	5 939
Európa Agrár Magántőkealap – EUR	(3 161)	(282)	8 998	10 983
EXIM Exportösztönző Magántőkealap – HUF	(19 092)	(18 077)	36 908	37 923
Herius-1 Magántőkealap – EUR	(2 098)	(564)	-	3183
Innova-1 Magántőkealap – HUF	(878)	(146)	3 222	854
Közép-Ázsiai Kifektetési Magántőkealap - USD	(107)	-	1 652	-
Magyar-Amerikai Magántőkealap - USD	(264)	-	3 405	-
PortfoLion Regionális Magántőkealap I – HUF	-	6 244	-	72
PortfoLion Regionális Magántőkealap II – HUF	(930)	(1 073)	6 674	5 370
Total	**(41 141)**	**(15 437)**	**94 404**	**88 958**

(All amounts in HUF million, unless stated otherwise)

Table of the movements of equity funds measured using the equity method	**31.12.2023**	**31.12.2022**
Opening balance	88 958	69 856
Bank's share of the equity fund's profit/loss for the year	(18 462)	(7 029)
The Bank's share of the equity fund's other comprehensive income for the year	(943)	1 306
Yield payment	(2 642)	(4 899)
Disbursement*	26 624	33 436
Repayment	(793)	-150
Capital reduction	(968)	(4 562)
Exchange difference on transfer	(12)	-
Subscription**	-	1 000
Closing balance	**94 404**	**88 958**
Bank's share of the equity fund's profit/loss for the year	***(18 462)***	***(7 029)***
- out of which transfer to OCI of exchange differences of investments in foreign operation that is an associate.	*942*	*(1 306)*
- of which recognised in profit or loss	*(19 404)*	*(5 723)*

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

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

As a result of the exit from two investments in the PortfoLion Regional Private Equity Fund, the Bank received a yield of HUF 2 258 million in 2022, which modified the carrying amount of the investment, and in the cash flow statement it was presented on the Investment capital reduction / yield payment accounted for using the equity method line.

The financial details of investments accounted for using the equity method as at 31.12.2023 are provided in the below table:

Description	**COLUM-BUS****	**Enter Tomor-row***	**Európa Agrár Magán-tőkealap***	**Export-ösztönző***	**Herius-1 Magán-tőkealap***	**Innova-1 Magán-tőkealap**	**Közép-Ázsiai Kifektetési Magán-tőkealap**	**Magyar-Amerikai Magán-tőkealap**	**PortfoLion II**
Non-current assets	92 250	9 536	18 712	30 063	645	2 931	-	-	13 290
Current asset	1 429	858	223	79 632	523	872	1 683	3 439	318
– of which: cash and equivalents	*1 426*	*172*	*106*	*33 943*	523	*123*	*1 678*	*3 439*	*17*
Current liabilities	1 400	5	6	56 339	2	31	31	33	227
Non-current liabilities	-	-	-	11 704	-	-	-	-	
Revenue	-	-	-	47 754	-	-	-	-	-
Profit or loss from financial transactions	(6 313)	(590)	3 057	(1 577)	(962)	44	(82)	(73)	625
Profit after tax (cont. activities)	(7 515)	(968)	2 654	2 261	(1 023)	(182)	(174)	(133)	288
Equity	92 260	10 389	18 929	41 652	1 166	3 772	1 652	3 405	13 381
Majority Owners' equity	92 260	10 389	18 929	36 908	1 166	3 772	1 652	3 405	13 381
Share of the Bank	70.00%	50.00%	70.00%	100.00%	99.74%	100.00%	100.00%	100.00%	49.89%
Equity method amount	**64 582**	**5 195**	**13 250**	**36 908**	**1 163**	**3 772**	**1 652**	**3 405**	**6 674**
Adjustment**	(35 818)	(415)	(4 252)	-	(1 163)	(550)	-	-	-
Carrying amount	**28 764**	**4 780**	**8 998**	**36 908**	**-**	**3 222**	**1 652**	**3 405**	**6 674**

*The Enter Tomorrow Europe Magántőkealap, the Európa Agrár Magántőkealap and the Herius-1 Magántőkealap prepare their financial statements in EUR. *The Bank made the translation to its presentation currency (HUF million) by using the FX rate as of 31.12.2023 in respect of balance sheet items (382.78 EUR/HUF) and by using the average EUR rate (381.95 EUR/HUF) of 2023 for the profit and loss account. On the 31.12.2023, the amount of the exchange rate effect recognised in other comprehensive income was HUF 260 million for Enter Tomorrow Europe Magántőkealap, HUF 12 million for the Exportösztönző Alap, HUF 192 million for Herius -1 Magántőkealap and HUF 477 million for Európa Agrár Magántőkealap.

** In applying the equity method, the Bank uses its own accounting policy and valuation principles in the course of the valuation of each fund's investments, which may differ from the valuation principles applied by the fund. For investments in the initial investment phase, the cost of the investment is used as a basis until the investment has commenced substantive operations, or is adjusted by the potential risk of delay in the investment. In addition, in cases where the business plans used by the fund manager for the valuation of the investment have not been properly updated with experience of past plan/actual deviations, the Bank will adjust the business plans accordingly for valuation purposes or use an alternative valuation model.

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

Description	COLUMBUS **	Enter Tomorrow*	Európa Agrár Magántőkealap*	Exportösztönző **	Herius-1 Magántőkealap*	Innova - 1 Magántőkealap	Portfolion I (Fordulat) **	PortfoLion II
Non-current assets	74 200	11 691	14 853	29 202	884	-	-	10 184
Current assets	2 412	192	846	51 728	2 316	855	20 449	799
– of which: cash and equivalents	*2 397*	*192*	*725*	*12 065*	*2 316*	*842*	*20 449*	*342*
Short-term liabilities	61	5	8	33 688	8	1	20 299	225
Non-current liabilities	-	-	-	8 961	-	-	-	-
Revenue	-	-	-	47 138	-	-	-	-
Profit or loss from financial transactions	36 209	139	(44)	2 982	(22)	-	10 707	(1 215)
Profit after tax (cont. activities)	35 674	(361)	(723)	(5 585)	(679)	(145)	6 551	(1 670)
Equity	76 550	11 878	15 691	38 281	3 191	854	151	10 758
Majority Owners' equity	76 550	11 878	15 691	39 323	3 191	854	151	10 758
Share of the Bank	69.99%	50.00%	70.00%	100.00%	99.74%	100.00%	50.00%	49.90%
Equity method amount	**53 575**	**5 939**	**10 983**	**39 323**	**3 183**	**854**	**75**	**5 368**
Adjustment**	(28 941)	-	-	(1 400)	-	-	(4)	-
Carrying amount	**24 634**	**5 939**	**10 983**	**37 923**	**3 183**	**854**	**72**	**5 370**

*The Enter Tomorrow Europe Magántőkealap, the Európa Agrár Magántőkealap and the Herius-1 Magántőkealap prepare their financial statements in EUR. *The Bank made the translation to its presentation currency (HUF million) by using the FX rate as of 31.12.2022 in respect of balance sheet items (400.25 EUR/HUF) and by using the average EUR rate (391.33 EUR/HUF) of 2022 for the profit and loss account. As a result of the currency translation, Enter Tomorrow Europe Private Equity Fund reported an amount of HUF -317 million in other comprehensive income as at 31.12.2022. The amount of the exchange rate effect recognised in other comprehensive income was HUF -387 million for the Exportösztönző Alap, HUF -244 million for Herius -1 Magántőkealap and HUF -358 million for Európa Agrár Magántőkealap.

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

(All amounts in HUF million, unless stated otherwise)

NOTE 11 INTANGIBLE ASSETS

The table of movements in intangible assets as at 31 December 2023 is as follows:

Description	**Intangible assets**	**Intangible assets under development**	**Total intangible assets**
Cost			
31 December 2022	5 862	149	6 011
Additions	(430)	430	860
Acquisition	-	*430*	*430*
Transfer to available for use	*430*	-	*430*
Disposal	(101)	(430)	(531)
Derecognition	*(101)*	-	*(101)*
Transfer to available for use	-	*(430)*	*(430)*
31 December 2023	**6 191**	**149**	**6 340**
Accumulated depreciation and amortisation			
31 December 2022	3 760	-	3 760
Depreciation (Note 26)	480	-	480
Impairment (Note 15)	18	-	18
Derecognition	(101)	-	(101)
31 December 2023	**4 157**	**-**	**4 157**
Net carrying amount			
31 December 2022	**2 102**	**149**	**2 251**
31 December 2023	**2 034**	**149**	**2 183**
Intangible property rights, licence agreements	2	-	2
Intellectual property	2 032	-	2 032
Internal development	*18*	-	*18*
Intangible assets under development	-	149	149

(All amounts in HUF million, unless stated otherwise)

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

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

(All amounts in HUF million, unless stated otherwise)

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

The table of the movements of property, plant and equipment as at 31 December 2023 is as follows:

Description	**Investment implemented on third-party property**	**Property, plant and equipment**	**Investments**	**Right-of-use assets – Building (leasing)**	**Total fixed assets**
Cost					
31 December 2022	204	2 117	1	2 460	4 782
Additions	-	471	471	116	1 058
New acquisitions	-	-	*471*	*116*	*587*
Transfer to available for use	-	*471*	-	-	*471*
Derecognitions	-	(110)	(471)	(26)	(607)
Scrapping	-	-	-	-	-
Sales	-	*(110)*	-	-	*(110)*
Transfer to available for use	-	-	*(471)*	-	*(471)*
Contract termination	-	-	-	*(26)*	*(26)*
31 December 2023	**204**	**2 478**	**1**	**2 550**	**5 233**
Accumulated depreciation and amortisation					
31 December 2022	129	1 562	-	1 364	3 055
Depreciation (Note 26)	27	158	-	408	593
Impairment (Note 15)	-	41	-	-	41
Derecognition	-	(77)	-	(15)	(92)
31 December 2023	**156**	**1 684**	**-**	**1 757**	**3 597**
Net carrying amount					
31 December 2022	**75**	**555**	**1**	**1 096**	**1 727**
31 December 2023	**48**	**794**	**1**	**793**	**1 636**

(All amounts in HUF million, unless stated otherwise)

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

Description	Investment implemented on third-party property	Property, plant and equipment	Investments	Right-of-use assets – Building (leasing)	Total fixed assets
Cost					
31 December 2021	204	2 223	1	2 357	4 785
Additions	-	144	144	130	418
New acquisitions	-	-	*144*	*130*	*274*
Transfer to available for use	-	*144*	-	-	*144*
Derecognitions	-	(250)	(144)	(27)	(421)
Scrapping	-	*(187)*	-	-	*(187)*
Sales	-	*(63)*	-	-	*(63)*
Transfer to available for use	-	-	*(144)*	-	*(144)*
Transfer free of charge	-	-	-	-	-
31 December 2022	**204**	**2 117**	**1**	**2 460**	**4 782**
Accumulated depreciation and amortisation					
31 December 2021	101	1 634	-	1 002	2 737
Depreciation (Note 26)	28	142	-	379	549
Impairment (Note 15)	-	5	-	-	5
Derecognition	-	(219)	-	(17)	(236)
31 December 2022	**129**	**1 562**	**-**	**1 364**	**3 055**
Net carrying amount					
31 December 2021	**103**	**589**	**1**	**1 355**	**2 048**
31 December 2022	**75**	**555**	**1**	**1 096**	**1 727**

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

Description	31.12.2023	31.12.2022
Acquisition of intangible assets, property and equipment	901	529
Proceeds from the sale of intangible assets and property and equipment	13	11

12.1 Leases

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

In the reporting year HUF 116 million right-of-use assets were activated.

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

Description	**31.12.2023**	**31.12.2022**
Up to 1 month	57	67
1-3 months	88	84
3 to 12 months	398	384
1 to 5 years	429	888
Over 5 years	-	-
Total future undiscounted cash flows of financial leases	**972**	**1 422**
Of which current part	543	535
Of which non-current part	429	888

Table of movements in lease liabilities (HUF million)

Description	**2023**	**2022**
Liabilities as at 01 January	**1 422**	**1 674**
Fees paid	(500)	(516)
Recognised interest	13	20
Other changes	36	244
Liabilities as at 31 December	**972**	**1 422**

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

Description	**2023**	**2022**
Interest expense	13	20
Amortisation	408	362

(All amounts in HUF million, unless stated otherwise)

NOTE 13 TAXATION

Tax expenses, tax receivables and tax liabilities at 31 December 2023 and 31 December 2022 were as follows:

Description	31.12.2023	31.12.2022
Corporate income tax expense	1 104	163
Local business tax expense	2 038	1 007
Innovation contribution expense	305	151
Total current income tax expense	**3 447**	**1 321**
Deferred tax expense/(income) arising from the recognition and reversal of temporary differences	717	(330)
Total income tax expense	**4 164**	**991**
Profit before tax	22 747	3 240
Effective tax rate	**18%**	**31%**

Description	31.12.2023	31.12.2022
Other tax receivables*	428	442
Deferred tax receivables	193	2 502
Current income tax liabilities	2 246	-
Other tax liabilities**/***	236	710

* Other tax receivables include the amount recorded as receivable from the state for value-added tax, financial transaction tax, social security and the special epidemiological tax, which can be taken into account as a tax withholding on the payment of the special tax on financial institutions.
** In 2023, the Other tax liabilities line includes other tax liabilities to the National Tax and Customs Administration, as well as social security
*** In 2022, the Other tax liabilities line includes tax liabilities to the National Tax and Customs Administration, social security and Local Authorities.

Actual income tax:

In 2022 and 2023 the corporate income tax rate was 9%. The tax base is the profit before tax, adjusted for certain tax-deductible and non-deductible items in accordance with the legislation.

In 2022 and 2023, the rate of local business tax was 2% and the rate of innovation contribution was 0.3%. The tax base of the local business tax and innovation contribution is the net interest and fee income, against which the following deductions may be applied:

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

Special bank taxes:

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

(All amounts in HUF million, unless stated otherwise)

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

In 2023, the Bank recognised an expense of HUF 1 303 million for the special tax on financial institutions and reduced its contributions by HUF 128 million. The tax receivable from the State also decreased by the same amount, to HUF 257 million.

Reconciliation of tax expense:

Description	**31.12.2023**	**31.12.2022**
Profit before tax	**22 747**	**3 240**
Corporate income tax is 9% in 2023 and 2022	2 047	292
Effect of local business tax and innovation contribution on corporate tax	(210)	(104)
Tax effect of other (non-temporary) tax base adjusting items	(16)	36
Local business tax and innovation contribution expenditure	2 343	1 158
Effect of change in estimate of usable loss	-	(191)
Effect of change in deferred tax estimate on local business tax	-	(200)
Income tax reported in the statement of comprehensive income**/*	4 164	991
Effective tax rate	**18%**	**31%**

* income tax in profit or loss as at 31 December 2022, in detail: corporate income tax: 163; local business tax: 1 007; innovation contribution: 151, deferred tax income: -330
** income tax in profit or loss as at 31 December 2023, in detail: corporate income tax: 1 104; local business tax: 2 038; innovation contribution: 305; deferred tax expense: 717

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

In 2021, thanks to the positive pre-tax result, the Bank used HUF 901 million of the carry-forward loss for 2020 (HUF 10 821 million) to reduce the tax base. So at the end of 2021, the amount of accrued loss that may be carried forward to future years was HUF 9 920 million.

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

In 2023, the Bank's profit or loss before tax allowed the use of the full amount of the HUF 8 112 million of tax loss to be carried forward from previous years to reduce its taxable income.

(All amounts in HUF million, unless stated otherwise)

Deferred taxes

The deferred tax presented in the statement of financial position and changes recorded in the statement of comprehensive income as at 31 December 2023 and 31 December 2022 are as follows:

31.12.2023	Deferred tax receivables	Deferred tax liabilities	Net	Recognised in profit or loss	Recognised in other comprehensive income
Financial assets measured at fair value through profit or loss except the derivatives	-	-	-	-	-
Investments accounted for using the equity method	-	-	-	-	-
Other financial and non-financial assets (Intangible assets; tangible assets; other assets)	(18)	-	(18)	7	-
Provision	115	-	115	7	-
Tax loss carry-forward	-	-	-	(730)	-
Cash flow hedge accounting	96	-	96	-	(1 593)
Total	**193**	**-**	**193**	**(716)**	**(1 593)**

31.12.2022	Deferred tax receivables	Deferred tax liabilities	Net	Recognised in profit or loss	Recognised in other comprehensive profit or loss
Financial assets measured at fair value through profit or loss except the derivatives	-	-	-	144	-
Investments accounted for using the equity method	-	-	-	56	-
Other financial and non-financial assets (Intangible assets; tangible assets; other assets)	(25)	-	(25)	(7)	-
Provision	108	-	108	108	-
Tax loss carry-forward	730	-	730	28	-
Cash flow hedge accounting	1 689	-	1 689	-	387
Total	**2 502**	**-**	**2 502**	**329**	**387**

(All amounts in HUF million, unless stated otherwise)

NOTE 14 OTHER ASSETS

Description	**31.12.2023**	**31.12.2022**
Financial instruments	**2 167**	**9 426**
Income accruals affecting the reporting period*	2 109	2 075
Initial fair value difference of loans taken out	-	129
Other assets**	58	7 222
Non-financial instruments	**250**	**198**
Prepaid expenses	250	197
Other	-	1
Sub-total	**2 417**	**9 624**
Impairment on financial instruments	(7)	(5)
Total	**2 410**	**9 619**

*A significant part of the accrued income comes from the accrual of MEHIB insurance premiums for aid credits, which is reimbursed by the central budget.
** The item on the Other assets line consists of two significant amounts (HUF 4 562 million and HUF 2 641 million) in 2022, which are the recognition of the capital reduction and the yield paid in 2023 in respect of the PortfoLion I. Regionális Magántőke Fund under receivables.

NOTE 15 PROVISIONS AND IMPAIRMENT

The tables below show the changes in impairment and provisions for the year ended 31 December 2023 and 31 December 2022.

HUF million	Cash and cash equivalents	Government securities measured at amortised cost	Corporate bonds measured at amortised cost	Loans and advances to credit institutions and insurance companies	Loans and advances to other customers	Other assets	Total impairment	Provisions under IFRS 9	Total impairment and provisions
01.01.2023	**64**	**158**	**-**	**4 369**	**59 511**	**5**	**64 107**	**307**	**64 414**
Created for the year	3 105	193	276	6 100	17 270	2	26 946	1 049	27 995
Reversal for the year	(30)	(61)	(3)	(4 611)	(6 259)	-	(10 964)	(689)	(11 653)
Write-off	-	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	(1 621)	-	(1 621)	-	(1 621)
Effect of revaluation	-	-	(1)	(116)	(1 938)	-	(2 054)	(9)	(2 063)
31.12.2023	**3 139**	**290**	**273**	**5 742**	**66 963**	**7**	**76 414**	**658**	**77 072**

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

The provision for the year also includes the establishment of the first provision for the impairment of new transactions, which in the case of loans and advances to other customers was HUF 6 198 million (HUF 8 822 million in 2022).

The table below shows impairment made and reversed for non-financial assets during the year ended 31 December 2023 and during the year ended 31 December 2022.

HUF million	**Property, plant and equipment, Intangible assets 2023**	**Property, plant and equipment, Intangible assets 2022**
Opening	**5**	**2**
Created for the year	59	5
Reversal for the year	-	(2)
Derecognition	(18)	-
Effect of revaluation	-	-
Closing	**46**	**5**

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

Description	**31.12.2023**	**31.12.2022**
Commitments to credit institutions and insurance companies, credit lines and guarantees	77	65
Commitments to other customers, credit lines and guarantees	367	211
Loan commitments	214	31
Provisions under IFRS 9	**658**	**307**
Personnel expenses	76	-
Outstanding litigation*	1 200	1 200
Provisions under IAS37	**1 276**	**1 200**
Total provisions	**1 934**	**1 507**

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

NOTE 16 LOANS AND DEPOSITS FROM CREDIT INSTITUTIONS AND INSURANCE COMPANIES

HUF million	31.12.2023	31.12.2022
Current		
– in foreign currency	167 362	338 508
– in HUF	74 782	36 338
Sub-total	**242 144**	**374 846**
Non-Current		
– in foreign currency	622 350	491 529
– in HUF	321 106	305 437
Sub-total	**943 456**	**796 966**
Total	**1 185 600**	**1 171 812**

NOTE 17 DEPOSITS FROM OTHER CUSTOMERS

HUF million	31.12.2023	31.12.2022
Current		
– in foreign currency	10 513	2 514
– in HUF	-	-
Total	**10 513**	**2 514**

NOTE 18 BOND ISSUE

The tables below show the bonds issued by Eximbank in separate tables for each currency.

Issued debt securities

Name of bond	ISIN code	Issue date	Expiry date	Foreign currency	Interest	2023			
						Nominal value		Balance sheet value*	
						USD million	HUF million	USD million	HUF million*
2023 USD 144A	US55977YAA64	04.05.2023	04.12.2027	USD	fixed (annually) 6.125%	441	152 949	439	152 042
2023 USD REGS	XS2618838564	04.05.2023	04.12.2027	USD	fixed (annually) 6.125%	809	280 101	803	278 441
USD bonds, total, in USD million and HUF million						**1 250**	**433 050**	**1 242**	**430 482**

**Of which the fair value difference recognised on an issued bond, as a hedged transaction, measured at amortised cost: 1 826 HUF million*

Name of bond	ISIN code	Issue date	Expiry date	Foreign currency	Interest	2023			
						Nominal value		Balance sheet value*	
						EUR million	HUF million	EUR million	HUF million
2023 EUR REGS	XS2719137965	16.11.2023	16.05.2029	EUR	fixed (annually) 6.000%	1 000	382 780	1 002	383 423
EUR bonds, total in, EUR million and HUF million						**1 000**	**382 780**	**1 002**	**383 423**

Name of bond	ISIN code	Issue date	Expiry date	Foreign currency	Interest	2023		2022	
						Nominal value	Balance sheet value	Nominal value	Balance sheet value
EXIM 2023/1	HU0000361399	09.02.2022	08.02.2023	HUF	fixed (annually) 5.00%	-	-	22 550	23 550
EXIM 2023/1	HU0000361399	23.02.2022	08.02.2023	HUF	fixed (annually) 5.00%	-	-	10 000	10 443
EXIM 2023/2	HU0000361589	30.03.2022	29.03.2023	HUF	fixed (annually) 6.20%	-	-	11 650	12 185
EXIM 2023/3	HU0000361787	14.07.2022	13.07.2023	HUF	fixed (annually) 8.00%	-	-	16 356	16 690
EXIM 2023/3	HU0000361787	28.07.2022	13.07.2023	HUF	fixed (annually) 8.00%	-	-	36 851	37 505
EXIM 2023/4	HU0000361837	11.08.2022	10.08.2023	HUF	fixed (annually) 12.00%	-	-	30 522	31 851
EXIM 2023/4	HU0000361837	25.08.2022	10.08.2023	HUF	fixed (annually) 12.00%	-	-	27 900	29 046

(All amounts in HUF million, unless stated otherwise)

Name of bond	ISIN code	Issue date	Expiry date	Foreign currency	Interest		2023		2022	
							Nominal value	Balance sheet value	Nominal value	Balance sheet value
EXIM 2023/5	HU0000361878	08.09.2022	07.09.2023	HUF	fixed (annually)	13.00%	-	-	28 264	29 181
EXIM 2023/5	HU0000361878	22.09.2022	07.09.2023	HUF	fixed (annually)	13.00%	-	-	10 490	10 808
EXIM 2023/6	HU0000361902	13.10.2022	12.10.2023	HUF	fixed (annually)	14.00%	-	-	34 950	35 678
EXIM 2023/7	HU0000361977	10.11.2022	09.11.2023	HUF	fixed (annually)	15.00%	-	-	17 812	18 200
EXIM 2023/7	HU0000361977	24.11.2022	09.11.2023	HUF	fixed (annually)	15.00%	-	-	13 455	13 742
EXIM 2023/8	HU0000362025	08.12.2022	07.12.2023	HUF	fixed (annually)	14.00%	-	-	12 428	12 369
EXIM 2023/8	HU0000362025	22.12.2022	07.12.2023	HUF	fixed (annually)	14.00%	-	-	30 914	30 604
EXIM 2024/1	HU0000359435	19.12.2019	04.12.2024	HUF	fixed (annually)	1.00%	34 000	34 034	34 000	34 044
EXIM 2024/10	HU0000363197	29.11.2023	27.11.2024	HUF	fixed (annually)	10.00%	15 914	16 169	-	-
EXIM 2024/10	HU0000363197	13.12.2023	11.12.2024	HUF	fixed (annually)	10.00%	36 650	37 375	-	-
EXIM 2024/2	HU0000362157	18.01.2023	17.01.2024	HUF	fixed (annually)	16.00%	25 247	29 077	-	-
EXIM 2024/2	HU0000362157	01.02.2023	17.01.2024	HUF	fixed (annually)	16.00%	34 940	40 239	-	-
EXIM 2024/3	HU0000362256	15.02.2023	14.02.2024	HUF	fixed (annually)	16.00%	20 885	23 778	-	-
EXIM 2024/3	HU0000362256	01.03.2023	14.02.2024	HUF	fixed (annually)	16.00%	41 142	46 831	-	-
EXIM 2024/4	HU0000362322	16.03.2023	14.03.2024	HUF	fixed (annually)	16.00%	38 140	42 887	-	-
EXIM 2024/4	HU0000362322	29.03.2023	14.03.2024	HUF	fixed (annually)	16.00%	32 437	36 486	-	-
EXIM 2024/5	HU0000362454	19.04.2023	17.04.2024	HUF	fixed (annually)	16.00%	42 904	47 576	-	-
EXIM 2024/5	HU0000362454	10.05.2023	17.04.2024	HUF	fixed (annually)	16.00%	34 350	38 120	-	-
EXIM 2024/6	HU0000362520	25.05.2023	23.05.2024	HUF	fixed (annually)	16.00%	26 633	29 225	-	-
EXIM 2024/6	HU0000362520	07.06.2023	23.05.2024	HUF	fixed (annually)	16.00%	21 556	23 749	-	-
EXIM 2024/7	HU0000362710	21.06.2023	19.06.2024	HUF	fixed (annually)	12.50%	25 364	26 873	-	-
EXIM 2024/7	HU0000362710	05.07.2023	03.07.2024	HUF	fixed (annually)	12.50%	10 000	10 642	-	-
EXIM 2024/8	HU0000362884	30.08.2023	28.08.2024	HUF	fixed (annually)	11.00%	14 250	14 763	-	-
EXIM 2024/8	HU0000362884	20.09.2023	18.09.2024	HUF	fixed (annually)	11.00%	33 830	35 112	-	-
EXIM 2024/9	HU0000363023	04.10.2023	02.10.2024	HUF	fixed (annually)	11.00%	24 770	25 462	-	-
EXIM 2024/9	HU0000363023	16.10.2023	02.10.2024	HUF	fixed (annually)	11.00%	14 698	15 103	-	-
EXIM 2025/1	HU0000360029	09.10. 2020	26.11.2025	HUF	fixed (annually)	1.65%	20 322	20 337	20 322	20 328
EXIM 2025/2	HU0000362801	02.08.2023	04.08.2025	HUF	fixed (annually)	11.00%	23 304	24 370	-	
EXIM 2025/3	HU0000362850	14.08.2023	16.08.2025	HUF	fixed (annually)	11.00%	54 500	56 815	-	-
EXIM 2025/3	HU0000362850	30.08.2023	09.09.2025	HUF	fixed (annually)	11.00%	48 795	51 095	-	-
EXIM 2025/4	HU0000362959	20.09.2023	21.10.2025	HUF	fixed (annually)	10.50%	21 061	21 787	-	-
EXIM 2025/4	HU0000362959	04.10.2023	21.10.2025	HUF	fixed (annually)	10.50%	14 488	14 989	-	-

Name of bond	ISIN code	Issue date	Expiry date	Foreign currency	Interest		2023		2022	
							Nominal value	Balance sheet value	Nominal value	Balance sheet value
EXIM 2025/4	HU0000362959	16.10.2023	18.10.2025	HUF	fixed (annually)	10.50%	13 375	13 844	-	-
EXIM 2026/1	HU0000361860	25.08.2022	22.04.2026	HUF	fixed (annually)	11.00%	18 400	19 683	18 400	18 979
EXIM 2026/2	HU0000362165	18.01.2023	18.01.2026	HUF	variable (6 months)		43 431	45 658	-	-
EXIM 2026/2	HU0000362165	01.02.2023	18.01.2026	HUF	variable (6 months)		22 570	23 733	-	-
EXIM 2027/1	HU0000360086	11.11.2020	27.10.2027	HUF	fixed (annually)	2.00%	30 400	30 779	30 400	30 848
EXIM 2027/1	HU0000360086	09.12.2020	27.10.2027	HUF	fixed (annually)	2.00%	16 280	16 454	16 280	16 483
EXIM 2027/1	HU0000360086	24.03.2021	27.10.2027	HUF	fixed (annually)	2.00%	10 710	10 674	10 710	10 656
EXIM 2027/1	HU0000360086	28.04.2021	27.10.2027	HUF	fixed (annually)	2.00%	14 570	14 605	14 570	14 601
EXIM 2027/1	HU0000360086	09.06.2021	27.10.2027	HUF	fixed (annually)	2.00%	16 920	16 754	16 920	16 698
EXIM 2027/1	HU0000360086	30.06.2021	27.10.2027	HUF	fixed (annually)	2.00%	20 200	19 937	20 200	19 855
EXIM 2028/1	HU0000362280	01.03.2023	01.03.2028	HUF	variable (6 months)		49 950	50 605	-	-
EXIM 2028/1	HU0000362280	16.03.2023	01.03.2028	HUF	variable (6 months)		36 150	36 571	-	-
EXIM 2028/1	HU0000362280	05.04.2023	01.03.2028	HUF	variable (6 months)		48 165	48 674	-	-
EXIM 2028/1	HU0000362280	19.04.2023	01.03.2028	HUF	variable (6 months)		44 200	44 630	-	-
EXIM 2029/1	HU0000360763	01.09.2021	23.05.2029	HUF	fixed (annually)	2.50%	16 505	16 504	16 505	16 462
EXIM 2029/1	HU0000360763	29.09.2021	23.05.2029	HUF	fixed (annually)	2.50%	8 850	8 695	8 850	8 647
HUF bonds total HUF million							**1 120 856**	**1 180 694**	**511 299**	**519 453**

During 2023, the Bank issued nine new short-term fixed-rate forint bonds in a total nominal value of HUF 493.7 billion and three new medium-term fixed-rate forint bonds in a total nominal value of HUF 175.5 billion, and, two new variable-rate forint bonds, in a total nominal value of 244.6 billion.
During the year, eight forint-bonds expired, in a total nominal value of HUF 304.1 billion.
During 2023, the Bank issued two international bonds, both with a maturity of more than one year and a fixed interest rate, in denominations of USD 1 250 million and EUR 1 000 million. Both bond series were listed on the London Stock Exchange.

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

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

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

The effective interest expense on issued bonds was HUF 135 362 million in 2023 (in 2022: HUF 16 722 million) using effective interest rates between 1 and 18% (in 2022: 1 and 16%).

HUF million	01.01.2023	Issued	Effective interest	Interest payment	Redemption (Nom Value)	Fair value difference*	Foreign currency difference	31.12.2023
EUR bonds	-	374 248	2 788	-	-	-	6 387	**383 423**
HUF bonds	**519 453**	910 042	114 019	(58 679)	(304 142)	-	-	**1 180 693**
USD bonds	-	415 486	18 554	(15 569)	-	1 826	10 186	**430 483**
Total bonds	**519 453**	**1 699 776**	**135 362**	**(74 248)**	**(304 142)**	**1 826**	**16 573**	**1 994 599**

HUF million	01.01.2022	Issued	Effective interest	Interest payment	Redemption (Nom Value)	Fair value difference*	Foreign currency difference	31.12.2022
HUF bonds	**383 788**	319 570	16 722	(5 688)	(194 939)	-	-	**519 453**
Total bonds	**383 788**	**319 570**	**16 722**	**(5 688)**	**(194 939)**	**-**	**-**	**519 453**

* The fair value difference recognised on an issued bond, as hedged transaction

HUF million	31.12.2023	31.12.2022
Current		
– in foreign currency	4 813	-
– in HUF	594 642	313 390
Sub-total	**599 455**	**313 390**
Non-Current		
– in foreign currency	809 092	-
– in HUF	586 052	206 063
Sub-total	**1 395 144**	**206 063**
Total	**1 994 599**	**519 453**

The table below shows an analysis of the issued bonds by maturity of contract (i.e. a transaction is included exclusively in one range based on the maturity of the contract) as at 31 December 2023 and 31 December 2022.

HUF million	**31.12.2023**	**31.12.2022**
In foreign currency:		
Up to 1 month	-	-
1 to 3 months	-	-
3 months to 1 year	-	-
1 to 5 years	430 481	-
Over 5 years	383 424	-
Sub-total	**813 905**	**-**
In HUF		
Up to 1 month	69 317	-
1 to 3 months	149 982	46 178
3 months to 1 year	354 204	265 674
1 to 5 years	581 993	182 493
Over 5 years	25 198	25 108
Sub-total	**1 180 694**	**519 453**
Total	**1 994 599**	**519 453**

(All amounts in HUF million, unless stated otherwise)

NOTE 19 OTHER LIABILITIES

Description	**31.12.2023**	**31.12.2022**
Financial instruments	**6 518**	**7 414**
MEHIB insurance*	1 690	1 690
Initial fair value difference of loans taken out	-	524
Lease liability	972	1 422
Cost accrual	1 755	1 445
Other**	2 101	2 333
Non-financial instruments	**455**	**649**
Other	293	270
Income accruals	162	379
Total	**6 973**	**8 063**

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

** The most significant item within the other category in 2023 was the payment obligation arising from interest equalisation (HUF 731 million), in 2022 it was the instalment received in the escrow account due to the Brussels sanctions (HUF 1 676 million).

(All amounts in HUF million, unless stated otherwise)

NOTE 20 SHAREHOLDERS'S EQUITY

On 16 May 2023, the Founder decided to increase the subscribed capital by issuing 6 000 ordinary shares with a nominal value of HUF 5 million, belonging to the same series as the ordinary shares that had been issued to date, as a result of which the subscribed capital increased by HUF 30 000 million. After the registration, the Bank has a total of 68 000 shares with a nominal value of HUF 5 million, and thus the share capital amounts to HUF 340 000 million.

The provisions of Section 83 (2) of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Credit Institutions Act") state that the Bank is required to transfer 10% of its after-tax profit for the year to general reserves to cover future losses. In the reporting year, 90% of the previous year's after-tax profit, the part reduced by the 10% mandatory reserve, i.e. HUF 2 025 million, was transferred to the general reserve based on the decision of the founder, thereby changing its amount to HUF 13 496 million. The mandatory reserve to be set aside based on the profit for the year represents an increase of HUF 1855 million.

NOTE 21 CREDIT LINES, PROMISSORY NOTES AND CONTINGENT LIABILITIES

Under the Exim Act, the Hungarian State also provides a statutory guarantee in respect of certain guarantees issued by Eximbank. Eximbank's guarantee portfolio consists primarily of export credit guarantees, issued to banks, and other export-related guarantees (including loan collateral, advance payment, performance, and tender guarantees) issued primarily to corporate customers.
The Hungarian State's obligations in respect of this statutory guarantee are subject to an upper limit set by the annual central budget. Section 54 (2) of Act XXV of 2022 on the Central Budget of Hungary for 2023 sets the ceiling for export credits and other export guarantee transactions undertaken against the central budget at HUF 100 billion (i.e. equal to the HUF 100 billion set in 2022). The Government Decree sets forth certain conditions for the statutory guarantee, including that all credit agreements for which Eximbank provides a government-subsidised export credit guarantee must conform to OECD guidelines.
As at 31 December 2023, of Eximbank's total guarantee portfolio of HUF 86 975, HUF 86 722 million was backed by state guarantees (in 2022, of HUF 28 782 million, HUF 28 525 million had been backed by state guarantees or suretyship).
The remaining 1% of Eximbank's guarantee portfolio (which are guarantees issued at its own risk) is related to export-credit guarantees where the underlying loans, due mainly to the characteristics or nature of the export in question, are outside OECD guidelines and thus do not qualify as guarantees under the Government Decree.
The stock of uncalled guarantees issued by Eximbank under the absolute suretyship of the State increased from HUF 28 525 million at the end of 2022 to HUF 86 722 million at the end of 2023.
In accordance with the provisions of Section 2 (6) of Minister of Finance Decree 16/1998. (V.20.), Eximbank regularly rates uncalled commitments arising from export-purpose guarantee transactions covered by the State's absolute suretyship on a quarterly basis in the same way as the commitments assumed at its own risk, in order to assess the risk to the central budget.
The stock of guarantees issued with the absolute suretyship of the State in each rating category based on the rating specified in the Decree:

Description	**31.12.2023**	**31.12.2022**
Performing	86 722	26 174
Non-performing	-	2 351
Total	**86 722**	**28 525**

Financial guarantees and loan commitments as at 31 December 2023 and 31 December 2022 were as follows:

(All amounts in HUF million, unless stated otherwise)

Description	**31.12.2023**	**31.12.2022**
Unutilised part of credit lines, promissory notes	734 878	668 041
Guarantees counter-guaranteed by the State	86 722	28 525
Suretyship counter-guaranteed by the State	-	-
Guarantees not counter-guaranteed by the State	254	257
Letters of credit	1 148	75
Total	**823 001**	**696 898**

Credit lines represent the amounts not drawn under the Bank's current loan agreements. The Bank's credit lines primarily relate to its export refinancing products entered into with banks.
100% of the borrowings of the MNB's Funding for Growth programme, amounting to liabilities of HUF 693 million, are secured by government bonds and trade receivables, in accordance with MNB requirements. Funding for Growth scheme liabilities are presented among loans and deposits from credit institutions and insurance companies, while securities are shown on the Securities measured at amortised cost line of the balance sheet.
The above figures do not contain the remaining unpaid portion of commitments and contributions in respect of equity funds, which are presented in the following table. The payment of the remaining amounts depends on the fund managers' future investment decisions and drawdowns and they are therefore recognised as a contingent liability, as the Bank is required to pay its share of the amount upon request (see Notes 9 and 10):

Name	**Commitment**		**Note**
	31.12.2023	**31.12.2022**	
China-CEE Fund	USD 30 000 000 (HUF 10 393 million)	USD 30 000 000 (HUF 11 270 million)	Note 9
China-CEE Fund II.	USD 32 315 678 (HUF 11 195 million)	USD 32 878 179 (HUF 12 352 million)	Note 9
Columbus	HUF 6 006 million	HUF 22 048 million	Note 10
East West	EUR 216 000 (HUF 83 million)	EUR 692 000 (HUF 277 million)	Note 9
Enter Tomorrow Europe Magántőkealap	EUR 5 309 720 (HUF 2 032 million)	EUR 5 309 720 (HUF 2 125 million)	Note 10
Európa Agrár Magántőkealap	EUR 10 270 664 (HUF 3 931 million)	EUR 12 580 664 (HUF 5 035 million)	Note 10
Herius - 1 Magántőkealap	EUR 2 118 748 (HUF 811 million)	EUR 42 637 076 (HUF 17 065 million)	Note 10
Hungarian - Kazakh Cooperation Fund	USD 6 538 278 (HUF 2 265 million)	USD 7 004 766 (HUF 2 632 million)	Note 9
IFC FIG Fund	USD 27 663 630 (HUF 9 584 million)	USD 28 676 050 (HUF 10 773 million)	Note 9
Innova - 1 Magántőkealap	HUF 5 900 million	HUF 9 000 million	Note 10
Közép-Ázsiai Kifektetési Magántőkealap	USD 45 000 000 (HUF 15 590 million)	-	Note 10
Magyar-Amerikai Magántőkealap	USD 40 000 000 (HUF 13 858 million)	-	Note 10
PortfoLion Regionális Magántőkealap	-	HUF 313 million	Note 10
	HUF 4 896 million	HUF 6 057 million	Note 10

PortfoLion Regionális			
SINO-CEE Fund	EUR 33 251 778 (HUF 12 728 million)	EUR 33 488 494 (HUF 13 404 million)	Note 9
Three Seas Initiative Investment Fund	EUR 3 973 264 (HUF 1 521 million)	EUR 9 058 923 (HUF 3 626 million)	Note 9

In the event of the redemption of guarantees undertaken subject to the absolute suretyship of the Hungarian State, the amount of debt paid from government funds is the amount of the receivables outstanding from the customer – as the customer's debt to the state – until such time as the customer settles the amount financially**.** The Bank records the amount of interest and late payment interest charged on these redeemed guarantees in the zero-account class:
Changes in liabilities to customers stemming from guarantees redeemed through the exercising of a full payment guarantee of the State in 2022 and 2023:

HUF million	**Basic receivables**	**Late payment interest receivables**	**Total**
Opening balance 01.01.2022	2 673	1 823	4 496
Additions resulting from redemption and other volume change	-	123	123
Recoveries (-)	-	-	-
Closing balance 31.12.2022	2 673	1 946	4 619
Opening balance 01.01.2023	2 673	1 946	4 619
Additions resulting from redemption and other volume change	-	123	123
Recoveries (-)	-	-	-
Closing balance 31.12.2023	2673	2 069	4742

NOTE 22 INTEREST INCOME AND INTEREST EXPENSE

Description	**31.12.2023**	**31.12.2022**
Interest income		
Interest income recognised using the effective interest method	*262 420*	*89 454*
Loans and advances to credit institutions and insurance companies	96 073	(1 350)
Loans and advances to other customers	25 773	4 958
Interest equalisation*	126 708	80 964
Interest equalisation related to financial institution loans	112 750	72 442
Interest equalisation related to corporate loans	14 759	8 522
Interest equalisation related to corporate bonds	(801)	-
Securities	13 866	4 882
Other interest income	*50 169*	*2 888*
Interest income from interest rate swaps for hedging purposes	50 169	2 888
Total	**312 589**	**92 342**

(All amounts in HUF million, unless stated otherwise)

Interest income on the corporate bond was positive overall, with the related interest equalisation being negative because we had a payment obligation on the transaction, i.e. the base cost under section 3.13 was lower than the transaction interest in 2023.

Description	**31.12.2023**	**31.12.2022**
Interest and similar expense		
Interest expense recognised using the effective interest method	*206 245*	*43 788*
Loans and deposits from credit institutions and insurance companies	70 326	26 790
Deposits from other customers	557	276
Bonds issued	135 362	16 722
Other interest expense	*45 346*	*37*
Interest expense from interest rate swaps for hedging purposes	45 333	-
Interest expense from FX swaps	-	17
Leases	13	20
Total	**251 591**	**43 825**
Net interest and similar income	**60 998**	**48 517**

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

The amount of the interest-equalisation aid provided by the state in relation to the transactions alters the amount of the negative interest generated as a result of the disbursement of the compensation loans to a market-based interest amount. In accordance with the above, the amount of interest equalisation and negative interest is treated as part of the loan cash flow when determining the effective interest rate, and negative interest is shown as an item that reduces interest income.
In 2023, the interest income of assets in Stage 3 (mostly “Loans and advances to other customers” and to a lesser extent “Loans and advances to credit institutions and insurance companies”) was HUF 3 342 million from the interest income recognised using the effective interest method (which calculated at gross amortised cost would be HUF 6 501 million).

Settlements related to the interest equalisation system	**31.12.2023**	**31.12.2022**
Financially settled claim	120 235	63 720
Financially settled payment obligation	(3 130)	(285)
Balance	**117 105**	**63 435**

The centrally managed appropriation of the Ministry of Economic Development for the amount to be used as the source of the interest equalisation system’s settlement with the central budget was set at HUF 100 000 million in Act XXV of 2022 on the Central Budget of Hungary for 2023.

Govt. Resolution no. 2366/2023 provided for exceeding the appropriation by HUF 22 000 million. Of the total appropriation of HUF 122 000 million, HUF 120 235 million was drawn down and paid out.

(All amounts in HUF million, unless stated otherwise)

Settlements related to tied-aid lending	31.12.2023	31.12.2022
Financially settled donation item claim*	4 606	2 360
Financially settled interest subsidy claim	2 950	1 356
Financially settled interest subsidy payment obligation	(12)	(77)
Financially settled fee refund	-	-
Balance	**7 544**	**3 639**

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

In the framework of the tied-aid lending, the Ministry of Foreign Affairs and Trade chapter's centrally managed appropriation for the amount of the interest subsidy to be settled by Eximbank with the central budget is determined by Act XXV of 2022 on the Central Budget of Hungary for 2023 in an amount of HUF 9 818.5 million. Of the total appropriation of HUF 9 818.5 million, HUF 7 556 million was drawn down and paid out.

NOTE 23 NET INCOME FROM FEES AND COMMISSIONS

Description	31.12.2023	31.12.2022
Fee and commission income		
Guarantees counter-guaranteed by the State	387	729
Suretyship counter-guaranteed by the State	-	6
Guarantees not counter-guaranteed by the State	6	9
Other	550	163
Total	**943**	**907**
Fee and commission expense		
Guarantee fees	55	93
Other	270	197
Total	**325**	**290**
Net fee and commission income	**618**	**617**

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

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

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

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

(All amounts in HUF million, unless stated otherwise)

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

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

In 2022 and 2023, the Bank did not have any budgetary settlements related to guarantees undertaken and redeemed at the expense of the central budget, or to recoveries associated with these.
The 2023 budgetary framework for the budget payment obligation arising from redeemed export credit and other export guarantees issued by Eximbank under the full payment guarantee covered by the State was set by Act XXV of 2022 on the Central Budget of Hungary for 2023 sets in a total of HUF 1 600 million.

The following table shows the nature and scheduling of the Bank's performance obligations under the types of contracts with customers that give rise to the recognition of a fee income, with the material payment terms of such contracts also being presented in accordance with IFRS 15 Revenue from Contracts with Customers.

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

(All amounts in HUF million, unless stated otherwise)

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

Description	Carrying amount of derecognised assets 31.12.2023	Gain on derecognition 2023
Loans and advances to credit institutions and insurance companies	-	-
Loans and advances to other customers	26	(25)
Total	**26**	**(25)**

Description	Carrying amount of derecognised assets 31.12.2022	Gain on derecognition 2022
Loans and advances to credit institutions and insurance companies	-	-
Loans and advances to other customers	-	-
Total	**-**	**-**

NOTE 25 GAINS OR LOSSES FROM TRADING AND INVESTMENT ACTIVITIES

Description	31.12.2023	31.12.2022
Gains or losses on foreign currency swaps, net	21 507	11 592
IRS transactions fair value gains or losses, net	(10 415)	-
Reclassification to profit or loss of unrealised gains/losses on cash flow hedges	6 038	(11 197)
Gain or loss from the ineffectiveness of cash-flow hedges	1 016	2 346
Fair value hedge transaction, gain or loss from fair value adjustments on hedged items	7 146	-
Other foreign currency gains or losses, net*	(10 864)	3 448
Foreign currency gains or losses, net	**14 428**	**6 189**
Gains or losses on FVTPL financial assets other than derivatives, net (Note 9)	(4 351)	(1 941)
Total	**10 077**	**4 248**

(All amounts in HUF million, unless stated otherwise)

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

Description	**31.12.2023**	**31.12.2022**
Loss on revaluation of impairment	-	(2 372)
Loss on revaluation of provisions	-	(7)
Gain on revaluation of impairment	2 086	-
Gain on revaluation of provision	9	-
Gain/loss (-) on revaluation	(12 958)	5 832
Loss on customer FX trading	(1)	-
Gain on customer FX trading	-	5
Total	**(10 864)**	**3 448**

NOTE 26 OTHER OPERATING INCOME AND EXPENSES, PERSONNEL EXPENSES, DEPRECIATION AND AMORTISATION

Description	**31.12.2023**	**31.12.2022**
Other income	506	-
Other operating income	**506**	**-**
Material and service expenses	2 722	3 917
Bank tax *	1 303	1 055
Extra-profit tax**	2 426	2 750
Other administration expenses	1 030	890
Other expenses	443	128
Other operating expenses	**7 924**	**8 740**
Personnel expenses	**5 567**	**4 786**
Depreciation and amortisation	**1 074**	**984**

The average number of Bank employees in 2023 was 180 (2022: 181), and at Exim Invest it was 8 persons.

*According to the provisions of Act LIX of 2006, from 2010 the Bank is required to pay a so-called "bank tax". From 1 January 2017 the Bank has to consider the value of total assets for the second year preceding the tax year as tax base. The tax rate is 0.15% up to HUF 50 000 million and 0.2% above HUF 50 000 million.
**In 2022, a new special tax on credit institutions and financial enterprises, known as the "extra profit tax", was introduced, which must be paid for the 2022, 2023 and 2024 tax years.

In 2022, the rate of special tax charged on credit institutions and financial enterprises is 10% of the net sales determined on the basis of the annual report of the tax year preceding the tax year concerned, as per Act C of 1990 on local taxes (hereinafter: Local Taxes Act).

In 2023, pursuant to Government Decree 144/2023 (IV.24.) amending the government decree on extra profit taxes, tax liability for the first and second half of the year had to be determined differently. The taxable amount of the special tax to be calculated from 1 January 2023 to 30 June 2023 is 50 per cent of the net sales revenue as determined on the basis of the annual financial accounts for the preceding tax year in accordance with the Income Tax Act, adjusted by reducing items. The rate of the special tax is 8 percent of the tax base. The taxable amount to be calculated from 1 July 2023 to 31 December 2023 is 50 percent of the profit or loss before tax determined on the basis of the annual financial accounts for the tax year preceding the reporting tax year, adjusted by reducing and increasing items. The rate of the special tax for the Bank is 13% on the part of the tax base not exceeding HUF 10 billion.

(All amounts in HUF million, unless stated otherwise)

NOTE 27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

31.12.2023	**Up to 12 month**	**After 12 months**	**Total**
Cash and settlements with the National Bank of Hungary	965 591	-	965 591
Government securities measured at amortised cost	12 951	136 194	149 145
Loans and advances to credit institutions and insurance companies	337 654	1 190 654	1 528 308
Loans and advances to other customers	437 134	423 510	860 644
Derivative transactions – Held for trading, measured at fair value through profit or loss	900	-	900
Derivative transactions – Hedge accounting measured at fair value through profit or loss	468	3 055	3 523
Investments measured at fair value through profit or loss	-	32 824	32 824
Investments accounted for using the equity method	-	94 444	94 444
Intangible assets	-	2 183	2 183
Property, plant and equipment	-	1 636	1 636
Other tax receivables	171	257	428
Deferred tax receivables	-	194	194
Other assets	2 409	-	2 409
Total assets	**1 757 278**	**1 884 328**	**3 642 607**
Loans and deposits from credit institutions and insurance companies	242 144	943 456	1 185 600
Deposits from to other customers	10 514	-	10 514
Derivative transactions – Hedge accounting measured at fair value through profit or loss	269	20 898	21 167
Securities issued	599 456	1 395 143	1 994 599
Provisions	661	1 273	1 934
Actual income tax liabilities	2 246	-	2 246
Tax liabilities	-	236	236
Other liabilities	7 081	-	7 081
Total liabilities	**862 263**	**2 361 006**	**3 223 269**
Net	**895 015**	**-476 055**	**418 960**

(All amounts in HUF million, unless stated otherwise)

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

NOTE 28 RELATED PARTY TRANSACTIONS

28.1 Employee benefits

Loans to employees of the Bank amounted to HUF 153 million and HUF 189 million as at 31 December 2023 and 31 December 2022, respectively. The Bank did not grant any loans to senior management during the reporting year.

The remuneration of the Board of Directors, the Audit Committee and the Supervisory Board, in total for the Bank and its subsidiaries, was HUF 118 million in 2023 (2022: HUF 83 million). There are no share-based payments to the Board of Directors or senior executives.

The remuneration of key management personnel was HUF 285 million in 2023 (2022: HUF 224 million).

The following table shows the benefits paid to key management personnel in 2023 in HUF million:

Description	**31.12.2023**
Basic salary	215
Premium/Bonus	55
Absence allowance	11
Health fund contribution	1
Voluntary pension fund contribution	1
Voluntary pension fund contribution Cafeteria	1
Széchenyi recreation card, accommodation	1
Total	**285**

Of which (a) short-term benefits: **172.8**
(b) post-employment benefits: **0**
(c) other long-term benefits: **0**
(d) severance pay: **0**
(e) share-based payments: **0**

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

Description	**31.12.2022**
Basic salary	149
Other income (waived debt)	1
Exemption (absence allowance)	9
Agreement allowance (average earnings at exit)	40
Unused holiday allowance	15
Absence allowance	10
Total	**224**

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

(All amounts in HUF million, unless stated otherwise)

28.2 Related parties

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

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

- Magyar Fejlesztési Bank Zrt.
- Magyar Exporthitel Biztosító Zrt.
- GIRO Zrt.
- Garantiqa Hitelgarancia Zrt.
- BISZ Zrt.
- MVM Energetika Zrt.
- Start Garancia Zrt.
- Magyar Követeléskezelő Rt.
- IHT Informatika Zrt.
- MFB Invest Zrt
- Magyar-Amerikai Magántőkealap

Related party transactions are conducted at market rates. The total amount of receivables from related party companies was HUF 145 576 million as at 31 December 2023, representing 4.00% of total assets (as at 31 December 2022: 6.95%), the total amount of commitments was HUF 80 971 million as at 31 December 2023, representing 2.51% of total liabilities (as at 31 December 2022: 4.46%), while the value of financial guarantee agreements and loan commitments was HUF 77 797 million, representing 12.58% of financial guarantee agreements and loan commitments (as at 31 December 2022: 0%).

Description	**31.12.2023**	**31.12.2022**
Hungarian Government bonds	97 447	113 056
Securities from related parties measured at amortised cost, total	**97 447**	**113 056**
Shown on balance sheet line Loan receivables from related parties, Loans and advances to credit institutions and insurance companies	11 876	3 461
Shown on balance sheet line Receivables from the State arising from the interest equalisation system, Receivables from other customers	33 023	26 204
Loan receivables and advances from related parties	**44 899**	**29 665**
Share in other companies, shown on the balance sheet line Investments measured at fair value through profit or loss	12	12
Investments accounted for using the equity method	40	-
Total financial assets measured at fair value through profit and loss vis-à-vis related parties	**52**	**12**
Loan guarantee suretyship subsidy claim	8	-
Accrued income and receivables from the State in respect of tied-aid credit	2 765	2 251
Receivables and accrued income from other related parties	407	374
Other assets total	**3 180**	**2 625**
Total assets	**145 576**	**145 358**

(All amounts in HUF million, unless stated otherwise)

Description	31.12.2023	31.12.2022
Loan and deposit liabilities (accrued interest payable) to related parties	77 765	75 029
Total loans and deposits from other related parties	**77 765**	**75 029**
Liabilities on the State arising from the interest equalisation system	731	-
Other liabilities to other related parties	1 690	1 690
Accrued expenses against related parties related to cost sharing	785	671
Total other liabilities from related parties	**3 206**	**2 361**
Total liabilities	**80 971**	**77 390**
Other credit lines and contingent liabilities	77 797	-
Total credit lines and contingent liabilities	**77 797**	**-**

Description	31.12.2023	31.12.2022
Interest income:		
Interest equalisation from the State	126 708	80 964
Hungarian discount treasury bills, discount bonds issued by the MNB and Hungarian government bonds	11 004	4 882
Loans and other current receivables from related parties	174	255
Total	**137 886**	**86 101**
Interest expense:		
Loans and deposits from other related parties	5 428	2 050
Total	**5 428**	**2 050**
Expense related to MEHIB insurance premiums*	**9 061**	**455**
Aid credit and insurance premium reimbursement from the State	4 609	19
Net interest income and net fee and commission income	**128 006**	**83 615**
Operating income/(expenses)		
Net operating expenses from related parties	(162)	(130)
Net income/(expense) from sharing Personnel expenses	729	721
Total	**567**	**591**

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

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

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

1. Personnel expenses,
2. intermediated services,
3. other administrative costs
4. material-type expenditures,

5. costs incurred in connection with jointly used tangible and intangible assets (depreciation, extraordinary depreciation, insurance premiums, taxes, contributions and other costs and expenses directly linked to the assets in joint use).

Effects of the cost sharing to Eximbank's profit and loss in 2023 and 2022 are presented in the following tables:

1) Jointly used tangible assets:

Income (and expense) from jointly used property, plant and equipment	**31.12.2023**	**31.12.2022**
a) revenue from fees invoiced by the Bank to MEHIB for the use of assets, which is included in "Other operating expenses"	104	91
b) fees invoiced by MEHIB to the Bank for the use of assets, which is included in "Other operating expenses"	(26)	(12)

(All amounts in HUF million, unless stated otherwise)

2) Personnel expenses: jointly employed employees

Income (and expense) related to jointly employed employees	**31.12.2023**	**31.12.2022**
a) Personnel expenses passed on by the Bank to MEHIB, invoiced amount presented under "Personnel expenses" in the profit and loss account as an item decreasing the given value.	793	775
b) the amount of personnel-type expenditure incurred by MEHIB and passed on to the Bank for jointly employed staff. The amount is presented under "Personnel expenses" in the profit and loss account as an item increasing the given value.	(70)	(54)

3) Personnel expenses not linked to persons

Income (expense) related Personnel expenses not linked to persons	**31.12.2023**	**31.12.2022**
a) Personnel expenses invoiced by the Bank to MEHIB, recognised under "Net other operating expenses"	43	30
b) Personnel expenses invoiced by MEHIB to the Bank, recognised under "Net other operating expenses"	(244)	(112)

4) Intermediated services

Income (and expense) related to sharing intermediated services	**31.12.2023**	**31.12.2022**
a) the amount of general administrative expenses invoiced by the Bank to MEHIB, recognised under "Net other operating expenses"	19	20
b) the amount of general administrative expenses invoiced by MEHIB to the Bank, recognised under "Net other operating expenses"	(10)	(14)

(All amounts in HUF million, unless stated otherwise)

5) Material-type expenditures and other administration expenses

Income (and expense) related to sharing material-type expenditures and other administration expenses	**31.12.2023**	**31.12.2022**
a) the amount invoiced by the Bank to MEHIB, recognised under “Net other operating expenses”	138	146
b) the amount invoiced by MEHIB to the Bank, recognised under “Net other operating expenses”	(188)	(279)

Based on separate agreements, the Bank charged HUF 145 million in 2023 and HUF 135 million in 2022 to MEHIB within the framework of sublease agreements.

NOTE 29 FINANCIAL ASSETS AND LIABILITIES BY UNDISCOUNTED RESIDUAL CASH FLOWS

The table below summarises the undiscounted cash flows related to the financial assets and liabilities of the Bank and its subsidiary by maturity. The undiscounted cash flows include estimated interest payments and interest equalisation. For further information about the maturity of derivatives please refer to Note 8.
Cash flows related to demand instruments are taken into account as if they were redeemed immediately. For credit lines, guarantee transactions and letter of credits the maximum amount that can be drawn down is allocated to the earliest period in which they could be called.
As part of its management of liquidity risk arising from financial liabilities, the Bank and its subsidiary hold liquid assets consisting of cash and cash equivalents. In addition, the Bank maintains credit lines with other banks, which amounted to HUF 19 139 million and HUF 20 013 million on 31 December 2023 and 31 December 2022, respectively. These amounts reflect amounts not yet drawn as at the reporting date.

(All amounts in HUF million, unless stated otherwise)

Balance as at 31 December 2023	**Carrying amount**	**Gross nominal inflow/outflow***	**Up to 1 month**	**Within 1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**
Cash and cash equivalents	965 591	965 591	965 591	-	-	-	-
Government securities measured at amortised cost	149 145	211 984	3 091	-	14 188	104 237	90 468
Loans and advances to credit institutions and insurance companies	1 528 308	1 813 181	29 638	77 025	319 799	1 260 168	126 551
Loans and advances to other customers	860 644	1 301 233	4 826	55 291	70 125	359 542	811 449
Derivative transactions – Held for trading, measured at fair value through profit or loss**	900	580	580	-	-	-	-
Foreign exchange swaps – inflow			169 572				
Foreign exchange swaps – outflow			(168 992)				
Derivative transactions – Hedge accounting measured at fair value through profit or loss	3 523	28 237	-	1 521	5 388	21 328	-
Two-currency interest rate swaps - inflow				7 207	29 455	463 723	
Two-currency interest rate swaps - outflow				(5 686)	(24 067)	(442 395)	
Investments measured at fair value through profit or loss	32 824	32 824	-	-	-	26 053	6 771
Other financial assets	2 167	2 167	2 167	-	-	-	-
Financial assets	**3 543 102**	**4 355 797**	**1 005 893**	**133 837**	**409 500**	**1 771 328**	**1 035 239**
Loabs and deposits from credit institutions and insurance companies	1 185 600	1 424 968	26 107	63 813	120 655	887 150	327 243
Deposits from other customers	10 514	10 924	6 858	2 705	1 361	-	-
Securities issued	1 994 599	2 452 606	79 407	176 878	448 366	1 316 219	431 736
Derivative transactions – Hedge accounting measured at fair value through profit or loss**	*21 167*	16 515	-	*1 521*	*-51*	*15 045*	-
Interest rate swaps – inflow				*(5 686)*	*(45 962)*	*(161 516)*	
Interest rate swaps – outflow				*7 207*	*48 793*	*175 298*	
Two-currency interest rate swaps - inflow					*(2 882)*	*(135 894)*	
Two-currency interest rate swaps - outflow					-	*137 157*	
Other financial liabilities	6 625	6 625	6 625	-	-	-	-
Financial liabilities	**3 218 397**	**3 911 530**	**118 889**	**244 917**	**570 331**	**2 218 414**	**758 979**
Liquidity (shortfall)/excess *	**324 705**	**444 267**	**887 004**	**(111 080)**	**(160 831)**	**(447 086)**	**276 260**
Loan commitments****		*734 878*	*734 878*				
Financial guarantee contracts		*86 975*	*86 975*				
Letters of credit		*1 148*	*1 148*				

(All amounts in HUF million, unless stated otherwise)

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

*Gross amount without impairment
** The significant difference between cash flows and carrying amount is due to a significant shift in market interest rates. Cash flows reflect contractual money movements, while the carrying amount reflects the expected impact of market movements.
***The liquidity shortfall in 2024 (1-3 months, 3 months -1 year, 1-5 years) is due to the maturing of large funding-related liabilities. The management of the shortfall is ensured in several ways: besides using its existing liquidity, Eximbank issues bonds on a continuous basis, issuing such securities in a total nominal value of HUF 128,505 million to the domestic market in the first two months of the year.

**** The Business Department prepares an estimate for the disbursement schedule under the existing credit line in order for the Bank to be able to service the expected liquidity needs. The legal contractual status lasts from the opening of the facility until its maturity, with only an estimate being available for the specific payouts. Accordingly, and following the precautionary principle, the Bank has classified its credit lines in the earliest liquidity range.
***** The liquidity shortfall in February-March 2023 arose due to a large volume of credit maturities. The management of the shortfall was ensured in several ways: In the first quarter of 2023, some EUR 500 million of loan debt maturing in the period was renewed, and Eximbank continuously issued bonds worth HUF 340 million to the domestic securities market.

NOTE 30 FINANCIAL RISK ANALYSIS

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

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

Risk management strategy

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

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

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

Changes to the Risk Strategy and the key results of risk management in 2023

In 2022, effective responses had to be given to the changed business policy environment resulting from the crisis environment produced by the Russian-Ukrainian war, sanctions and the energy crisis. In 2023, the focus continued to be on compensating the negative impact of the Russian-Ukrainian war and the energy crisis on businesses, in addition to participation in managing the losses, by strengthening the international competitiveness of exporter, supplier and future exporter customers, by directly supporting the government's economic policy objectives, by implementing the Baross Gábor Loan Programme and through large-scale, one-off transactions of high impact on the national economy.

In 2023, the key measures, developments and legislative changes affecting risk management can be summarised as follows:

- Replacing the customer rating model of foreign companies, after thorough data collection and statistical analysis.

- Identifying gaps resulting from the MNB Green Recommendation, implementing quick wins in 2023, preparing and launching the Green 2.0 project for the remaining tasks.
- Significant simplification and automation of the efinancing risk-taking decision process
- Significant restructuring of workout processes, concluding a framework agreement with MKK for the sale of receivables
- Establishing a methodology and practice for liquidity stress testing
- Maintaining and further strengthening NPL impairment coverage
- Increasing the complexity of internal valuation models for interest rate risk, further developing the stress testing methodology, strengthening controls related to the interest rate risk reports
- Incorporating ESG factors into the country rating model
- Restructuring of MLT insurance premium calculations in line with the changes to the OECD Arrangement
- Developing risk controls for fair value swap valuations
- Amending the rules on establishing charges on receivables, based on recent changes to the Civil Code
- Correction cancellation using by the country risk multiplier from foreign customer and partner rating models
- Development of a model to estimate the exchange rate regime
- Inclusion of the money market transactions in Moon sol's transaction rating and impairment module
- Further development of the monitoring processes by checking the eligibility criteria for state suretyship and by assessing the ESG risks

(All amounts in HUF million, unless stated otherwise)

30.1 Credit risk

Credit risk management, credit rating systems

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

The Bank uses MEHIB insurance and central-budget-backed guarantees to shift a significant part of the risk from the financed customer to the Hungarian State, resulting in a significant exposure to the Hungarian State being present in the portfolio. In addition, as the Bank is exempt from the general large exposure limitation for banks in the case of export-purpose refinancing to credit institutions, significant concentrations in exposures to banks have evolved. The management monitors concentration risks on a quarterly basis. With regard to final risk-takers, the three most significant exposures as at the balance sheet date were to the Hungarian State (HUF 1 005 287 million) with ratings of Baa2 (Moody's long-term debt rating), to the MBH Group (HUF 416 953 million) with ratings of Baa3, and to the OTP Group (HUF 316 948 million) with ratings of Baa1 (Moody's long-term debt rating).

Top10 customer groups within the on-balance Loans and advances to credit institutions and insurance companies comprise more than 90% of the gross exposure. Top10 customer groups within the on-balance Loans and advances to other customers comprise more than 80% of the gross exposure. Altogether (credit institutions and other customers) the receivables from the Top10 customer groups comprise more than 50% of the total assets in the balance sheet.

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

	Loans and advances to **credit institutions and insurance companies**		Loans and advances to **other customers**	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Gross value of on-balance exposures:	1 534 050	1 199 852	927 607	506 489
TOP 10 customers/customer groups gross carrying amount:	1 439 706	1 123 556	812 423	429 717
TOP 10 carrying amount as a % of gross carrying amount:	94%	94%	88%	85%
MEHIB insurance and state suretyship behind TOP 10:	-	-	607 395	285 897
Value of MEHIB insurance and state suretyship as a % of TOP 10 carrying amount:	0%	0%	75%	67%

(All amounts in HUF million, unless stated otherwise)

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

	Loans and advances to **credit institutions and insurance companies**		Loans and advances to **other customers**	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Value of off-balance exposures:	345 394	264 444	334 581	432 381
TOP 10 customers/customer groups gross carrying amount:	317 964	252 923	320 159	412 374
TOP 10 carrying amount as a % of gross carrying amount:	92%	96%	96%	95%
MEHIB insurance and state suretyship behind TOP 10:	5 940	0	310 091	373 482
Value of MEHIB insurance and state suretyship as a % of TOP 10 carrying amount:	2%	0%	97%	91%

With regard to derivatives, the Bank's only exposure to EU-based credit institutions or members of credit institution groups classified as investment grade by recognised international credit rating agencies was in forward foreign exchange and interest rate swaps. Forward transactions are concluded under ISDA agreements with counterparty credit institutions, and the Bank has CSA agreements with domestic and foreign counterparties to mitigate counterparty risk.

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

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

Quality of the loan portfolio

The following two tables set out information about the credit quality of financial assets measured at amortised cost on 31 December 2023 and 31 December 2022. The amounts in the tables show gross carrying amounts. See chapter 3.7 for Stage 1, 2 and 3 classifications and the definition of Purchased or originated credit impaired (POCI) transactions.

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

With regard to the loan portfolio, there was a significant increase in Loans and advances to credit institutions and insurance companies, as well as in Loans and advances to other customers, as a result of the new loan placements. Although Stage 3 exposures to other customers increased, their relative share declined significantly due to the expansion of the portfolio.

(All amounts in HUF million, unless stated otherwise)

31.12.2023	**Stage 1** **12-month expected credit loss**	**Stage 2** **Lifetime expected credit loss**	**Stage 3** **Lifetime expected credit loss**	**Purchased or originated credit-impaired**	**Total**
Cash and cash equivalents	968 729	1	-	-	**968 730**
Government securities measured at amortised cost	97 738	-	-	-	**97 738**
Government bonds measured at amortised cost	51 970	-	-	-	**51 970**
Loans and advances to credit institutions and insurance companies	1 528 986	-	5 064	-	**1 534 050**
Loans and advances to other customers	467 179	306 262	153 090	1 076	**927 607**
Gross carrying amount	**3 114 602**	**306 263**	**158 154**	**1 076**	**3 580 095**

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

(All amounts in HUF million, unless stated otherwise)

The following two tables present the loss allowance for financial assets measured at amortised cost for 31 December 2023 and 31 December 2022. The published loss allowance values also include the amount of management overlay. The management overlay methodology and the amount recognised at the reporting date are disclosed in detail in the section 'Expected loss calculation'.

31.12.2023	**Stage 1** 12-month expected credit loss	**Stage 2** Lifetime expected credit loss	**Stage 3** Lifetime expected credit loss	**Purchased or originated credit-impaired**	**Total**
Cash and cash equivalents	(3 139)	-	-	-	**(3 139)**
Government securities measured at amortised cost	(290)	-	-	-	**(290)**
Government bonds measured at amortised cost	(273)	-	-	-	**(273)**
Loans and advances to credit institutions and insurance companies	(678)	-	(5 064)	-	**(5 742)**
Loans and advances to other customers	(308)	(3 130)	(62 926)	(599)	**(66 963)**
Loss allowance total	**(4 688)**	**(3 130)**	**(67 990)**	**(599)**	**(76 407)**

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

(All amounts in HUF million, unless stated otherwise)

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

The credit quality of financial assets was as follows:

Loans and advances to credit institutions and insurance companies 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	1 466 577	-	-	-	1 466 577
Grade 4: Low-risk	40 203	-	-	-	40 203
Grade 5: Substandard	22 206	-	-	-	22 206
Grade 6: Doubtful	-	-	4 631	-	4 631
Grade 7: Bad	-	-	433	-	433
Total	**1 528 986**	**-**	**5 064**	**-**	**1 534 050**
Loss allowances	(678)	-	(5 064)	-	(5 742)
Carrying amount	**1 528 308**	**-**	**-**	**-**	**1 528 308**

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

(All amounts in HUF million, unless stated otherwise)

The rating of Loan commitments was as follows:

Loan commitments to credit institutions and insurance companies 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	316 534	-	-	-	316 534
Grade 4: Low-risk	4 930	-	-	-	4 930
Grade 5: Substandard	17 989	-	-	-	17 989
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	-	-	-
Total	**339 454**	**-**	**-**	**-**	**339 454**
Provisions	(77)	-	-	-	(77)

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

(All amounts in HUF million, unless stated otherwise)

The rating of Financial guarantee contracts was as follows:

Loan commitments to credit institutions and insurance companies 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	5 940	-	-	-	5 940
Grade 4: Low-risk	-	-	-	-	-
Grade 5: Substandard	-	-	-	-	-
Grade 6: Doubtful	-	-	-	-	-
Grade 7: Bad	-	-	-	-	-
Total	**5 940**	**-**	**-**	**-**	**5 940**
Provisions	-	-	-	-	-

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

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

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

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

(All amounts in HUF million, unless stated otherwise)

The credit quality of financial assets was as follows:

Loans and advances to other customers 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	325 316	3	3 545	-	328 864
Grade 4: Low-risk	57 271	1 480	-	-	58 751
Grade 5: Substandard	6 335	12 631	555	-	19 521
Grade 6: Doubtful	52 204	10 671	71 280	1 076	135 231
Grade 7: Bad	26 053	281 477	77 710	-	385 240
Total	**467 179**	**306 262**	**153 090**	**1 076**	**927 607**
Loss allowances	(308)	(3 130)	(62 926)	(599)	(66 963)
Carrying amount	**466 871**	**303 132**	**90 164**	**477**	**860 644**

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

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

(All amounts in HUF million, unless stated otherwise)

From other customers 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	8 371	-	-	-	8 371
Grade 4: Low-risk	95	-	-	-	95
Grade 5: Substandard	3 445	-	-	-	3 445
Grade 6: Doubtful	14 412	-	651	-	15 063
Grade 7: Bad	6 799	205 171	14 602	-	226 572
Total	**33 122**	**205 171**	**15 253**	**-**	**253 546**
Provisions	(15)	(21)	(260)	-	(296)

From other customers 31.12.2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	4 003	-	-	-	4 003
Grade 4: Low-risk	693	-	-	-	693
Grade 5: Substandard	-	2 004	-	-	2 004
Grade 6: Doubtful	339 896	-	-	-	339 896
Grade 7: Bad	-	48 144	15 300	-	63 444
Total	**344 592**	**50 148**	**15 300**	**-**	**410 040**
Provisions	(232)	(2)	(4)	-	(238)

(All amounts in HUF million, unless stated otherwise)

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

From other customers 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Grades 1-3: Problem-free	1 148	1 340	-	-	2 488
Grade 4: Low-risk	65 536	2 251	-	-	67 787
Grade 5: Substandard	226	9 715	-	-	9 941
Grade 6: Doubtful	-	617	175	-	792
Grade 7: Bad	-	27	-	-	27
Total	**66 910**	**13 950**	**175**	**-**	**81 035**
Provisions	(42)	(30)	-	-	(72)

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

(All amounts in HUF million, unless stated otherwise)

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

Loans and advances to credit institutions and insurance companies 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Not overdue	1 528 986	-	-	-	1 528 986
Less than 30 days overdue	-	-	-	-	-
30 - 90 days overdue	-	-	-	-	-
More than 30 days overdue	-	-	5 064	-	5 064
Total	**1 528 986**	**-**	**5 064**	**-**	**1 534 050**

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

Loans and advances to other customers 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Not overdue	467 167	306 260	75 983	1 076	850 486
Less than 30 days overdue	12	2	39 250	-	39 264
30 - 90 days overdue	-	-	289	-	289
More than 30 days overdue	-	-	37 568	-	37 568
Total	**467 179**	**306 262**	**153 090**	**1 076**	**927 607**

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

(All amounts in HUF million, unless stated otherwise)

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

Loans and advances to other customers 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
Restructured loans					
Not overdue	-	2 575	51 600	1 076	55 251
Less than 30 days overdue	-	-	672	-	672
30 - 90 days overdue	-	-	174	-	174
More than 30 days overdue	-	-	36 951	-	36 951
Total	**-**	**2 575**	**89 397**	**1 076**	**93 048**

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

*Receivables purchased or originated credit impaired

Within the framework of its monitoring activities, the Bank attempts to identify potential problems with receivables as early as possible. Since the Bank intends to ensure the credit repayment capacity of the customers, when perceiving problems, where appropriate, the Bank makes use of the restructuring option before payment arrears occur. Restructuring may involve extending the term, changing the payment schedule or revising the conditions of the loan. As at 31 December 2023, the restructured loan portfolio consisted, besides the HUF 93 048 million in loans and advances to other customers, of a further HUF 433 million in Stage 3-classified exposures to credit institutions. As at 31 December 2022, the restructured loan portfolio consisted, besides the HUF 105 845 million in loans and advances to other customers, of a further HUF 470 million in Stage 3-classified exposures to credit institutions. Almost half of the restructured loans and advances to other customers was related to non-delinquent, non-performing project loans both in 2023 and 2022.

(All amounts in HUF million, unless stated otherwise)

Exposures to credit institutions represent the largest part of the Bank's portfolio. For the rating of financial institution counterparties, the Bank uses an internal rating system consisting of 7 categories, similar to the other customer and counterparty segments. The figures below show credit exposures to financial institutions grouped by internal rating category, by collateral, at gross carrying amount, with respect to 31 December 2023 and 31 December 2022:

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

Rating category	PD range limits	Coverage level 31.12.2023			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.04%	471 916	18 395	125 843	**616 154**
2	0.04% - 0.22%	395 420	-	-	**395 420**
3	0.22% - 1.09%	177 715	25 526	251 762	**455 003**
4	1.09% - 2.43%	5 635	-	34 568	**40 203**
5	2.43% - 5.39%	14 800	-	7 406	**22 206**
6	5.39% - 12.00%	-	-	4 631	**4 631**
7	12.00% - 100.00%	433	-	-	**433**
Total	-	**1 065 919**	**43 921**	**424 211**	**1 534 050**

Rating category	PD range limits	Coverage level 31.12.2022			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.04%	4 495	-	-	**4 495**
2	0.04% - 0.22%	393 564	-	1 047	**394 611**
3	0.22% - 1.09%	420 235	15 694	290 498	**726 427**
4	1.09% - 2.43%	9 783	-	44 583	**54 366**
5	2.43% - 5.39%	2 058	-	6 757	**8 815**
6	5.39% - 12.00%	-	-	5 286	**5 286**
7	12.00% - 100.00%	5 852	-	-	**5 852**
Total	-	**835 987**	**15 694**	**348 171**	**1 199 852**

In respect of **Loans and advances to** other customers, the Bank likewise applies a 7-grade rating system, where category 1 represents the lowest risk and category 7 the highest. Beyond customer risk rating, collaterals are also taken into consideration when assessing credit risk. The change in the gross carrying amount of receivables in terms of coverage rate as at 31 December 2023 and 31 December 2022 is shown below:

(All amounts in HUF million, unless stated otherwise)

In the case of Loans and advances to other customers:

Rating category	PD range limits	Coverage level 31.12.2023			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.22%	89	-	132	**221**
2	0.22% - 0.49%	1 812	2 701	571	**5 084**
3	0.49% - 1.09%	34 106	131	289 322	**323 559**
4	1.09% - 2.43%	1 038	-	57 714	**58 752**
5	2.43% - 5.39%	12 519	-	7 001	**19 520**
6	5.39% - 12.00%	20 121	247	114 863	**135 231**
7	12.00% - 100.00%	39 171	20 365	325 704	**385 240**
Total	-	**108 856**	**23 444**	**795 307**	**927 607**

Rating category	PD range limits	Coverage level 31.12.2022			
		less than 50%	50%-70%	more than 70%	Total
1	0.00% - 0.22%	26	-	163	**189**
2	0.22% - 0.49%	1 238	4 266	-	**5 504**
3	0.49% - 1.09%	26 824	-	-	**26 824**
4	1.09% - 2.43%	1	675	72 316	**72 992**
5	2.43% - 5.39%	10 271	2 569	16 296	**29 136**
6	5.39% - 12.00%	19 876	13 910	52 320	**86 106**
7	12.00% - 100.00%	65 882	120	219 736	**285 738**
Total	-	**124 118**	**21 540**	**360 831**	**506 489**

Expected loss calculation

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

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

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

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

where:

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

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

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

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

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

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

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

where:

n – time elapsed since initial recognition (years)

p – term (years)

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

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

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

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

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

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

(All amounts in HUF million, unless stated otherwise)

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

	2023	**2022**
Macroeconomic model methodology	ARMAX	ARMAX
Modelling target variable	Corporate default rate time series (MNB Stability Report)	Corporate default rate time series (MNB Stability Report)
Explanatory variables	autoregressive term, moving-average term, value of the investment volume index lagged by 6 quarters, 1 and 2-quarter forward value of change in unemployment rate	autoregressive term, moving-average term, value of the investment volume index lagged by 6 quarters, 1 and 2-quarter forward value of change in unemployment rate
Values of macroeconomic indicators in the baseline scenario	3.00% investment volume index, 3.60% unemployment rate	-1.50% investment volume index, 3.41% unemployment rate
Values of macroeconomic indicators in the optimistic scenario	10.50% investment volume index, 2.80% unemployment rate	8.54% investment volume index, 1.90% unemployment rate
Values of macroeconomic indicators in the pessimistic scenario	-8.00% investment volume index, 5.00% unemployment rate	-12.81% investment volume index, 5.00% unemployment rate

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

The revised macroeconomic multiplier for Q4 2023 was 1.4440, which is significantly higher than the 1.2719 multiplier used in Q4 2022, thanks to the increase in the macro corporate default rate and the less favourable macroeconomic outlook. The last time there was a macroeconomic multiplier below 1 was in 2019, before the outbreak of COVID-19, when it was 0.9465.

The Bank also revised its corporate LGD model in Q3 2023, which resulted in a less favourable value than in 2022. This is due to a lower rate of recovery on the Bank's non-performing transactions compared to previous years.

In addition to the above, the Bank used the recognition of additional impairment in the form of a management overlay in 2023 as well, in addition to the expected loss models of IFRS 9, in order to even more conservatively reflect the expected losses, based on the increased probability of default of the companies operating in the sectors most exposed to the crisis. In the impairment calculation, the management overlay multipliers replaced the macroeconomic multiplier, to the extent that they exceed the macroeconomic multiplier, leading to higher overall impairment provisioning on the Stage 1 and Stage 2 domestic direct corporate portfolio, which represents transactions with corporate customers that operate in Hungary and are directly financed, and these are included in loans and advances to other customers. In Q4 2023, the management overlay affected the construction and real estate sectors.

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

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

Sector group	**Multiplier**
Agriculture and mining	1.21
Manufacturing industry	1.27
Construction industry	1.54
Real estate transactions	1.54
Other services	1.34

With the macroeconomic multiplier steadily increasing, the management overlay multipliers gradually lost their significance in 2023. On 31 December 2023, a total of HUF 4 million of additional impairment and provisions was recognised. Foreign corporate loans are backed by MEHIB insurance, which does not justify the extension of the overlay to foreign corporate loans. The Bank does not apply macro-adjustment and management overlay to exposures to sovereign entities and financial institutions, nor does the MNB expect it.

(All amounts in HUF million, unless stated otherwise)

The following table shows the movements and changes that took place between the opening and closing balances of the loss allowance for financial instruments in 2023:

	2023				2023	2022
Cash and cash equivalents	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**64**	**0**	**0**	**0**	**64**	2
Revaluation of loss allowance	3 102	0	0	0	**3 102**	31
Changes in cash	-27	0	0	0	**-27**	30
Currency revaluation and other effects	0	0	0	0	**0**	0
Closing balance on 31 December	**3 139**	**0**	**0**	**0**	**3 139**	64

	2023				2023	2022
Government bonds measured at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**157**	**1**	**0**	**0**	**158**	94
Revaluation of loss allowance	172	0	0	0	**172**	63
Newly originated or purchased financial assets	7	0	0	0	**7**	2
Financial assets paid or sold	-46	-1	0	0	**-47**	0
Currency revaluation and other effects	0	0	0	0	**0**	0
Closing balance on 31 December	**290**	**0**	**0**	**0**	**290**	158

	2023				2023	2022
Corporate bonds measured at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**0**	**0**	**0**	**0**	**0**	0
Revaluation of loss allowance	0	0	0	0	**0**	0
Newly originated or purchased financial assets	273	0	0	0	**273**	0
Financial assets paid or sold	0	0	0	0	**0**	0
Currency revaluation and other effects	0	0	0	0	**0**	0
Closing balance on 31 December	**273**	**0**	**0**	**0**	**273**	0

	2023				2023	2022
Loans and advances to credit institutions and insurance companies	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**698**	**1**	**3 670**	**0**	**4 369**	1 412
Transfer to Stage 1	1	-1	0	0	**0**	0
Transfer to Stage 2	0	0	0	0	**0**	0
Transfer to Stage 3	0	0	0	0	**0**	0
Revaluation of loss allowance	-67	0	4 379	0	**4 312**	2 829
Newly originated or purchased financial assets	235	0	0	0	**235**	174
Financial assets paid or sold	-175	0	-2 930	0	**-3 105**	-146
Receivables written off	0	0	0	0	**0**	0
Unwinding of discounts	0	0	-7	0	**-7**	-3
Currency revaluation and other effects	-14	0	-48	0	**-62**	103
Closing balance on 31 December	**678**	**0**	**5 064**	**0**	**5 742**	4 369

(All amounts in HUF million, unless stated otherwise)

	2023				2023	2022
Loans and advances to other customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**695**	**734**	**58 081**	**0**	**59 510**	30 249
Transfer to Stage 1	8	-8	0	0	**0**	0
Transfer to Stage 2	-636	636	0	0	**0**	0
Transfer to Stage 3	-6	-195	201	0	**0**	0
Revaluation of loss allowance	65	2 001	7 093	0	**9 160**	28 489
Newly originated or purchased financial assets	195	17	4 748	622	**5 582**	1 097
Financial assets paid or sold	-12	-12	-541	0	**-565**	-411
Receivables written off	0	0	-1 650	0	**-1 650**	0
Unwinding of discounts	0	0	-3 097	-23	**-3 120**	-1 556
Currency revaluation and other effects	-1	-43	-1 909	0	**-1 954**	1 641
Closing balance on 31 December	**308**	**3 130**	**62 926**	**599**	**66 963**	59 510

	2023				2023	2022
Other assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**0**	**0**	**5**	**0**	**5**	3
Revaluation of loss allowance	0	0	0	0	**0**	0
Newly originated or purchased financial assets	0	0	3	0	**3**	2
Financial assets paid or sold	0	0	0	0	**0**	0
Financial assets paid or sold	0	0	0	0	**0**	0
Currency revaluation and other effects	0	0	0	0	**0**	0
Closing balance on 31 December	**0**	**0**	**7**	**0**	**7**	5

Financial guarantee agreements and loan	2023				2023	2022
commitments	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Opening balance on 1 January	**298**	**5**	**4**	**0**	**307**	144
Transfer to Stage 1	1	-1	0	0	**0**	0
Transfer to Stage 2	0	0	0	0	**0**	0
Transfer to Stage 3	0	0	0	0	**0**	0
Revaluation of loss allowance	-3	25	0	0	**22**	-46
New credit lines and guarantees issued	335	20	260	0	**615**	289
Credit lines and issued guarantees that have been terminated or derecognised	-280	-1	-4	0	**-285**	-84
Currency revaluation and other effects	-1	0	0	0	**-1**	4
Closing balance on 31 December	**350**	**48**	**260**	**0**	**658**	307

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

Collaterals

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

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

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

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

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

HUF million	Loans and advances to credit institutions and insurance companies		Loans and advances to other customers	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Stage 1				
MEHIB insurance and state suretyship	7 150	6 733	363 069	236 241
Cash and securities collateral deposit	-	-	1	-
Bank guarantee	121 936	124 812	247	132
Mortgage on property	-	-	2 970	1 976
Other	291 803	208 752	2 857	41 570
Total collaterals:	420 889	340 297	369 144	279 919
Gross value of receivables:	1 528 986	1 188 420	467 179	312 862
Value of collateral as a % of receivable:	28%	29%	79%	89%
Stage 2				
MEHIB insurance and state suretyship	-	-	255 127	57 387
Cash and securities collateral deposit	-	-	191	484
Bank guarantee	-	-	498	564
Mortgage on property	-	-	3 939	5 686
Other	-	-	30 225	2 968
Total collaterals:	-	-	289 980	67 089
Gross value of receivables:	-	294	306 262	74 567
Value of collateral as a % of receivable:	0%	0%	95%	90%
Stage 3				
MEHIB insurance and state suretyship	4 261	4 901	45 666	16 707
Cash and securities collateral deposit	-	-	2 647	2 351
Bank guarantee	-	-	-	-
Mortgage on property	-	-	20 350	16 468
Other	-	-	14 507	13 644
Total collaterals:	4 261	4 901	83 170	49 170
Gross value of receivables:	5 064	11 138	153 090	119 060
Value of collateral as a % of receivable:	84%	44%	54%	41%
POCI				
MEHIB insurance and state suretyship	-	-	-	-
Cash and securities collateral deposit	-	-	-	-
Bank guarantee	-	-	-	-
Mortgage on property	-	-	914	-
Other	-	-	68	-
Total collaterals:	-	-	982	-
Gross value of receivables:	-	-	1 076	-
Value of collateral as a % of receivable:	0%	0%	91%	0%
Total collaterals:	**425 150**	**345 198**	**743 276**	**396 178**
Gross value of receivables:	**1 534 050**	**1 199 852**	**927 607**	**506 489**
Value of collateral as a % of receivable:	**28%**	**29%**	**80%**	**78%**

The other collaterals behind refinancing loans provided to banks include pledges on receivables that consist of loans granted by commercial banks to exporters. On 31 December 2023, 61% of the other collaterals behind the loans to other customers consisted of guarantees from foreign governments, 5% consisted of institutional guarantees secured with a Hungarian state suretyship, and 34% of pledges on movables. Of these movable pledges, 96% were on vehicles, machinery and equipment and 4% on inventories. On 31 December 2022, 53% of the other collaterals behind the loans to customers consisted of guarantees from foreign governments, 5% consisted of institutional guarantees secured with a Hungarian state suretyship, and 42% of pledges on movables. Of these movable pledges, 98% were on vehicles, machinery and equipment and 2% on inventories. The collateral evaluation system considers haircuts for various collateral types that the Bank defined in its internal policies on collaterals.

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

30.2 Liquidity risk

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

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

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

The Bank maintains a liquidity reserve for all its HUF and foreign currency assets, the value and composition of which were as shown in the table below as at 31 December 2023 and 31 December 2022.

(All amounts in HUF million, unless stated otherwise)

Description	31.12.2023	31.12.2022
HUF current account balance	946 641	35 668
Foreign currency nostro account balance	2 520	315
Positive balance of overnight loans to domestic and foreign credit institutions, and to the MNB, and overnight deposits accepted from them	-	149 500
Freely usable securities owned by the Bank and negotiable with the central bank (government securities, MNB bonds)	-	-
Free collateral value of all instruments that the MNB accepts as collateral for the loans it grants	31 608	82 677
Unfunded part of large individual deposits with undrawn revolving credit lines	(8 922)	-
Total	**971 846**	**268 160**

The Bank introduced a quarterly liquidity stress test calculation in 2023. Given that the Bank does not conduct deposit collection activities, the most common retail and corporate deposit withdrawal scenarios in commercial banking practice are not relevant for the Bank, and therefore the combined implementation of the following scenarios are the results of the stress test:

- 20% non-performance of interbank assets in the next 30 days.
- 15% exchange rate shock on HUF denominated FX SWAP resources.
- 10% exchange rate shock on USD/EUR FX SWAP resources.
- 10% exchange rate loss on eligible securities negotiable with the central bank.
- Cash outflow from unexpected disbursement request of EUR 100 million.

The calculation based on the above scenarios showed a liquidity stress result of HUF 110,838 million as of 31 December 2023, covered by the Bank's liquidity reserve of 877%.

In connection with the stress test, the Bank conducts a Time to Wall analysis, which assesses how many days the Bank's liquidity reserve, less the cash outflow in the event of the above shock scenarios, will cover the aggregate cash position calculated on the basis of the expected cash flows contained in the cash flow logbook. As of the position on 31 December 2023, the stressed liquidity reserve can cover the cumulative amount of cash flows recorded in the cash flow logbook for 59 days.

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

The Hungarian State's obligations to Eximbank in respect of the Funding Guarantee are subject to an upper limit set by the annual central budget. Under the 2023 Budget Act, the upper limit of the Funding Guarantee is currently HUF 4 300 billion, which was 71.53% used as at 31 December 2023.

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

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

(All amounts in HUF million, unless stated otherwise)

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

30.3 Market risk

The Bank does not enter into speculative transactions. In 2023 and in 2022 no capital requirement was generated for this purpose in accordance with Article 351 of Regulation (EU) No 575/2013.

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

	31.12.2023	31.12.2022
Capital requirement of the trading book	-	-
Own funds	417 210	382 808
Capital requirement of the trading book as a percentage of the capital adequacy ratio	--	-

30.4 Interest rate risk

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

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

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

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

In addition to receiving payments from the Hungarian State under the interest compensation program, the Bank receives a form of interest support with respect to tied-aid credits. Interest support payments for tied-aid credits are made based on a slightly different cost base than under the interest compensation program, if bank operating costs are not charged when determining the cost level of tied-aid credits
Interest equalisation and support are intended to promote stability and sustainability for the Bank. However, the level of interest equalisation and support provided by the Hungarian State is also intended to keep the Bank's profit at or near zero for loans covered by these programmes, reflecting the Bank's role as an instrument of economic policy for the Hungarian State rather than as a traditional profit-oriented bank.

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

At the time of reporting, the profile of the interest rates of the Bank's interest-bearing financial instruments was as follows based on the nominal value of the capital of the interest-bearing financial instruments.

HUF million	**31.12.2023**	**31.12.2022**
Fixed rate financial instruments		
Financial assets*	1 670 164	533 589
Financial liabilities	3 277 690	1 782 119
Total	**4 947 854**	**2 315 708**
Variable rate financial instruments		
Financial assets	720 621	73 441
Financial liabilities	1 191 204	205 821
Total	**1 911 825**	**279 262**
Assets in interest equalisation	2 221 937	1 480 695
Tied-aid credits	96 298	90 504

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

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

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

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

The impact of interest rate risk on expected net interest income is estimated by the Bank using the static gap method, where the Bank projects the interest rate changes in the EBA stress scenarios onto the gaps resulting from the difference between interest rate sensitive assets and liabilities classified in each repricing band, and then aggregates the result by currency. From the results calculated with the static gap model, the results of the worst-case scenario are selected and aggregated by currency, the sum of the 12-month average and standard deviation of which equals the interest rate risk result, which was HUF 20 198 million as at 31 December 2023, compared to the HUF 7 921 million as at 31 December 2022.

The Bank implements economic capital changes using a calculation based on duration gap, where the average duration of assets and liabilities is determined by classifying the cash flows of individual items into repricing ranges. The duration of the total asset portfolio is calculated as the portfolio-weighted average of the duration of EUR, USD and HUF assets, and the duration of the liabilities is also determined with this method. The change in the value of economic capital due to interest rate changes is determined by assuming a shift in the yield curves of each currency to the extent implied by the EBA interest rate shock scenarios, whereby the largest negative interest rate shock value, but at most, a value of zero, is selected from each scenario. The effect of interest rate risk on the economic value of capital calculated on the basis of the duration gap model was HUF 25 058 million as at 31 December 2023, while at 31 December 2022 it was HUF 3 471 million.

The results are aggregated by taking into account the average and standard deviation of the last 12 months, and the Pillar 2 capital requirement is determined by combining the two methods, in a way that in the weighting of the results of the two methods exclusively the results of the static gap model are taken into account as long as they exceed the results of the duration gap model – otherwise the weighting to be applied is determined by the relative size of the two sensitivity indices to each other, with the limitation that the weight of the static gap model result cannot be less than 20%. From 11 August 2022 Eximbank is not required to allocate additional capital for interest rate risk under Pillar 2 framework, otherwise Eximbank calculates potential interest rate risk under ICAAP regulations with the result of HUF 23 127 million as at 31. December 2023, compared to the calculated result of HUF 7 799 million as at 31. December 2022.

The interest rate risk limit is set at 10% of the Bank's own funds, and the limit is charged by the economic impact on capital value of interest rate risks. The utilisation of the interest rate risk limit was 65.4% on 31 December 2023 and 9.73% on 31 December 2022, which has been between 4-66% in recent years, measured on a monthly basis, so there was no need for asset-liability structural intervention to reduce interest rate risk. Behind the increase in the utilisation of the limit lie the significant increase in the Bank's balance sheet, along with the change in the asset-lability structure, the lengthening of maturities, as well as the general rise in market interest rates and the related increase in the volatility of these interest rates, and, in line with this, the tightening by the MNB of the HUF stress parameter in the ICAAP guidelines.

The Bank, in accordance with the Regulatory's requirements, sets the limit for material income variation at 2.5% of its own funds, which it then loads with the result of the parallel shift multi-scenario of the static gap model. The Bank introduced the limit calculation in February 2023, and on 31 December 2023, the utilisation of the limit for the material change in interest income was 40.1%.

30.5 Foreign currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ALCO also sets limits to the level of exposure per currency and in aggregate both for overnight and for intra-day positions, which are monitored and reported daily. Furthermore, calculating foreign currency exchange risk conforms to the norms of the standard method. The Bank manages its foreign currency risk and position based on its financial position. The Bank opens FX positions only within the framework of highly restricted rules, limiting foreign exchange risks to a minimum with very tight foreign exchange open position limits (HUF 1000-1000 million for EUR and USD, HUF 300 million for other currencies, with the total value of open positions allowed being HUF 2 300 million). Eximbank's Treasury should keep foreign exchange positions within limits on every booking date, but open positions on value date presented in the table bellow might differ from that they were on that particular booking date. Foreign exchange position limits were not exceeded in any single day in the last two years. As foreign exchange risk is kept between extremely narrow limits, Eximbank does not analyse foreign currency risk sensitivity.

The details of exposures related to foreign currency risk expressed in HUF million as at 31 December 2023 are as follows:

	EUR	USD	GBP	RUB	RSD	KZT	TRY
Loans and advances to credit institutions and insurance companies	631 704	27 926	3	7	2	7	1
Loans and advances to other customers	759 784	101 295	-	-	-	-	-
Investments	34 244	29 093	-	-	-	-	-
Other receivables	73	14	-	1	-	1	-
Total assets denominated in foreign currency	1 425 804	158 328	3	8	2	8	1
Deposits from banks and insurance companies	709 838	58 736	-	-	-	-	-
Deposits from customers	1 737	8 832	-	-	-	-	-
Securities issued	383 423	430 482	-	-	-	-	-
Other liabilities	23 596	955	2	-	-	2	-
Total liabilities denominated in foreign currency	1 118 593	499 004	2	-	-	2	-
Net amount of assets and liabilities denominated in foreign currency	**307 211**	**-340 676**	**1**	**8**	**2**	**6**	**1**
Effect of derivative transactions	*(314 150)*	*338 834*					
Net foreign currency exposure	**(6 939)**	**(1 843)**	**1**	**8**	**2**	**6**	**1**

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

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

The Bank does not enter into speculative transactions. In 2023 and in 2022 no capital requirement was generated for this purpose in accordance with Article 351 of Regulation (EU) No 575/2013.

30.6 Capital management

In 2023, Eximbank met the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (CRR). Own funds are determined in accordance with Part Two of the CRR, while capital requirements are maintained in accordance with the provisions of Part Three.

Eximbank's own funds on 31 December 2023 were HUF 417 260 million, of which the tier 1 capital was HUF 411 896 million. In addition to the components of equity, the amount of tier 1 capital also includes the amount of deductions from own funds (due to intangible assets, additional valuation correction, or insufficient coverage of non-performing exposures). When determining its own funds, Eximbank applies a prudential filter, which means, among other things, that it filters out the reserve of cash-flow hedging transactions during the calculation of own funds. In 2023, Eximbank received a capital increase of HUF 30 billion, which contributed to ensuring the capital requirements for dynamic business expansion.

Eximbank has a loan liability of EUR 100 million provided by the Hungarian Development Bank (as interbank liabilities), that is treated as an incidental capital for capital management aspect, and which expires on 12 September 2024. From the start of the five-year amortisation period, from 12 September 2019, this may be included in the solvency capital as an additional capital instrument in a gradually decreasing amount, as provided for in Section 92 of the CRR. At 31 December 2023, 14% of the total principal amount (HUF 38 278 million) may be included in its own funds, which is HUF 5 364 million.

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

Pursuant to the amendment of the Exim Act that entered into force on 11 August 2022, in the case of Eximbank, the provisions of Section 79 (2) *b)* and Section 97 of the Credit Institutions Act do not need to be applied. In accordance with Section 20 (6) of the Exim Act, Eximbank is not subject to the add-on capital requirement maintenance obligation prescribed in the context of regulatory audits, and it is also exempt from the legal requirement of conducting an internal capital adequacy assessment process. In order to maintain strong risk controls, the Bank continues to carry out the stress tests and calculations prescribed under ICAAP, and informs its management about the existing risks as part of the internal risk assessment process.

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

	31.12.2023	**31.12.2022**
Core capital	411 896	369 075
Supplementary capital	5 364	13 605
Own funds	**417 260**	**382 680**
Amount of risk-weighted credit exposure	2 090 458	1 532 019
Value of CVA risk exposure	52 232	12 450
Amount of risk-weighted operational risk	74 587	45 638
Total risk exposure amount	**2 217 277**	**1 590 107**
Capital adequacy ratio	18.82%	24.07%

As of 31 December 2023, the Bank had fulfilled the prudential capital adequacy requirements at all three tiers of capital (CET1, AT1, total own funds). The capital adequacy ratio significantly exceeded the 8% statutory minimum and also provided cover for the capital maintenance buffer set at 2.5% of the risk exposure value and to be formed from its Tier 1 own funds plus the country breakdown of the Bank's material credit risk exposures and the countercyclical capital buffer set for the countries concerned.

30.7 Large exposures

The provisions of Regulation (EU) No 575/2013 (CRR) regarding large exposures (Article 392) and exceeding the limits to large exposures (Article 395) to a customer or customer group must be applied with variations defined in the Exim Act in the case of Eximbank:
Large exposures:

- According to Section 21 (1) of the Exim Act, an exposure to a customer or customer group exceeding 25% of own funds is deemed a large exposure.

Exceeding the large exposure limit:

- For credit institution customers, in the case of non-export and other export-purpose loans and other exposures, the sum total of the exposures to a credit institution or a credit-institution member of a customer group, less exemptions and the credit mitigation effect of credit-risk mitigation tools, may not exceed 200% of the lender's own funds.
- For non-credit institution customers, the large exposure limit is 60% of the lender's own funds.

Exemptions and risk-mitigation techniques set out in Section 21 (3) of the Exim Act in respect of which exemptions should be applied in terms of the value of the exposure serving as the basis for determining the undertaking of large exposures:

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

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

c) up to the amount covered by the guarantee, the following facilities provided by Eximbank,

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

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

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

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

As at 31 December 2022, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk-mitigation techniques set out in the CRR and the Exim Act amounted to HUF 1 698 753 million.
As at 31 December 2022, in its *non-credit institution customer base*, the Bank had a large exposure to one customer exceeding 25% of its own funds, in the amount of HUF 416 454 million. The exposure with a value of HUF 345 671 million is secured by MEHIB insurance, which provides a risk-mitigation effect for the purposes of the large-exposure limit up to the amount of the cover.
In its *non-credit institution customer base*, the total amount of the values of the Bank's exposures before the application of exemptions and risk-mitigation tools was HUF 1 282 299 million, vis-à-vis five credit-institution customer groups and one individual customer.
Under Section 21 (3) a) of the Exim Act, exports and export-type Loans and advances to credit institutions are exempted from the large exposure limit. As at the end of 2022, for the five customer groups, this exemption covered a portfolio of HUF 209 220 million.
Pursuant to Section 21 (3) ca) of the Exim Act, a loan secured by a guarantee from a credit institution headquartered in an OECD member country is also exempt for the purpose of the limit. At the end of December 2022, this exemption was applied in the case of the five customer groups in the amount of HUF 46 682 million.
Medium/low risk credit lines (20% CCF) that can be taken into account in a 50% proportion according to Article 400 (2) i) of the CRR are also exempt for the purpose of the limit. At the end of 2022, in the case of the five customer groups, this exemption applied in the amount of HUF 14 298 million.
As an individual credit institution customer, the National Bank of Hungary represented a large risk exposure, which is an exposure denominated in domestic currency to the central bank under Article 400 of the CRR, and thus the entire HUF 165 243 million portfolio is exempt in terms of application of the limit.
At the end of December 2022, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2023, the combined amount of exposures qualifying as large exposures before the application of the exemptions and risk-mitigation techniques set out in the CRR and the Exim Act amounted to HUF 3 088 578 million.
As at 31 December 2023, in its *non-credit institution customer base*, the Bank had a large exposure to one customer group and two individual customers exceeding 25% of its own funds, in the amount of HUF 1 634 427 million. The exposure is covered for HUF 354 247 million by MEHIB insurance and for HUF 228 975 million by a central budget guarantee, which represent a risk-mitigating effect for the large exposure limit up to the amount of the cover. Based on Article 400 of the CRR, the total exposure denominated in domestic currency to the central bank and the central government, which amounted to a total of HUF 943 508 million, is also exempt for the purposes of the limit.
In its *non-credit institution customer base*, the total amount of the values of the Bank's exposures before the application of exemptions and risk-mitigation tools was HUF 1 454 152 million, vis-à-vis five credit-institution customer group.
Under Section 21 (3) a) of the Exim Act, exports and export-type loans and advances to credit institutions are exempted from the large exposure limit. As at the end of December 2023, for the five customer groups, this exemption covered a portfolio of HUF 158 538 million.
Pursuant to Section 21 (3) ca) of the Exim Act, a loan secured by a guarantee from a credit institution headquartered in an OECD member country is also exempt for the purpose of the limit. At the end of 2023, this exemption was applied in the case of the five customer groups in the amount of HUF 55 216 million.
Medium/low risk credit lines (20% CCF) that can be taken into account in a 50% proportion according to Article 400 (2) i) of the CRR are also exempt for the purpose of the limit. At the end of 2023, in the case of the five customer groups, this exemption applied in the amount of HUF 34 329 million.
At the end of December 2023, in the Bank's capital investment business, the net asset value of the investments did not exceed the large-exposure limit, and thus the large-exposure limit was not breached.

As at 31 December 2023 Eximbank had no large-exposure limit breaches at either customer or five customer groups level.

30.8 Climate risk and green disclosures

One of the priority pillars of the EXIM Strategy for the 2024-2028 period, which is currently pending approval, is the full integration of Environmental, Social, Governance (ESG) and sustainable development principles into the workings of the institution.

This includes a gradual increase in the positive social and environmental impacts of the Bank's activities and a simultaneous reduction in any negative impacts and risks, such that the Bank will primarily focus on the financing of environmentally and socially useful objectives and the development of insurance schemes compatible with this, and will exclude or reject the financing or insuring of objectives that are harmful from an environmental, social or human rights point of view, and at the same time bear matters of sustainability in mind in relation to its own operations.

As part of the EXIM Strategy, an ESG Strategy has been adopted by the Bank with the following objectives:
- developing green lending in order to implement sustainable investments,
- fully integrating sustainability aspects into risk management,
- educating people and raising awareness about sustainability,
- increasing the transparency of ESG-focused corporate governance.

In relation to pillars E, S and G, a detailed action plan has been developed with clear milestones and KPIs, so that the achievement of the objectives can be monitored effectively.

EXIM places considerable emphasis on the adoption of good practices, such as compliance with the standards laid down in the MNB's Green Recommendation on climate change-related and environmental risks and the mainstreaming of environmental sustainability aspects. In order to meet our milestone-bound obligations set out in the MNB's Green Recommendation, a project has been set up aimed at integrating climate change-related and environmental risks as well as sustainability aspects into our strategic objectives, corporate governance, and risk assessment processes. In addition, our goal is to be able to measure our Scope 1, 2 and 3 emissions from direct sources and financing, to determine the actions necessary for carbon neutrality, and in 2025, to publish our first audited Sustainability Report compliant with the Corporate Sustainability Reporting Directive (CSRD) in relation to the previous fiscal year.

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

In order to achieve the objectives set out in our ESG Strategy and in MNB's Green Recommendation, while being able to effectively carry out sustainability-related duties, a dedicated ESG Centre has been established within the Bank, directly subordinated to the CEO, which performs the tasks related to climate change, environmental risks and sustainability together with various specialists at the organisation, within a matrix structure. With the redefining of duties and powers, the former Sustainability function now performs the tasks related to sustainable financing in a dedicated manner under a new name (Sustainability Transactions Centre).

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

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

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

The Bank’s policy is to use its equipment and other assets efficiently for as long as possible. In addition, the Bank considers its employees to be its greatest asset, and maintaining a safe working environment and the well-being of the employees is therefore essential. The Bank is committed to implementing all relevant issues into its existing processes and operations in order to make its business – and that of its customers – more sustainable.

The Bank has reviewed its Green Financing Framework, which offers financing schemes for domestic developments where at least 50% of the investment is for sustainability purposes, reducing energy consumption, environmental impact and greenhouse gas emissions, and for promoting sustainable farming and the transition to clean technology.

Due to the energy crisis, the loan targets set out in the Green Financing Programme were accorded exceptional priority in the Government’s crisis management and economic development initiatives, the terms and conditions of the Green Financing Framework have and will continue to be the basis for the green investment facilities provided under the loan programmes launched in 2023 and 2024, and therefore the Bank expects a significant volume of green loans to be granted from 2024.

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

Transition risks are risks to the Bank arising from the transition to a low-carbon and climate-resilient economy. These may include the following:

a) Political or regulatory risks, for example due to energy efficiency requirements, carbon pricing mechanisms (e.g. carbon tax) that increase the price of fossil fuels, or policies that promote sustainable land use.
b) Legal risks such as liability for damages related to disputes arising from failure to avoid or minimise adverse impacts on the climate or failure to adapt to climate change.
c) Technological risks, for example, if a less climate-damaging technology replaces a more climate-damaging technology, drastically reducing the profitability of those using the “old” technology.
d) Market risks, for example, if customer preferences and demand shift towards more climate-friendly products and services.
e) Reputational risks, such as customers, employees, business partners and investors turning away from polluting companies.

Physical risks are the risks that arise from the physical effects of climate change. These may include the following:

a) Acute physical risks arising from specific events, especially weather-related events such as storms, floods, fires or heat waves, which can damage production facilities and disrupt value chains.
b) Chronic physical risks resulting from longer-term changes in the climate, such as temperature changes, rising sea levels, declining water supplies, loss of biodiversity and changes in soil fertility.

Reputational risks related to climate change and environmental risks are the risks that arise from having to meet regulatory requirements related to climate change. These may include the following:

a) The risk of assessing ESG risks and preparing ESG-type reports (correct risk identification and, as a result, preparing accurate reports)
b) The risk of compliance with domestic and international regulations, which includes the risk of regularly monitoring domestic and international regulations, displaying them in the Institution's internal regulations and complying with them.
c) Greenwashing risk, i.e. avoiding "greenwashing" (companies claiming to be environmentally friendly but not living up to these claims) and the risks associated with it.

Social risk means the risk of losses resulting from the current or expected negative financial impacts of social factors on the Bank's partners or its non-current assets. Accordingly, the Bank establishes responsible cooperation with its most important external and internal stakeholders, by taking into account the interests and needs of those stakeholders and implementing programmes that create long-term social value and help achieve stakeholder satisfaction and trust. Social factors are related to the rights, well-being and interests of people and communities and include factors such as inequality, health, social inclusion, work relationships, occupational health and safety, human capital and communities. In the medium term, the Bank plans to integrate social risk factors considered by certain credit rating agencies into its rating system, such as human rights violations, treatment of employees, employment practices, interactions with customers, and poverty. Based on these factors, when assigning long-term ratings, the Bank concludes how the company that it is analysing manages its relationship with the workforce and the communities and societies in which it operates. The Bank does not finance transactions that are likely to have adverse impacts on society and human rights.

Corporate governance risk means the risk of losses resulting from the current or expected negative financial impacts of governance factors on the Bank's partners or its non-current assets. Corporate governance risk factors include governance practices, such as remuneration, various external audits, internal controls, tax evasion, independence of the Management Board, shareholders' rights, corruption and bribery, and how companies take environmental and social factors into account in their policies and procedures. Governance also plays a fundamental role in ensuring that a specific customer also takes environmental and social aspects into account. Recognition of the potential impacts of climate and environmental change and of the associated physical and transitional risks, is a sign of good governance. The Bank also keeps sustainability in mind during its operations, and furthermore, it strives to achieve positive social and environmental impacts when providing financing.

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

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

- how the Bank may be affected by physical and transition risks;
- how climate change and environmental risks may evolve under different scenarios, taking into account the specificities of this type of risk (uncertainty and non-linearity, probability not based on historical data, potentially extreme and wide-ranging impacts);

- how climate and environmental risks may occur in the short, medium and long term, depending on the scenarios considered.

In the context of the climate stress testing, the Bank assessed the impact of different climate change scenarios on the risk indicators of the Bank's priority portfolio segments, which the Risk Strategy sought to quantify through the long-term probability of default, through sovereign ratings and through bank and corporate PDs, relying heavily on the results of the climate stress testing conducted by the ECB in 2023. To this end, the Bank used three scenarios, taking into account the degree of transitory and physical risks and the effectiveness of the measures. The three possible scenarios are: accelerated, late and delayed transition.

The results show that, all other factors being equal, the earlier the transition takes place, the lower the financial risk , and consequently, the less policy measures are needed to mitigate the costs. Assuming a 2030 emissions reduction target, an accelerated transition is preferable to a late transition, that might otherwise would be too fast and risky. A delayed transition would result in a similar level of financial risk to the accelerated transition by 2030, but with higher long-term transition and physical risks. Recent geopolitical developments have significantly changed the macroeconomic and energy-related environment in which the transition will take place (increasing electricity and gas prices, inflationary pressure).

Based on the results of the climate stress testing, European corporate PDs could increase by 1.2-1.8 times the 2022 level by 2030 depending on the scenarios, primarily due to lower profitability and increasing indebtedness caused by the transition costs. After 2030, the accelerated and late transition scenarios already predict decreasing PDs. However, if the delayed transition scenario is implemented, climate change and environmental risks may further increase corporate PDs after 2030. Climate stress testing predicted similar trends for banking PDs. The credit risk of European banks would increase in parallel with the increase of transition risk, and systemically important large European banks with portfolios more vulnerable to climate change and environmental risks would suffer a relatively greater shock.

The Bank carries out the further quantification of climate change-related and environmental risks using the gram/euro equivalent of greenhouse gas emissions per sector, available at Eurostat in 2-digit TEÁOR code depth, and as documented in the Risk Strategy. In order to ensure accurate sectoral matching, the Bank used the 2-digit TEÁOR codes of the end-customers (instead of the borrowing banks) for the refinancing loans, the 2-digit TEÁOR codes of the Hungarian exporters (instead of the borrowing foreign entities) for foreign-risk loans, and the 2-digit TEÁOR codes of the borrowing customers for domestic direct loans. Eurostat indicator of greenhouse gas emission intensity by sector: greenhouse gases: It shows the emissions of CO2 (carbon dioxide), CH4 (methane), N2O (nitrous oxide), HFC (fluorinated hydrocarbon), PFC (perfluorocarbon), SF6 (sulphur hexafluoride), and NF3 (nitrogen trifluoride), converted to CO_2 equivalent, which is quantified at current gram/euro prices.

Overall, it can be concluded that the Bank has no exposure at all to the most significant GHG-intensive activities, i.e. air transport, coal-fired thermal power plants and oil extraction. In sectors with a relatively high GHG intensity of more than 2,000 g/EUR (electricity, gas, and steam supply, air conditioning; waste management; decontamination, other waste treatment; manufacturing of non-metallic mineral products), the Bank had gross loans of approximately HUF 100 billion on 31 December 2023, which represents 4% of the total loan portfolio. In sectors with a medium GHG intensity of 1,000-2,000 g/EUR, the closing loan portfolio in 2023 was HUF 221 billion (production of basic metals; manufacturing of chemicals; crop cultivation, animal husbandry, hunting, wildlife management and related services; other mining activities), which represents 9% of the total portfolio. It can be concluded that 87% of the Bank's loans have been granted to sectors with low GHG intensity.

NOTE 31 GEOGRAPHICAL CONCENTRATION

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

Concentration of assets and liabilities by geographical area as at 31 December 2023:

In HUF million	**Hungary**	**EU member state**	**Other European countries, which are not EU Member States**	**Other country**	**Total**
Cash and cash equivalents	965 000	512	13	66	965 591
Securities measured at amortised cost	149 145	-	-	-	149 145
Loans and advances to credit institutions and insurance companies	1 497 991	23 166	-	7 151	1 528 308
Loans and advances to other customers *	423 162	-	48 644	388 838	860 644
Derivative transactions – Held for trading, measured at fair value through profit or loss	281	619	-	-	900
Derivatives held for hedging purposes	-	3 523	-	-	3 523
Investments measured at fair value through profit or loss	12	21 587	-	11 225	32 824
Investments accounted for using the equity method	94 444	-	-	-	94 444
Intangible assets	2 183	-	-	-	2 183
Property, plant and equipment	1 581	-	49	6	1 636
Other tax receivables	428	-	-	-	428
Deferred tax receivables	193	-	-	-	193
Other assets	2 359	5	30	16	2 410
Total assets	**3 136 779**	**49 412**	**48 736**	**407 302**	**3 642 229**

In HUF million	**Hungary**	**EU member state**	**Other European countries, which are not EU Member States**	**Other country**	**Total**
Loans and deposits from credit institutions and insurance companies	727 345	458 255	-	-	1 185 600
Deposits from other customers	10 514	-	-	-	10 514
Derivatives held for hedging purposes	3 503	17 664	-	-	21 167
Securities issued **	1 195 619	-	-	798 980	1 994 599
Provisions	1 913	-	-	21	1 934
Actual income tax liabilities	2 246	-	-	-	2 246
Other tax liabilities	236	-	-	-	236
Other liabilities	5 198	27	55	1 693	6 973
Total liabilities	**1 946 574**	**475 946**	**55**	**800 694**	**3 223 269**
Subscribed capital	340 000	-	-	-	340 000
Retained earnings	63 552	-	-	-	63 552
Other reserves	15 408	-	-	-	15 408
Total equity	**418 960**	**-**	**-**	**-**	**418 960**
Total liabilities and equity	**2 365 534**	**475 946**	**55**	**800 694**	**3 642 229**

Off-balance sheet financial instruments	**Hungary**	**EU member state**	**Other European countries, which are not EU Member States**	**Other country**	**Total**
Unutilised part of credit lines ***	444 366	-	-	290 512	734 878
Guarantees issued with a guarantee by the State	86 722	-	-	-	86 722
Suretyship issued with a guarantee by the State	-	-	-	-	-
Guarantees issued without a guarantee by the State	254	-	-	-	254
Letters of credit	-	-	-	1 148	1 148
Funds	53 024	38 186	-	9 584	100 794
Total	**584 366**	**38 186**	**-**	**301 244**	**923 796**

* 59% of the Loans and advances to other customers in other countries are Egyptian, 13% are to customers of Laos.
**The bonds issued by the Bank are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of foreign investors according to geographical areas, so the Bank has included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.

*** Of the undrawn credit lines related to Other countries as at 31.12.2023, HUF 168 283 million is Egyptian exposure.

Concentration of assets and liabilities by geographical area as at 31.12.2022:

In HUF million	**Hungary**	**EU member state**	**Other European countries, which are not EU Member States**	**Other country**	**Total**
Cash and cash equivalents	186 066	4	9	227	186 306
Securities measured at amortised cost	113 056	-	-	-	113 056
Loans and advances to credit institutions and insurance companies	1 148 653	35 076	5 015	6 739	1 195 483
Loans and advances to other customers *	105 845	-	44 670	296 464	446 979
Derivative transactions – Held for trading, measured at fair value through profit or loss	5 795	3 951	-	-	9 746
Investments measured at fair value through profit or loss	12	22 624	-	11 731	34 367
Investments accounted for using the equity method	88 973	-	-	-	88 973
Intangible assets	2 251	-	-	-	2 251
Property, plant and equipment	1 646	-	81	-	1 727
Actual income tax receivables	-	-	-	-	-
Other tax receivables	442	-	-	-	442
Deferred tax receivables	2 502	-	-	-	2 502
Other assets	9 619	-	-	-	9 619
Total assets	**1 664 860**	**61 655**	**49 775**	**315 161**	**2 091 451**

In HUF million	**Hungary**	**EU member state**	**Other European countries, which are not EU Member States**	**Other country**	**Total**
Loans and deposits from credit institutions and insurance companies	748 983	422 829	-	-	1 171 812
Deposits from other customers	2 514	-	-	-	2 514
Derivative transactions – Held for trading, measured at fair value through profit or loss	-	-	-	-	-
Derivatives held for hedging purposes	11 186	20 994	-	-	32 180
Securities issued **	511 830	-	-	7 623	519 453
Provisions	1 469	-	-	38	1 507
Tax liabilities	710	-	-	-	710
Deferred tax liabilities	-	-	-	-	-
Other liabilities	3 764	2 001	165	2 133	8 063
Total liabilities	**1 280 456**	**445 824**	**165**	**9 794**	**1 736 239**
Subscribed capital	310 000	-	-	-	310 000
Retained earnings	49 074	-	-	-	49 074
Other reserves	(3 862)	-	-	-	(3 862)
Total equity	**355 212**	**-**	**-**	**-**	**355 212**
Total liabilities and equity	**1 635 668**	**445 824**	**165**	**9 794**	**2 091 451**

Off-balance sheet financial instruments	**Hungary**	**EU member state**	**Other European countries, which are not EU Member States**	**Other country**	**Total**
Unutilised part of credit lines ***	273 677	-	1	394 363	668 041
Guarantees issued with a guarantee by the State	28 525	-	-	-	28 525
Suretyship issued with a guarantee by the State	-	-	-	-	-
Guarantees issued without a guarantee by the State	257	-	-	-	257
Letters of credit	-	-	-	75	75
Funds	61 644	43 560	-	10 773	115 977
Total	**364 103**	**43 560**	**1**	**405 211**	**812 875**

* In the Loans and advances to other customers Other countries category, 49.67% are Egyptian exposures, 19.26% Indonesian, 15.52% Lao and 5.4% Sri Lankan.
**The bonds issued by the Bank are traded on the Budapest Stock Exchange. The Bank does not have detailed information about the distribution of foreign investors according to geographical areas, so the Bank has

included these securities in the Other countries segment. The remaining portfolio is related to domestic investors.
*** Of the undrawn credit lines related to Other countries as at 31.12.2022, HUF 265 291 million is Egyptian exposure.

Segmented revenue by geographical areas for the year ended 31 December 2023:

In HUF million	**Hungary**	**Other EU Member States**	**European countries, but not EU Member States**	**Other countries**	**Total**
Income from credit institutions and insurance companies	95 872	10	85	106	96 073
Income from other customers	19 032	-	2 229	4 512	25 773
Interest equalisation system***	126 708	-	-	-	126 708
Securities	13 866	-	-	-	13 866
Held for hedging purposes	944	49 225	-	-	50 169
Total interest income	**256 422**	**49 235**	**2 314**	**4 618**	**312 589**
Income from fees and commissions	924	-	3	16	943
Total income	**257 346**	**49 235**	**2 317**	**4 634**	**313 532**

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

Segmented revenue by geographical areas for the year ended 31 December 2022

In HUF million	**Hungary**	**Other EU Member States**	**European countries, but not EU Member States**	**Other countries**	**Total**
Income from credit institutions and insurance companies	(1 567)	6	115	96	(1 350)
Income from other customers	1 497	-	288	3 173	4 958
Interest equalisation system*	80 964	-	-	-	80 964
Securities	4 882	-	-	-	4 882
Held for hedging purposes	947	1 941	-	-	2 888
Other interest income	-	-	-	-	-
Total interest income	**86 723**	**1 947**	**403**	**3 269**	**92 342**
Income from fees and commissions	894	5	5	3	907
Total income	**87 617**	**1 952**	**408**	**3 272**	**93 249**

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

NOTE 32 EVENTS AFTER THE BALANCE SHEET PREPARATION DATE

In January 2024, the Ministry for National Economy decided to terminate the representation offices in Belgrade, Istanbul and Astana.

NOTE 33 USE OF ESTIMATES AND JUDGEMENTS

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

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

33.1 Main sources of estimation uncertainty

Credit losses

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

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

Provisions

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

Determination of fair value

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

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

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

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

The Bank's contribution to the share capital of Innova-1 Járműipari Magántőkealap, Közép-Ázsiai Kifektetési Magántőkealap and Magyar-Amerikai Magántőkealap is 100, of EXIM Exportösztönző Magántőkealap and Herius-1 Magántőkealap is almost 100%, in the case of Enter Tomorrow Europe Magántőkealap it is 50%, in the case of Columbus Magántőkealap and Európa-Agrár Magántőkealap it is 70%, in the case of PortfoLion Regionális Magántőkealap II it is 49.9% and in the case of IHT Informatika Zrt. it is 20%. The Bank does not exercise control, but it has significant influence. Significant influence means the power to govern the financial and operating policies of a target company. Investment decisions are made by the investment committee, or recommended by it to the final decision-maker (the Board or the CEO of the Fund Manager), as a general rule by simple majority, and the number of members delegated by the Bank and the Bank's voting rights are not sufficient for a majority. The Bank is not represented on the Board of the Fund Manager. So the Bank has a right to participate in the investment policy decisions of the funds, but only in a minority and therefore its participation does not constitute control or joint control. Eximbank accounts for its holdings using the equity method.

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

Other considerations related to investments accounted for using the equity method

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

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

33.3 Others

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

(All amounts in HUF million, unless stated otherwise)

NOTE 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss		900		**900**
Derivative transactions – Hedge accounting measured at fair value through profit or loss		3 523		**3 523**
Investments			32 824	**32 824**
Financial liabilities measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss		-		**-**
Derivative transactions – Hedge accounting measured at fair value through profit or loss		(21 167)		**(21 167)**

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss		9 746		**9 746**
Derivative transactions – Hedge accounting measured at fair value through profit or loss				**0**
Investments			34 367	**34 367**
Financial liabilities measured at fair value through profit or loss				
Derivative transactions – Held for trading, measured at fair value through profit or loss		-		**-**
Derivative transactions – Hedge accounting measured at fair value through profit or loss		(32 180)		**(32 180)**

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

Data in HUF million	**31.12.2023**	**31.12.2022**
Opening balance	**34 367**	**39 578**
Capital outflow	3 254	10 931
*- of which: disbursement**	*3 254*	*10 931*
Capital inflow	(446)	(14 201)
- of which: capital transfer	*0*	*(4 881)*
- of which: repayment	*(263)*	*(1 551)*
- of which: yield payment	*(183)*	*(7 769)*
Recognised in the profit and loss account	(4 351)	(1 941)
- of which: fair value difference	*(4 534)*	*(9 711)*
- of which: yield payment	*183*	*7 769*
Closing balance	**32 824**	**34 367**

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

Repayments in the year were due to the following events:

- -The fund had exited the investment either partially or entirely;
- -The amount drawn down for realising the investment was not used in full, and the unused amount was repaid;

In the reporting year the Bank did not have any realised gains or losses from the investment funds because the actual settlement takes place at the end of the maturity period.

The fair values of the individual funds are based on the net asset values published by the funds. However, since these assets are denominated in foreign currency, the exchange rate risk is significant in terms of measurement at fair value.
Taking this into account, the Bank has made an estimate to determine exchange rates that are reasonably possible. In the current year’s estimate, by applying a lower (2023: 377.8 HUF/EUR or 345.43 HUF/USD; 2022: 383 HUF/EUR or 353 HUF/USD) and an upper limit (2023: 413.69 HUF/EUR or 384.44 HUF/USD; 2022: 401 HUF/EUR or 378 HUF/USD), a positive and a negative outcome was determined, which shows what effect a possible change would have on the Bank’s profit or loss and its equity.
The exchange rates on the reporting date, i.e. 31 December 2023, were HUF 382.78/EUR and HUF 346.44/USD (compared to HUF 400.25/EUR and HUF 375.68/USD on 31 December 2022).

EUR equity funds, 31 December 2023	Net asset value 31.12.2023 (foreign currency)	Carrying amount 31.12.2023 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
East West VC Fund	2 659 027.44	1 018	(13)	82
SINO-CEE Fund	5 506 373.32	2 108	(27)	170
Three Seas Fund	17 659 000.00	6 759	(88)	546

EUR equity funds, 31 December 2022	Net asset value 31.12.2022 (foreign currency)	Carrying amount 31.12.2022 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
East West VC Fund	2 918 285.07	1 168	(50)	2
SINO-CEE Fund	7 491 329.03	2 998	(129)	6
Three Seas Fund	11 264 000.00	4 508	(194)	9

USD equity funds, 31 December 2023	Net asset value 31.12.2023 (foreign currency)	Carrying amount 31.12.2023 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	2 345 745	813	(3)	89
China CEE Fund II	31 432 888	10 889	(31)	1 195
Hungarian - Kazakh Cooperation Fund	-	-	-	-
IFC FIG Fund	32 401 432	11 225	(33)	1 231

USD equity funds, 31 December 2022	Net asset value 31.12.2022 (foreign currency)	Carrying amount 31.12.2022 (HUF million)	Impact of negative outcome on profit for the year (HUF million)	Impact of positive outcome on profit for the year (HUF million)
China CEE Fund	2 578 771.00	988	(78)	(13)
China CEE Fund II.	30 262 887.00	11 580	(897)	(141)
IFC FIG Fund	29 931 888.00	11 731	(1 165)	(417)
Kazakh Hungarian Agriculture Fund	3 676 868.00	1 381	(83)	9

The fair value of the funds is determined by the Bank based on the net asset value calculation periodically published by the funds, by taking into account the Bank's ownership share in the fund. If the net asset value calculation for the given quarter is not available at the time of preparation of the Bank's latest report, the Bank uses the net asset value calculation of the previous quarter and adjusts it by the capital contributions for investment purposes and/or the repayments from investments that have occurred since then.

China CEE Fund

The fund calculates the latest net asset value in accordance with the detailed valuation rules set out in its private placement memorandum dated November 2013 and made available to investors prior their investing in the fund, by deducting liabilities from total assets. The private placement memorandum was approved by the Luxembourg Financial Supervisory Authority at the fund's inception.

The fund determines the net asset value at least once a year with the help of an independent valuation expert (TPA Horwath), and the results of this are monitored by the fund's alternative investment fund manager (LIS). When determining the net asset value, the fund always seeks to ensure that the assets it holds and the liabilities it assumes reflect the fair value, based on recent comparable transactions between independent market participants, discounted cash flow analysis and other valuation methods commonly used in market practice. The alternative investment fund manager ensures that the valuation methods used comply with IFRS rules and informs investors of the latest net asset value of the fund.

Since the fund's equity notes are denominated in USD, but the Bank records the equity notes it holds in HUF in its books, the Bank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it in order to estimate the extent to which the income from the sale of the fund's equity notes are likely to be affected by future changes in the exchange rate.

The valuation methods used by the fund for each of the portfolio companies are as follows:

- Boston: the price of the portfolio company's shares as quoted on the stock exchange on the reporting date. The fair value measurement falls into the Level 1 category.
- Enshi: through the discounted cash flow method, in which the significant inputs are the following: liquidity discount rate, increase in net current assets, weighted cost of capital and the growth rate used to calculate the terminal value. The fair value measurement falls into the Level 3 category.
- Radenci: through the discounted cash flow method, in which the significant inputs are the following: growth rate used to calculate the terminal value, change in the consumer price index, liquidity discount rate and weighted cost of capital. The fair value measurement falls into the Level 3 category.

China CEE Fund II

The net asset value of the fund is determined by the difference between total assets and liabilities, in accordance with the detailed valuation rules set out in the private placement memorandum dated January 2018 and made available to investors prior to their investing in the fund. When investing in the fund, all investors accepted and considered binding the information contained in the memorandum, which was also approved by the Luxembourg Financial Supervisory Authority.

The fund determines the net asset value at least once a year with the help of an independent valuation expert (TPA Horwath), and the results of this are monitored by the fund's alternative investment fund manager (LIS). When determining the net asset value, the fund always seeks to ensure that the assets it holds and the liabilities it assumes reflect the fair value, based on recent comparable transactions between independent market participants, discounted cash flow analysis and other valuation methods commonly used in market practice. The alternative investment fund manager ensures that the valuation methods used comply with IFRS rules and informs investors of the latest net asset value of the fund.

Since the fund's equity notes are denominated in USD, but Eximbank records the equity notes it holds in HUF in its books, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it in order to estimate the extent to which the income from the sale of the fund's equity notes are likely to be affected by future changes in the exchange rate.

The valuation methods used by the fund for each of the portfolio companies are as follows:

- Canveta: through the discounted cash flow method, in which the significant inputs are the following: daily rate of increase in new wagons, inflation, liquidity discount rate and weighted cost of capital. The fair value measurement falls into the Level 3 category.
- Gardenica: through the discounted cash flow method, in which the significant inputs are the following: inflation in the medical sector, liquidity discount rate, the growth rate used to calculate the terminal value, increase in net current assets and weighted cost of capital. The fair value measurement falls into the Level 3 category.

- Rishima: using the liquidation approach, in which the significant inputs are the following: discount factor applied to the carrying amount of other non-current assets, and weighted cost of capital. The fair value measurement falls into the Level 3 category.
- Orlando: through the discounted cash flow method, in which the significant inputs are the following: inflation in the medical sector, liquidity discount rate, the growth rate used to calculate the terminal value, increase in net current assets and weighted cost of capital. The fair value measurement falls into the Level 3 category.

East West VC Fund

The fund manager determines the net asset value every quarter and calculates the value of the investment units from it. Financial instruments that are not traded on regulated markets or multilateral trading systems and all other non-financial assets are valued at fair value.

Valuation methods applied and their typical inputs:

- at cost, within 12 months of the transaction,
- relevant transactions between the fund and entities independent of the fund manager during the 12 months prior to the valuation date, taking into account all facts and circumstances that may have subsequently had an impact on the value determined at the time of the transaction. Typical inputs include, but are not limited to, transaction size, interest acquired, industry, geographic location.
- market multipliers, taking into account the area of activity, size, leverage and profitability of other companies based on the available public databases and data,
- discounted cash flow method, taking into account the company's operations in the recent past and its business plan for the coming period – typically, sales turnover, EBITDA and cash flow figures and the relevant discount factor,
- in the case of shareholdings acquired in collective investment undertakings, the last valuation provided by the management organisation is taken into account,
- in exceptional cases, according to other criteria widely accepted in the international markets, provided that the fund manager justifies the use of these in writing.

In the case of financial instruments traded on regulated markets or multilateral trading systems, as a general rule, the instruments are valued at the trading closing value or the reference value. Liabilities that are not traded on regulated markets or multilateral trading systems are generally valued on a DCF basis.

For all of the Fund's investments, the cost approach and DCF valuation method were used, taking into account the duration of the investments and the operational indicators and business plans of the portfolio companies. The fund manager's valuation was corrected by the Bank by applying a case-by-case valuation for each of its four investments. The corrections were made based on a comparison of the plan figures in the business plans with the actual figures, and by taking into account adjustments by experts based on the Companies' economic, financial and liquidity positions.

Since the investment units of the fund are denominated in EUR, but Eximbank recognises the investment units it owns in its books in HUF, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it in order to estimate the extent to which future changes in the exchange rate may affect the income from the sale of the fund's investment units.

Hungarian – Kazakh Cooperation Fund

The Limited Partnership Agreement dated 7 December 2015 provides for how the fair value should be determined. Accordingly, the fund's fair value is determined according to the "International Private Equity and Venture Capital Valuation Guidelines" or any other method unanimously accepted by the advisory board.

Since the fund's equity notes are denominated in USD, but Eximbank records the equity notes it holds in HUF in its books, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it in order to estimate the extent to which the income from the sale of the fund's equity notes are likely to be affected by future changes in the exchange rate.

The fund used the discounted cash flow (DCF) valuation method for each portfolio company, in which the significant input data was the applied discount rate. The fair value measurement falls into the Level 3 category.

In contrast to the fund manager's valuation, based on the companies' reported business indicators and other information, the Bank determined the fair value of the assets in the fund to be zero.

IFC FIG Fund

To determine the fund's net asset value, the fund manager uses the valuation methodology used by the International Finance Corporation (IFC), which is set out in the private placement memorandum dated November 2013 and made available to investors prior to their investing in the fund. The fund manager prepares the quarterly valuation through the portfolio managers it employs, which is audited by a central valuation team from the IFC's finance and accounting department.

Equity, quasi-equity and equity-related assets are measured on a fair value basis and are updated quarterly. In the case of an active market, the real-time prices are the fair value. Non-public equity holdings are carried at cost for 12 months, unless an event that materially affects fair value occurs during that period. After such latter event, or in every case after 12 months, the fair value of direct equity investments is determined on a quarterly basis using DCF or other methods based on, for example, industry multipliers or market transactions. The fund manager also values the assets and liabilities of the fund in the audited annual report. It also communicates unaudited valuations to investors every quarter.

The fair value measurement of ordinary and preference shares may fall into the Level 1, Level 2 or Level 3 category, adjusted for the closing price at the date of the quoted market price for Level 1, and for Level 2, adjusted for other factors. For Level 3, fair value can be determined using the discounted cash flow method, where the significant inputs are the cost of capital and the liquidity discount rate, and, when using the multiples of comparable companies valuation method, the significant inputs are the P/BV ratio and the liquidity discount rate.

The fair value measurement of convertible bonds falls into the Level 3 category and the methodology used may be discounted cash flow measurement, where the more significant inputs are the spread of the credit default swaps and the expected repayment rate.

Since the fund's equity notes are denominated in USD, but Eximbank records the equity notes it holds in HUF in its books, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value data provided to it in order to estimate the extent to which the income from the sale of the fund's equity notes are likely to be affected by future changes in the exchange rate.

SINO-CEE Fund

The fund's net asset value is determined by the fund manager or its agent appointed to perform this task at least once a year, on the last working day of the financial year, taking into account IFRS and the fund's valuation rules. Before changing the fund's valuation rules, the fund manager is obliged to inform the investors about the changes.

Under the alternative fund management contract, the alternative investment fund manager (ONE Fund Management S.A.) carries out the valuation of the fund's assets, with the proviso that the valuation process takes place independently of the portfolio management functions, in accordance with the AIFM Directive.

The fund is valued annually, and the alternative investment fund manager can use the help of an independent valuation expert to value certain assets, but at the same time, as the internal valuer, the fund manager is fully responsible for the valuation of the fund's assets. The valuation is carried out in accordance with internationally accepted valuation principles, and the fund's own valuation policy set out in the "Limited Partnership Agreement" consolidated on 23 July 2018.

Since the fund's equity notes are denominated in EUR, but Eximbank records the equity notes it holds in HUF in its books, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value figure provided to it, to estimate the extent to which the income from the sale of the fund's equity notes are likely to be affected by future changes in the exchange rate.

For the single portfolio company, the fair value was determined based on an indicator-based valuation of comparable companies, in which the significant inputs are the Enterprise Value/EBITDA ratio and the calibration rate used to adjust for the underperformance of the portfolio company relative to the comparable companies. The fair value measurement falls into the Level 3 category.

Three Seas Initiative Investment Fund

The fund's net asset value is determined by the fund manager or its agent appointed to perform this task at least once a year, on the last working day of the financial year, taking into account IFRS and the fund's valuation policy. Before changing the fund's valuation policy, the fund manager is obliged to inform the investors about the changes.

Under the alternative fund management contract, the alternative investment fund manager (Fuchs Asset Management) carries out the valuation of the fund's assets, with the proviso that the valuation process takes place independently of the portfolio management functions, in accordance with the AIFM Directive, at all times working towards the objective that the valuation process of the fund's portfolio be reliable, transparent, comprehensive and well documented. The fund is valued annually, and the alternative investment fund manager can use the help of an independent valuation expert to value certain assets, but at the same time, as the internal valuer, the fund manager is fully responsible for the valuation of the fund's assets. The valuation is carried out in accordance with internationally accepted valuation principles, and the fund's own valuation policy as set out in the "Private Placement Memorandum" consolidated on 20 October 2020.

Since the fund's shares are denominated in EUR, but Eximbank records the shares it holds in HUF in its books, Eximbank performs a sensitivity analysis on the current (or adjusted) net asset value figure provided to it, to estimate the extent to which the income from the sale of the fund's equity notes are likely to be affected by future changes in the exchange rate.

The valuation methods used by the fund for each of the portfolio companies are as follows:

- Aramon: through the discounted cash flow method, in which the significant inputs are the EV/EBITDA multiplier used at exit, the discount rate and the asset yield at the time of exit. The fair value measurement falls into the Level 3 category.
- Enery: through the discounted cash flow method, in which the income-generating capacity of each business is evaluated separately. The fair value measurement falls into the Level 3 category.
- Greenergy: through the discounted cash flow method, in which the significant inputs are the EV/EBITDA multiplier used at exit, the discount rate and the asset yield at the time of exit. The fair value measurement falls into the Level 3 category.
- Port of Bourgas: through the discounted cash flow method, in which the significant input is the EV/EBITDA multiplier used at exit. The fair value measurement falls into the Level 3 category.

Valuation methods for financial instruments measured at fair value

Level 2:

- Currency swaps are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

Level 3:

- The fair value of investments in private equity funds is determined based on the net asset value presented by the investment funds.

Classification of the fair value of financial instruments not measured at fair value between levels of the hierarchy

The determination of the estimated fair value indicated below is based on a price that would be received when selling an asset, or paid when transferring a liability, based on an arm's length transaction between market participants at the time of the valuation, or in the absence of a primary market, on the most favourable market for the asset or liability. At the same time, many financial instruments do not have an active market, and therefore the fair value is determined based on estimates using net present value and other valuation methods, which are significantly affected by assumptions about the amount and timing of estimated future cash flows and discounts. Furthermore, due to subjective assessment and uncertainties, the aggregate fair values should not be assumed to be equivalent to the immediately realisable purchase prices of these instruments at the time of sale.

Cash and cash equivalents

Due to their short-term nature, the fair value of cash and cash equivalents closely approximates their book value.

Securities measured at amortised cost

The fair value of Hungarian government bonds is determined on the basis of observed market prices published by the government debt management agency, Államadósság Kezelő Központ Zrt. (ÁKK Zrt.). The fair value of short-term bonds and treasury bills issued by the National Bank of Hungary is determined by the Bank using yield curves published by ÁKK Zrt., observable and available on the market, and applying a discounted cash-flow based model.

Loans and advances to credit institutions and insurance companies, and loans and advances to from other customers

If available, the fair values of loans and receivables are based on market transactions. If no observable market transactions are available, fair value is determined using a valuation model, such as using discounted cash-flow-based techniques. Inputs used for valuation include expected lifetime loss, interest rates, and primary issue or secondary market spreads. In the case of secured impaired loans, the realisable value of the underlying collateral is taken into account when determining the fair value.

Derivative financial assets and liabilities

Derivative financial instruments are shown at fair value in the financial statement. The fair value of derivative financial instruments is determined using a discounted cash flow method that takes into account assumptions based on market data.

Investments measured at fair value through profit or loss

The carrying amount of equity investments measured at fair value through profit or loss is presented in Note 9 to the financial statements. The way these assets are measured is presented in earlier parts of this chapter.

Other assets and liabilities
The carrying amount of other financial assets and other financial liabilities approximates their fair value.

Financial liabilities measured at amortised cost

The Bank determines the fair value of loans and deposits from credit institutions and insurance companies, as well as deposits from other customers, using a discounted cash flow method, in which assumptions and inputs based on market data are taken into account. This market data includes the Bloomberg swap yield curve related to the currency of the instrument. The reference yield curves can be calculated by shifting the sovereign yield curves. The extent of the shift is based on historical data. The cash flow of the liability is calculated by Inforex using the contractual cash flows.

Securities issued

All bond series issued under Hungarian law were listed on the Budapest Stock Exchange. Both of the bond series sold through an international bond issue were listed on the London Stock Exchange. The fair value of these bonds is determined based on observable market prices.
The table below shows the fair value of financial instruments not valued at fair value, as well as their classification according to the fair value hierarchy.

(All amounts in HUF million, unless stated otherwise)

Status as at 31 December 2023	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents		965 591		965 591	965 591
Securities measured at amortised cost		150 464		150 464	149 145
Loans and advances to credit institutions and insurance companies			1 528 702	1 528 702	1 528 308
Loans and advances to other customers			876 239	876 239	860 644
Other financial assets			2 167	2 167	2 167
Total	**-**	**1 116 055**	**2 407 108**	**3 523 163**	**3 505 855**
Loans and deposits from credit institutions and insurance companies			1 168 210	1 168 210	1 185 600
Deposits from other customers			10 514	10 514	10 514
Securities issued	2 170 919			2 170 919	1 994 599
Other financial liabilities			6 625	6 625	6 625
Total	**2 170 919**	**-**	**1 185 210**	**3 356 129**	**3 197 338**

Status as 31 December 2022	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and cash equivalents		186 306		186 306	186 306
Securities measured at amortised cost		104 413		104 413	113 056
Loans and advances to credit institutions and insurance companies			1 151 875	1 151 875	1 195 483
Loans and advances to other customers			448 427	448 427	446 979
Other financial assets			9 421	9 421	9 421
Total	**-**	**290 719**	**1 609 723**	**1 900 442**	**1 951 245**
Loans and deposits from credit institutions and insurance companies			931 631	931 631	1 171 812
Deposits from other customers			2 514	2 514	2 514
Securities issued	470 095			470 095	519 453
Other financial liabilities			7 224	7 224	7 224
Total	**470 095**	**-**	**941 369**	**1 411 464**	**1 701 003**

15 April 2024
Authorised for issue by

Kornél Kisgergely
Chairman & CEO

Mihály Hoffmann
Chief Financial Officer