



Hungarian Export-Import Bank Plc.
Hungarian Export Credit Insurance Plc.

BUYER CREDIT FACILITIES

TIED AID LOANS

Hungary's assistance policy was elaborated in 2003, and includes the provision of tied aid loans. Government Decree 232/2003 (XII.16.), on Tied Aid Loans Disbursed by Eximbank, entered into force on 1 January 2004. The Government Decree regulates the terms of tied aid loan provision, the participants in the administrative process, and the decision-making mechanism.

The offering and provision of tied aid loans requires a government decision in every case. Based on the government's authorisation, an intergovernmental agreement is concluded that regulates, among other things, the basic terms of the tied aid loan and the projects to be implemented. Based on the intergovernmental agreement, Eximbank draws up the loan contract setting out the special provisions relating to the individual transaction.

Eligibility for financing – The general international criteria for the provision of tied aid loans are regulated by the OECD Arrangement on the basis of the provisions relating to country eligibility (the World Bank's threshold figure determined on the basis of per-capita GNI applies in the assessment of eligibility for tied aid loans) and project eligibility (state investments that cannot be implemented with market financing, and which generally do not generate a profit).

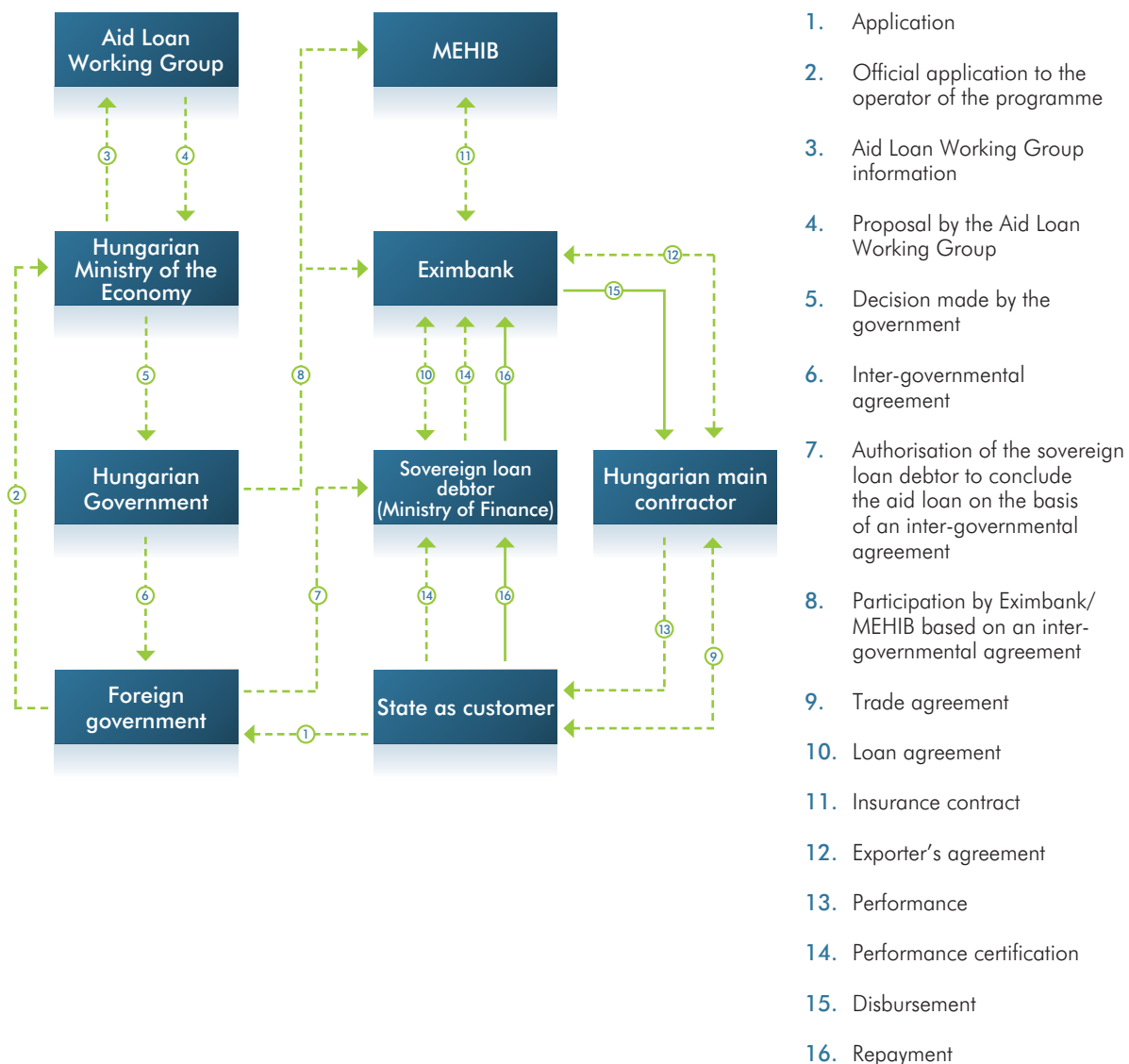
General terms of financing – The tied aid loan program provides financing for the implementation of state investments, where the loan debtor is the government agency embodying the beneficiary country's sovereign risk. 100% of the foreign trade agreement/main contractor's agreement can be financed, with 100% TA-type MEHIB insurance. The required Hungarian content is a minimum of 50% of the foreign trade contract/main contractor's agreement.

Currency – EUR or USD.

Conditions – The minimum concessionality level of the tied aid loan is 35%, or 50%, with the concessionality depending on a combination of the tenor, the grace period, the interest and the aid element (insurance premium). (The concessionality should be interpreted as relative to the conditions of a classic buyer's loan.)

Participants in the tied aid loan program:

- ≡ The program is run by the Ministry for the National Economy.
- ≡ Eximbank is the bank that arranges the provision of the tied aid loan (on the basis of the intergovernmental agreement, it concludes the individual loan agreement for the financing of goods or projects supplied by Hungarian exporters, subject to the provision of a sovereign guarantee or equivalent undertaking by the beneficiary country).
- ≡ MEHIB is the insurer of the tied aid loan, providing cover (of 100%, with no self-retention) for the (political and commercial) risks of default by the loan debtor.
- ≡ The Tied Aid Consultant Working Group (SMCS) is an inter-ministerial advisory body (for the appraising of applications).



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