



ORSZÁGOS BETÉTBIZTOSÍTÁSI ALAP

ANNUAL REPORT

1 January 2010 – 31 December 2010

18 February 2011

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Tax number: 10830516-2-41



Statistical number: 10830516-6619-916-01

National Deposit Insurance Fund					
BALANCE SHEET version 'A' ASSETS					
Seq. No.		Description / in HUF thousand	31.12.2009	Effect of revision	31.12.2010
1	A	FIXED ASSETS	52,275		52,494
2	I.	INTANGIBLE ASSETS	34,719		37,508
3	I.1	Capitalized value of formation and transformation			
4	I.2	Rights and concessions			
5	I.3	Intellectual property	34,719		37,508
6	I.4	Advance payments for intangible assets			
7	I.5	Revaluation of intangible assets			
8	II.	TANGIBLE ASSETS	17,556		14,986
9	II.1	Lands and buildings and related rights	104		1,130
10	II.2	Equipment, fittings, vehicles	17,452		13,856
11	II.3	Assets under construction			
12	II.4	Advance payments on capital projects			
13	II.5	Adjusted value of tangible assets			
14	III.	FINANCIAL INVESTMENTS			
15	B	CURRENT ASSETS	82,855,258		88,434,443
16	I	STOCKS	100		100
17	I.1	Materials			
18	I.2	Commercial goods	100		100
19	I.3	Mediated services			
20	I.4	Advances on stocks			
21	II.	RECEIVABLES	24,002		337,670
22	II.1	Receivables from member institutions	23,306		337,449
23	II.1.a	Premium receivables			
24	II.1.b	Receivables transferred to the Fund	23,306		337,449
25	II.1.c	Premiums on onerous obligations			
26	II.1.d	Other receivables from member institutions			
27	II.2	Other receivables from credit institutions			
28	II.3	Receivables from depositors			
29	II.4	Receivables from the state			
30	II.5	Other receivables	696		221
31	III.	SECURITIES	82,829,242		88,068,071
32	III.1	Government securities	82,829,242		84,640,918
33	III.2	Other securities			3,427,153
34	IV.	LIQUID ASSETS	1,914		28,602
35	IV.1	Cash, cheques	160		176
36	IV.2	Bank deposits	1,754		28,426
37	C	PREPAID EXPENSES AND ACCRUED INCOME	2,898,179		2,451,493
38		TOTAL ASSETS:	85,805,712		90,938,430

9 February 2011

Based on the audit report, I hereby certify the above:

9 February 2011


 AUTHORIZED REPRESENTATIVE

 REGISTERED AUDITOR

Tax number: Tax number: 10830516-2-41
Statistical number: 10830516-6619-916-01

National Deposit Insurance Fund					
BALANCE SHEET version 'A' EQUITY AND LIABILITIES					
S. No.		Description / in HUF thousand	31.12.2009	Effect of revision	31.12.2010
39	D.	EQUITY	85,073,955		90,771,435
40	I.	REGISTERED CAPITAL	896,082		896,082
41	II.	RESERVES	70,725,129		84,177,873
42	III.	REVALUATION RESERVE			
43	IV.	RETAINED PROFIT FOR THE YEAR	13,452,744		5,697,480
44	E.	PROVISIONS			
45	F.	LIABILITIES	727,561		95,688
46	I.	LONG-TERM LIABILITIES			
47	II.	SHORT-TERM LIABILITIES	727,561		95,688
48	II.1	Liabilities towards member institutions			
49	II.2	Short-term credits			
50	II.3	Liabilities towards depositors	78,053		78,053
51	II.4	Liabilities towards the State			
52	II.5	Other short-term liabilities	649,508		17,635
53	G.	ACCRUED EXPENSES AND DEFERRED INCOME	4,196		71,307
54		TOTAL EQUITY AND LIABILITIES:	85,805,712		90,938,430

9 February 2011

Based on the audit report, I hereby certify the above:

9 February 2011



 AUTHORISED REPRESENTATIVE


 REGISTERED AUDITOR

Tax number: 10830516-2-41


Statistical number: 10830516-6619-916-01

National Deposit Insurance Fund					
PROFIT AND LOSS STATEMENT TOTAL COST 'A'					
S. No.		Description / in HUF thousand	31.12.2009	Effect of revision	31.12.2010
1	1	Premium revenue from member institutions	2,280,203		2,435,030
2	2	Premium revenue from claims collected on behalf of depositors			
3	3	Commission revenue from disbursement of deposits insured with state guarantee			86
4	4	Other revenue from deposit insurance	36,400		27,401
5	I.	Revenues derived from deposit insurance (01+02+03+04)	2,316,603		2,462,517
6	II.	Other revenues	8,320		50,891
7	III.	Revenues from other than deposit insurance			
8	IV.	Revenues from financial transactions	12,529,322		7,034,960
9	V.	Extraordinary revenues			
10	5	Expenses related to the disbursement of frozen deposits			
11	6	Expenses related to receivables collected on behalf of depositors			
12	7	Expenses incurred on disbursement of deposits guaranteed by the state			
13	8	Other expenses of deposit insurance	337		2,839,333
14	VI.	Expenses of deposit insurance (05+06+07+08)	337		2,839,333
15	VII.	Other expenses	521		590
16	VIII.	Expenses of other than deposit insurance			
17	IX.	Expenses of financial transactions	1,166,382		791,357
18	X.	Extraordinary expenses			
19	9	Material-type expenses	76,826		80,639
20	10	Personnel costs	142,386		121,622
21	11	Depreciation write-off	15,049		17,347
22	XI.	Operating costs (09+10-11)	234,261		219,608
23	A.	RETAINED PROFIT FOR THE YEAR (I+II+III+IV+V-VI-VII-VIII-IX-X-XI)	13,452,744		5,697,480

9 February 2011

Based on the audit report, I hereby certify the above:

9 February 2011


AUTHORISED REPRESENTATIVE

REGISTERED AUDITOR

Tax number: 10830516-2-41

Statistical number: 10830516-6619-916-01

National Deposit Insurance Fund							
CASH FLOW STATEMENT							
Description / in HUF thousand		2009	Effect of revision	2010	Change		Composition for the relevant year
					In HUF thousand	%	
1.	Retained profit of the year *	13,452,744		5,697,480	-7,755,264	-57.65%	21,348.47%
2.	Depreciation represented	15,049		17,367	2,318	15.40%	65.07%
3.	Write-off of investments	0		0	0	0.00%	0.00%
4.	Net change in provisions	0		0	0	0.00%	0.00%
5.	Net gain on sale of fixed assets	0		0	0	0.00%	0.00%
6.	Changes in trade creditors	-1,958		0	1,958	100.00%	0.00%
7.	Changes in other short-term liabilities	646,409		-631,873	-1,278,282	-197.75%	-2,367.63%
8.	Changes in accrued expenses	3,525		67,111	63,586	1,803.86%	251.47%
9.	Changes in trade debtors	72		476	404	561.11%	1.78%
10.	Changes in current assets (excluding trade debtors and liquid assets)	-13,829,972		-5,552,972	8,277,000	59.85%	-20,807.00%
11.	Changes in prepaid expenses and accrued income	-315,636		446,686	762,322	241.52%	1,673.73%
I.	OPERATING CASH FLOW	-29,767	0	44,275	74,042	248.74%	165.90%
12.	Acquisition of fixed assets	-7,274		-17,586	-10,312	-141.77%	-65.90%
13.	Proceeds from sale of fixed assets	1		-1	-2	-200.00%	0.00%
II.	CASH FLOW FROM INVESTING ACTIVITIES	-7,273	0	-17,587	-10,314	-141.81%	-65.90%
14.	Proceeds from issuance of share capital (capital increase)**	10,000		0	-10,000	-100.00%	0.00%
15.	Borrowings	0		0	0	0.00%	0.00%
16.	Repayment of loans to and deposits by Credit Institutions	0		0	0	0.00%	0.00%
17.	Capital contribution received	0		0	0	0.00%	0.00%
18.	Redemptions of shares (capital decrease)**	0		0	0	0.00%	0.00%
19.	Repayment of loans	0		0	0	0.00%	0.00%
20.	Loans from and deposits in credit institutions	0		0	0	0.00%	0.00%
21.	Capital contribution given	0		0	0	0.00%	0.00%
22.	Changes in liabilities due to founders	0		0	0	0.00%	0.00%
III.	CASH FLOW FROM FINANCING ACTIVITIES	10,000	0	0	-10,000	-100.00%	0.00%
IV.	CHANGES IN LIQUID ASSETS	-27,040	0	26,688	53,728	198.70%	100.00%

Auditor's Report

The auditor's report has been prepared for the forthcoming annual general meeting

Addressee

To the Shareholders of National Deposit Insurance Fund of Hungary:

We have audited the accompanying financial statements of National Deposit Insurance Fund of Hungary (hereafter 'the Fund') for the financial year 2010, which financial statements include the balance sheet as of 31.12.2010 - where the identical sum of assets and liabilities THUF 90 938 430, and the profit of the year THUF 5 697 480 is -, the profit and loss account concerning the period ending on the date mentioned before and the notes disclosure.

The management's responsibility for the financial statements

Preparing the financial statements according to the provisions of the Act on Accounting and according to the principles of accounting generally accepted in Hungary is the responsibility of the management.

This responsibility includes the development, introduction, maintenance of an internal control, which is relevant for the preparation and real introduction of the financial statements, for making the financial statements free of wrong substantial statements resulting from fraud or errors, and also the selection and utilization of appropriate accounting policies and rational estimations valid under the given circumstances.

The auditor's responsibility, scope of the audit

The Auditor's responsibility is to express an opinion on the financial statements based on his audit.

We conducted our audit in accordance with the Hungarian National Standards on Auditing and also in accordance with Hungarian law and other legal regulations applicable to the audit.

Those standards require that we meet the ethical requirements needed and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit included the execution of methods, whose purpose was to get audit proof from the amounts and publications included in the Fund's financial statements.

The chosen methods, including the assessment of the risks of significant wrong statements resulting from fraud, mistakes, depend on the judgement of the auditor.

When assessing the risk this way the auditor is pondering the internal control, which is relevant from the aspect of the preparation and introduction of the financial statements, to plan such audit methods that are appropriate under the given circumstances, but not to give an opinion about the efficiency of the Fund's internal control.

The audit also included assessing the adequacy of the accounting principles, the rationality of the estimations made by the management and also the evaluation of the overall presentation of the financial statements.

We are convinced that the audit proofs that we collected provide a sufficient and reasonable basis for our opinion.

Opinion

We have audited the financial statements of National Deposit Insurance Fund of Hungary, including the various components and items and accounting and bookkeeping documents, in due observation of the national accounting standards.

Based on our findings we are satisfied that the financial statements have been drawn up in accordance with the provisions of the Act on Accounting and the general principles of accounting.

The financial statements provide a true and fair view of the financial and earnings position of National Deposit Insurance Fund of Hungary as of 31.12.2010.

Budapest,
09.02.2011

AUDIT SERVICE KFT
bejegyzett könyvvizsgáló cég
ny.sz.: 001030

Audit Service Kft.
Registered audit company
1022 Budapest, Bimbó út 3.

GUZMICS ZSUZSANNA
bejegyzett könyvvizsgáló
s.sz.: 005603
k.t.sz.: 005570

Guzmics Zsuzsanna
Registered auditor
2380 Gyál, Ady Endre utca 47.
ny.sz.: 005570

This opinion is inseparable part of the financial statements of the company named above.
Any kind of manipulation of this opinion or any kind of abuse of this opinion with the help of false data will invalidate the opinion and could have a legal supervisory procedure as a consequence!

1 SUMMARY NOTES

1 January 2010 – 31 December 2010

1.1 General characteristics

1.1.1 Company data

Name of the Company: NATIONAL DEPOSIT INSURANCE FUND OF HUNGARY
Company type: other organisation: sui generis organisation
Tax number: 10830516-2-41
Statistical number: 10830516-6619-916-01
Date of foundation: 31.03.1993
Subscribed capital: at the time of foundation: HUF 609,544 thousand
by the end of business year: HUF 896,082 thousand
Activity of the Company: Deposit Insurance

Headquarters: 1027 Budapest, Csalogány u. 9-11.

Founder:

Founder's	Seat, residential address	Ownership	Vote	Other
name		share	share	effect
(76%-...) – direct control				
National Assembly of Hungary	1055 Budapest, Kossuth tér 1-3.	100.00%	100.00%	
Total:		100.00%	100.00%	

1.1.2 Characteristics of the Fund

Authorized to sign the Report: Dr. András Fekete-Győr
Auditor: Audit Service Kft. (Zsuzsanna Guzmics)
Chief Accountant: István Nemecz
1027 Budapest, Csalogány u. 9-11.
Reg.sz.: 132571
Legal representation: Dr. Géza Gálfalvi

1.1.3 Operations

The operation and ownership relations are governed by Act CXII of 1996, and the Fund is operated in compliance with the relevant provisions.

The daily turnover is monitored and recorded in a computer program (Microsoft Dynamics NAV program) that guarantees closed data processing.

1.1.4 Accounting system

Accounting currency:	Hungarian forint
Accounting system:	Double entry book-keeping
Business year:	1 January 2010 to 31 December 2010
Type of profit and loss statement:	total cost method
Profit and loss statement version:	“A”
Balance sheet version:	“A”
Customary balance sheet date:	31 January 2011
Balance sheet date for the company per item:	fixed for each balance sheet item
Rule-off date:	15 February 2011
Authentication based on:	annual report
Statutory reporting form:	other report, type: as regulated by Government Decree No. 214/2000 (XII. 11.) for deposit insurance funds
Itemization of the balance sheet:	-new items added: -new items added: - items consolidated: - items consolidated:
Itemization of the profit and loss statement:	-new items added: -new items added: - items consolidated: - items consolidated:

Requirements for the accounting principles:

- diversions from the accounting principles: -.
- diversions from legal requirements, allowed by auditing: -.
- changes in the principles of evaluation used: -.
- assets or liabilities with a changed classification: -.
- material errors with an effect that generate an audit requirement for the year it was incurred in: 2% of the total assets.
- effect of material error is 20% of the equity in the annual report published last: HUF 18,154,287 thousand.
- individual evaluation is selected as the method used for stating depreciation of investments and securities.
- evaluation at real value not applied.
- permanence: irrespective of the date of entry in the books, a continuously increasing/decreasing permanent tendency over one year.
- a uniform exchange rate used on evaluating foreign currency assets and liabilities: the central bank (NBH) mid-rate. The exchange rate differences are stated by the enterprise if they have a significant and permanent effect on the group of assets or liabilities:
 - Modifying effect: for the asset group of receivables > 5%, or
 - Modifying effect: for the liabilities group of obligations > 5%, or
 - Modifying effect: for the asset group of securities > 5%, or
 - Modifying effect: for the asset group of financial assets > 5%.
 - And: the effect is significant in any case when the summary effect of revaluations on the profit/loss exceeds 2% of the profit for the relevant year.
 - And: the effect is not significant if its effect on the profit/loss is less than HUF 500 thousand.

- the qualifications of significant, material and crucial are fixed for each asset group. The balance sheet lines are indicated by Roman numeral, while lines of balance sheet items by Arabic numbers.
- our annual closure and the relevant report complies with the requirements and is consistent,
- in our work, the principle of precaution and the principle of authenticity are represented, and are used with the principle of on-going concern.

The completeness of processing is guaranteed by our statement of completeness. Between the dates of the annual closure and the balance sheet rule-off date, no material information has emerged to modify the company's situation; consequently, the company's closing data are evaluated on an on-going concern.

1.1.5 The Fund's scope of activity

Pursuant to section 105 (1) of the Act on Credit Institutions and Financial Enterprises (hereinafter referred to as the Act), the main function of the Fund is to commence and complete payment of compensation to depositors within twenty working days, in case the deposits kept at the member institutions are frozen, or pursuant to the Supervision's resolution or in case a liquidation procedure is instituted, after a court order for liquidation is published - at the earliest of the three dates.

1.1.6 The Fund's governing body and auditing

1.1.6.1 The Board of Directors

In accordance with section 110 (1) of the Act on Credit Institutions, the governing body of the Fund is the Board of Directors consisting of the Vice President of the National Bank of Hungary (NBH), the Administrative Undersecretary to the Ministry of Finance, the Chairman of the Board to the Hungarian Financial Supervisory Authority (HFSA), and two representatives delegated by credit institutions, as well as the Managing Director of the Fund.

On an annual basis, the Board of Directors elects a chairman and a vice-chairman out of its members. Initially in 2010, the chairman's position was filled in by Ádám Farkas, and then from 1 July, by HFSA president Dr. Károly Szász, while vice-chairman by Managing Director of the National Federation of Savings Cooperatives (Országos Takarékszövetkezeti Szövetség), Antal Varga.

1.1.6.2 Auditing the Fund

In accordance with section 109 of the Act, financial and accounting audits of the Fund are performed by the State Audit Office.

1.2 Financial and economic environment

In 2010, the 0.9% growth seen in Q1-Q3 projects a probability of annual dynamics around 1.2% – not seen for years. Over the year, it was only the production of sectors and companies producing products and providing services to external markets that grew; however, in the second half of the year, domestic sales started to rise in certain sectors, too. For the whole year, growth may reach 1.5%.

Currently, Hungary has a favourable image in terms of equilibrium indicators, particularly in international comparison. Through the government's temporary measures aimed at increasing the revenues, the original public finance deficit target of 3.8% was successfully achieved. The new government's tax-related measures resulted in a revenue surplus equal to 1% of the GDP. The foreign trade balance also shows a significant excess around EUR 5.5 bn.

The majority of the public debt (approx. 60%) is financed from foreign funds, partly in HUF and partly in foreign currencies. It is a fundamental factor of external dependence in the Hungarian economy.

The state budget for 2011 projects a target deficit of 2.9%. Despite the considerable tax reduction, the expenditures are expected to comply with the plans.

Following an annual inflation rate of 4.8% in 2010, it may formulate around 3.8% in 2011.

The two propulsive sectors will be industry and construction industry. Assuming average weather conditions, agricultural production will grow fast. Retail turnover will see a 2% increase. Lending activity of banks will hardly expand.

The economy may see a growth rate around 3%. The foreign trade surplus may exceed the previous year's EUR 5.5 bn.

The rise in the number of employees will equal the decrease seen in 2010. The unemployment rate will be down from 11.5% to 11%. Capital investments will be up by 4% in 2011.

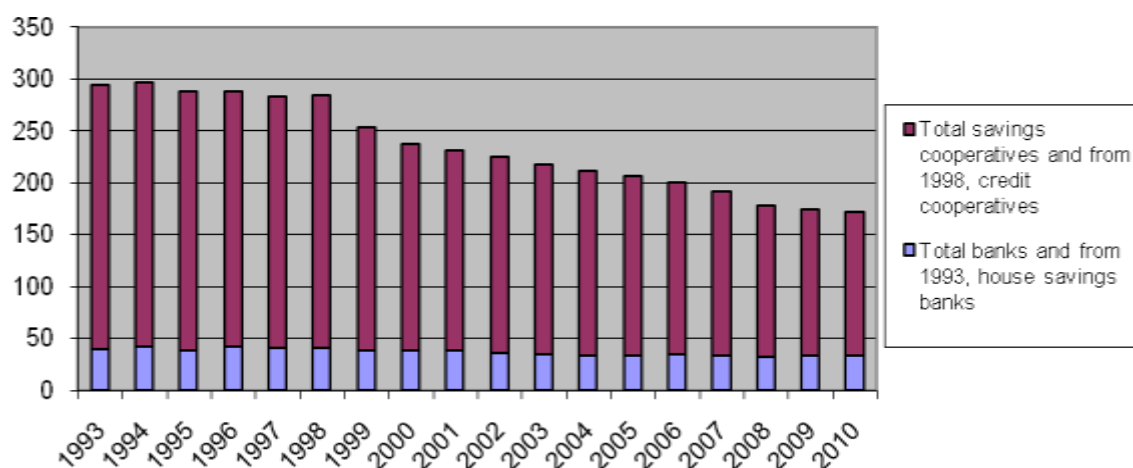
In general, gross wages, net wages and real wages will grow by 3.5%, 6-6.5% and 2.5%, respectively. The gross rate of savings will rise to 6% parallel to the growth in households' financial assets.

Economic growth will outperform that of the EU average. The economy will continue to be driven by exports; however, it is a favourable change that capital investments and consumption are on an increasingly dynamic rise.

1.2.1 The number of member institutions

As of the start of 2010, the Fund had 174 members, including 34 banks and specialised credit institutions (two of which were house savings banks), 135 savings cooperatives and 5 credit cooperatives. During the year 2010, the number of Fund members decreased by two. During the year, one savings cooperative merged with another, and the Supervision withdrew the operating licence of one credit cooperative.

Accordingly, the Fund had a membership of 172 credit institutions as of 31 December 2010, of which 34 were commercial banks and specialised credit institutions (including two house savings banks), 134 savings cooperatives and 4 credit cooperatives,



1.2.2 Trends and composition of savings and deposits

The total savings deposited with credit institutions – based on the premium returns – amounted to HUF 16,937 billion in early 2010, which represents a growth of over HUF 411 billion (2.5%) over the previous year's figure. The distribution of savings per credit institution type was similar to that of the previous year, 92% was deposited with the bank and house savings bank sector, and 8% in the cooperative sector.

Table 1 shows that savings deposits decreased within the HUF 411 billion increase in savings. Contrary to the tendencies seen in the previous years, the (insured) bank securities (bonds) did not grow in 2010.

The weight of deposits remains crucial (over 80%), while the weight of savings deposits keeps decreasing year by year.

Savings deposited with credit institutions in HUF billion

Table No. 1

Description	At the start of 2009	At the start of 2010	2009=100 %
Deposits	13,998	14,474	1.03
Of which: saving deposits	684	657	0.96
other deposits	13,313	13,817	1.04
Securities	2,258	2,238	0.99
Interest payable	271	226	0.83
TOTAL	16,526	16,937	1.02

Table 2 illustrates the breakdown of the totals in the previous table by member institution type (data in HUF billion):

Table No. 2

2010.01.01		Banks and home savings banks	%	Savings co-operatives and credit co-operatives	%
Deposits		13,280	91.8	1,193	8.2
Of which:	saving deposits	213	32.4	444	67.6
	other deposits	13,067	94.6	749	5.4
Securities		2,099	93.8	139	6.2
Interest payable		207	91.6	19	8.4
TOTAL		15,586	92.0	1,351	8.0

1.2.3 Distribution of savings by type of protection

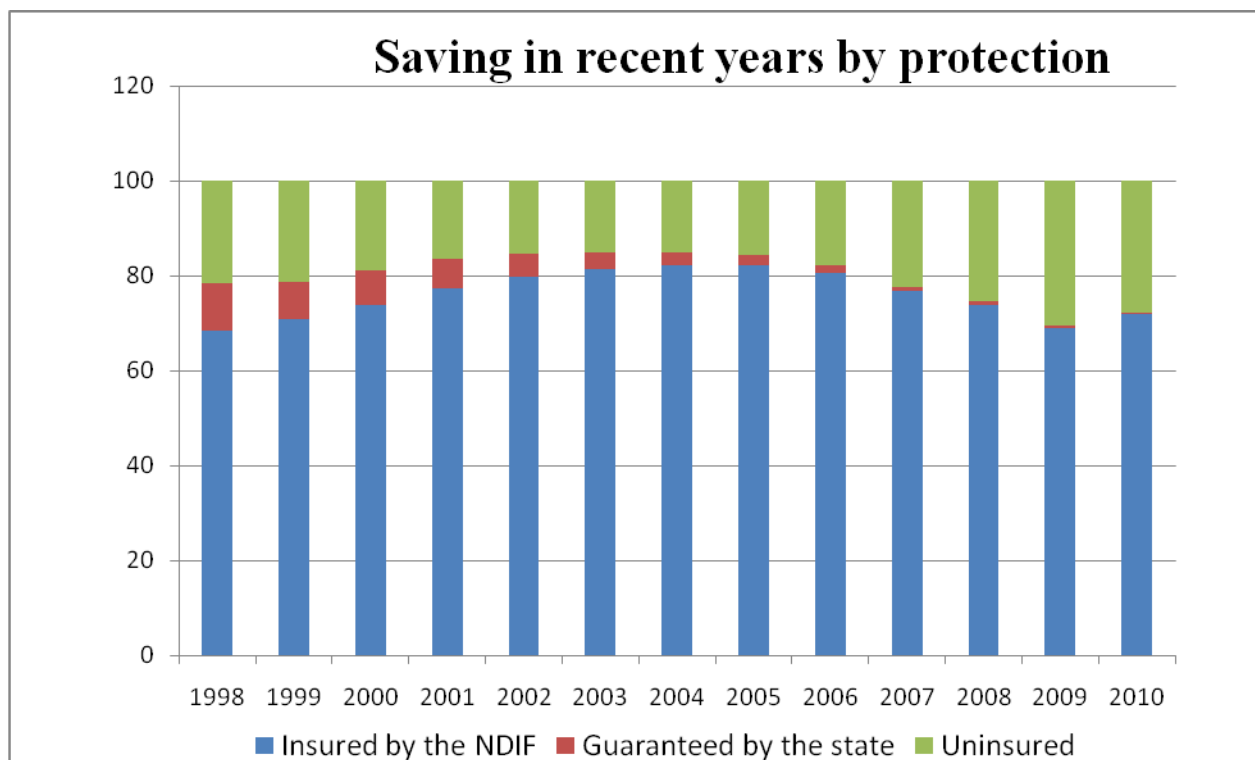
Unlike in the previous years, the ratio of insured deposits did not decrease, but it increased by 2.9%, reaching 72% by the beginning of 2010.

It is observable that by 2010, the decreasing securities portfolio was coupled with 9-percentage point NDIF protection for securities, compared to the previous year's figure.

Distribution of savings by type of protection

Table No. 3 (data in percentage)

Description	Opening 2009			Opening 2010		
	Insured by NDIF	Guaranteed by the State	Not insured	Insured by NDIF	Guaranteed by the State	Not insured
Description	77.7	0.5	21.8	78.8	0.4	20.8
Deposits	92.5	6.3	1.3	93.3	5.4	1.3
Of which: saving deposits	77.0	0.2	22.8	78.1	0.2	21.7
other deposits	17.2	0.5	82.3	28.2	0.4	71.4
Securities	48.2	1.0	50.8	62.4	1.2	36.4
Interest payable	69.0	0.5	30.5	71.9	0.4	27.7



1.2.4 Compensation obligations of the Fund

The NDIF's premium base, i.e. the increment of the insured savings grew in excess of the total HUF 411 billion growth in savings presented earlier by *HUF 777 billion (6.8%)*. The NDIF's *indemnification obligation* grew by HUF 392 billion by 2010, and amounted to *HUF 7,551 billion*. It stemmed from a growing portion insured by the NDIF within savings, and, to a smaller extent, from the adjustment of the indemnification limit to the year-end EUR exchange rate upon disclosing data for the premium return, which caused a limit growth of half a million HUF.

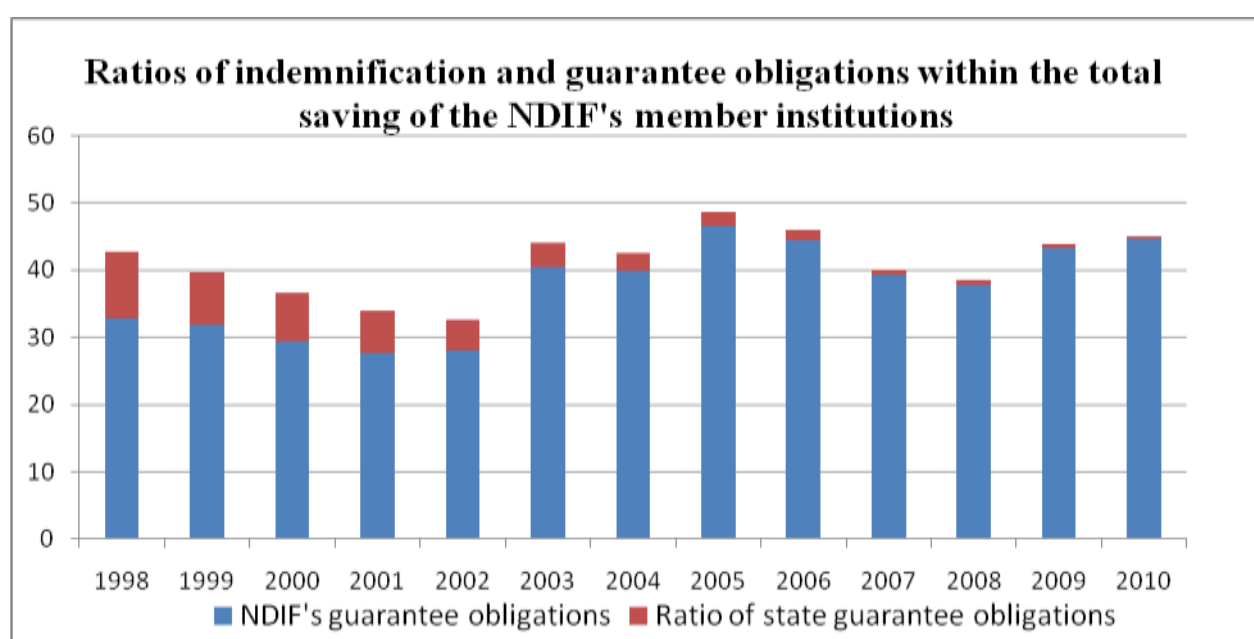
Also considering the increasingly restricted state guarantee, the indemnification and guarantee obligation extends to 45% of the total savings in credit institutions.

Compensation and guarantee obligations for savings held in credit institutions

Table No. 4

Description	At the beginning of the insurance year	Insured by NDIF	Guaranteed by the State	Not insured or guaranteed	Total (%)
Distribution of total savings by protection type	1993	44.2	32.5	23.3	100.0
	2000	73.9	7.2	18.9	100.0
	2005	82.3	2.1	15.6	100.0
	2006	80.7	1.5	17.8	100.0
	2007	76.8	0.9	22.3	100.0
	2008	73.9	0.7	25.4	100.0
	2009	69.0	0.5	30.5	100.0
	2010	71.9	0.4	27.7	100.0
Ratio of compensation or guarantee obligations for the NDIF within the insured* and the guaranteed balance	1993	n.a.*	100.0	0	-
	2000	39.8	100.0	0	-
	2005	56.6	100.0	0	-
	2006	55.1	100.0	0	-
	2007	51.1	100.0	0	-
	2008	51.1	100.0	0	-
	2009	62.8	100.0	0	-
	2010	62.0	100.0	0	-
Ratio of compensation or guarantee obligations within total savings kept in NDIF member institutions	1993	n.a.	32.5	0	n.a.
	2000	29.4	7.2	0	36.6
	2005	46.6	2.1	0	48.7
	2006	44.5	1.5	0	46.0
	2007	39.2	0.9	0	40.1
	2008	37.8	0.7	0	38.5
	2009	43.3	0.5	0	43.8
	2010	44.6	0.4	0	45.0

*The insured balance equals to the NDIF premium base



The number of insured deposits grew to almost two-fold. Accordingly, the *average deposit decreased* from HUF 535 thousand to HUF 294 thousand (46%). This decrease, however, was due to

technical reasons; from 2010 on, the member institutions cannot consolidate for customers, not even by deposit group. This is why they disclose the actual number of deposits. (In the previous years, the member institutions were permitted to consolidate for customers by savings type, which was favourable to them at the time of using different premium rates for classes.)

Starting from 2010, the member institutions are to disclose the data consolidated for depositors within the premium base on submitting their premium returns. Based on that – in order to facilitate more accurate planning of the NDIF's indemnification obligation – three depositor classes are distinguished (depositors holding deposits between HUF 0 and 13.5 million, HUF 13.5 and 27 million and above HUF 27 million). Within the premium base, 50% was below HUF 13.5 million, 40% above HUF 27 million, and the depositors in the middle class represented 10%.

Distribution of savings insured by the NDIF by deposit class in 2010

Table No. 5

Deposit classes	Total			Banking sector			Cooperative sector		
	HUF bn	%	1000	HUF bn	%	1000	HUF bn	%	1000
HUF 0 to 13.5 million	6,128	50.4	9,593	5,086	46.8	7,895	1,042	80.6	1,697
HUF 13.5 to 27 million	1,221	10.0	65	1,104	10.2	59	117	9.0	6
Above HUF 27 million	4,823	39.6	40	4,688	43.0	38	134	10.4	3
Total	12,172	100.0	9,698	10,878	100.0	7,992	1,294	100.0	1,706
Average deposit amount per client, HUF thousand	1,255			1,361			758		

1.3 The Fund's revenue from premiums

The Fund's own source of revenue (Section 119 of the Act on Credit Institutions) consists of one-off admission fees, regular and extraordinary payments received from member institutions, yields from the Fund's investments, eighty percent of fines collected from credit institutions by the Supervision, as well as a portion of receivables transferred to the Fund, and, in addition, the Fund may borrow loans.

a) Admission fees

Credit institutions that have been licensed to raise deposits are required to pay a one-off admission fee to the Fund upon becoming a member institution. The admission fee equals 0.5 % of the member institution's registered capital. In 2010, no such HUF revenue was earned.

b) Annual premium payment

As specified by Sections 121 (1) and (2) of the Act, the upper limit for the statutory annual regular premium to be paid by members is two per mill of the deposit portfolio of the member institution insured by the Fund as of 31 December of the year preceding the relevant year. This statutory limit has not been fully used by the Fund yet.

The average premium rate for deposit insurance significantly decreased between 2000 and 2004, then it stagnated low in the following two years, and in 2008, it dropped to a half. From 2009 on, we introduced a uniform 0.2 per mill premium rate based on the resolution of the NDIF Board of Directors. The NDIF's Board of Directors voted in approval of the uniform premium rate of 0.2 per mill for 2010 too, which means that the average premium rate equals the premium rate.

The table below demonstrates in a breakdown by sector how the premium payable relates to the theoretical indemnification obligation in a given credit institution sector (specific premium).

Dynamics of the specific premiums in 2010

Table No. 6

Credit institution	Premium paid in 2009 (HUF million)	Premium paid in 2010 (HUF million)	Theoretical indemnification obligation /HUF 1000 HUF	
			2009	2010
Bank	1,972	2,116	0.34	0.35
Savings co-operative	252	256	0.22	0.22
Home savings bank	52	60	0.20	0.20
Credit co-operative	3	3	0.22	0.23
Grand total	2,279	2,435	0.32	0.32

* The data do not contain deviations originating from preferential or increased premiums and from adjustments due to the preceding years. The balance sheet data contains a balance of the listed items.

In 2010 the average premium on every HUF 1,000 of the deposit insurance indemnification amount with credit institutions is HUF 0.32.

c) Increased premiums and preferential premiums

Besides the regular yearly payment obligations, the Fund may also set increased and preferential rates. An increased premium can be charged if a member institution did not comply with the prescribed solvency ratio, or carried out particularly risky activities. (Sections 121 (6) and (7) of the Act). On this account, the Board of Directors set an increased premium in 2010 for two member institutions. A total of HUF 228 thousand was received under this title.

Preferential premiums are granted to member institutions that are members of voluntary deposit protection or institution protection funds licensed by the Supervision, referenced in subsection (1) of Section 121 of the Act. In 2010, no preferential premium was requested by the member institutions.

1.4 Fund ratio

The fund ratio is the internationally accepted indicator of the asset position or “sufficiency” of deposit insurance institutions, which fund ratio compares the liquid assets of the Fund to the theoretical compensation obligations of the Fund towards member institutions, as of the same date.

The assets available for indemnifying depositors in the case of bankruptcy of a credit institution derive basically from two sources of revenue: deposit insurance premiums paid by member institutions in the relevant year and yields of accumulated premiums invested in government securities.

The NDIF assets available to indemnify depositors were on the rise due to the yields in excess of the inflation rate generated in on investments. At the turn of 2009/2010, the market value of the assets amounted to HUF 83 billion. At the beginning of 2010, the NDIF used HUF 3.2 billion on indemnification, but it had no considerable impact on the NDIF’s assets.

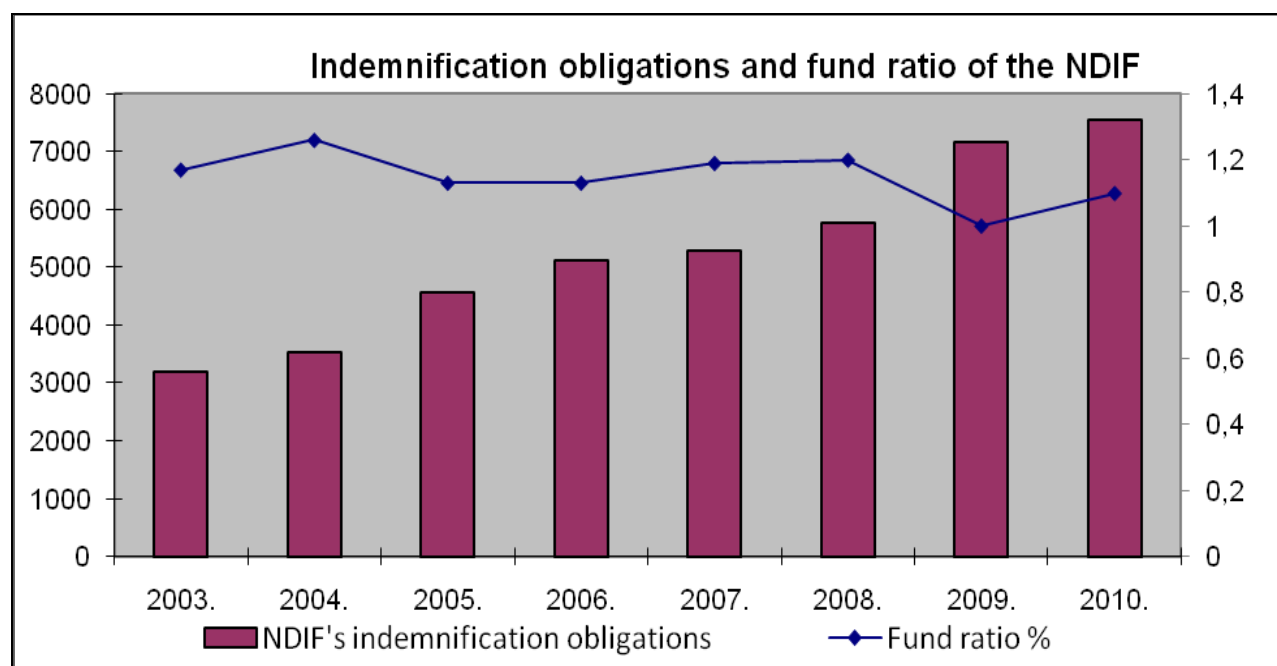
The NDIF's fund ratio hardly changed, the compensation obligation grew considerably, still, a considerable portion of all savings was not subjected to deposit insurance besides an increasing compensation obligation, and the assets of the NDIF also grew.

Dynamics of the fund ratio between 2003 and 2010

Table No. 7

Description	2003 actual	2004 actual	2005 actual	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual
NDIF compensation obligation ((in HUF billion)	3,186	3,521	4,551	5,104	5,288	5,761	7,159	7,551
NDIF's assets (in HUF billion)*	37.4	44.3	51.5	57.8	63.1	69	71.6	83
Fund ratio %	1.17	1.26	1.13	1.13	1.19	1.2	1.0	1.1
Average premium rate (per mill)	0.21	0.20	0.20	0.19	0.18	0.09	0.2	0.2

* Market value including interest of the NDIF's liquid assets represented by securities – as at the end of the year preceding the relevant year (opening value in the relevant year)



1.5 Explanation to balance sheet items

1.5.1 Intangible assets

a) Content:

- software

b) Structure

Table No. 8

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year
				In HUF thousand	%	%
Capitalized value of formation and transformation	0	0	0	0	0.00	0.00
Rights	0	0	0	0	0.00	0.00
Intellectual property	34,719	0	37,508	2,788	8.03%	100.00%
- software owned	34,719		37,508	2,788	8.03%	100.00%
Advance payments on intangible assets	0	0	0	0	0.00	0.00
Revaluation of intangible assets	0	0	0	0	0.00	0.00
Total:	34,719	0	37,508	2,788	8.03%	100.00%

d) Priority changes in balances:

Table No. 9

Description / in HUF thousand	opening	addition	decrease	reclassification	closing
GROSS VALUE	112,859	15,183	990	0	127,052
Intellectual property	112,859	15,183	990	0	127,052
- software	112,859	15,183	990	0	127,052
	78,139	12,395	990	0	89,544
DEPRECIATION	78,139	12,395	990	0	89,544
Intellectual property	78,139	12,395	990	0	89,544
- software	34,720	2,788	0	0	37,508
	34,720	2,788	0	0	37,508
NET VALUE	34,720	2,788	0	0	37,508
Intellectual property					
- software					

Intangible assets – balance movements by type

Table No. 10

Description / in HUF thousand	2009	2010
Intangible assets		
ADDITIONS	4,875	15,183
- purchase	4,875	15,183
	10,747	12,395
DISPOSALS	10,747	12,395
- depreciation		

Intangible assets – balance movements in depreciation as specified in the accounting act

Table No. 11

Description / in HUF thousand	opening	additions	disposals	reversal	closing
DECREASE IN DEPRECIATION	78,139	12,395	990	0	89,544
PROJECTED	78,139	12,395	990	0	89,544
- linear	78,139	12,395	990	0	89,544

1.5.2 Tangible assets

a) Content:

- rented buildings,
- equipment,
- IT,
- vehicle.

Structure:

Table No. 12

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year
				In HUF thousand	%	%
Rights related to land and buildings	104	0	1,130	1,026	986.54%	7.54%
- plot of land, land allotment	3		3	0	0.00%	0.02%
- buildings, parts of buildings	101		1,127	1,026	10 158.41%	7.52%
Equipment, fittings, vehicles	17,452	0	13,856	-3,596	-20.61%	92.46%
- office technology equipment	1,928		1,141	-787	-40.82%	7.61%
- vehicles	8,860		8,394	-466	-5.26%	56.01%
- IT equipment	5,918		3,979	-1,939	-32.76%	26.55%
- furniture	439		239	-200	-45.56%	1.59%
- other	307		103	-204	-66.45%	0.69%
Total:	17,556	0	14,986	-2,570	-14.64%	100.00%

d) Priority changes in balances:

Table No. 13

Description / in HUF thousand	opening	addition	decrease	reclassification	closing
GROSS VALUE	70,285	4,806	9,363	0	65,728
Rights related to land and buildings	4,700	1,111			5,811
Equipment, fittings, vehicles	65,585	1,292	6,960		59,917
Capital projects in progress		2,403	2,403		0
DEPRECIATION	52,728	4,973	6,960	0	50,741
Rights related to land and buildings	4,596	85			4,681
Equipment, fittings, vehicles	48,132	4,888	6,960		46,060
NET VALUE	17,557	-167	2,403	0	14,987
Rights related to land and buildings	104	1,026	0	0	1,130
Equipment, fittings, vehicles	17,453	-3,596	0	0	13,857
Capital projects in progress	0	2,403	2,403	0	0

Tangible assets – balance movements by type

Table No. 14

Description / in HUF thousand	2009	2010
Tangible assets		
ADDITIONS	23,470	2,403
- purchase	5,020	2,403
- other additions	18,450	0
DISPOSALS	4,302	4,973
- depreciation	4,302	4,953
- impairment	0	20

Tangible assets – balance movements in depreciation as specified in the Accounting Act

Table No. 15

Description / in HUF thousand	opening	addition	decrease	reversals	closing
DECREASE IN DEPRECIATION	52,728	4,973	6,960	0	50,741
PROJECTED	52,728	4,953	6,940	0	50,741
- linear	51,202	4,445	6,263		49,384
- single-amount	1,526	508	677		1,357
IMPAIRMENT	0	20	20		0
- asset disposal	0	20	20		0

Tangible assets – indicators

Table No. 16

Description	2009 %	2010 %	change %
Proportion of assets:	33.58%	28.55%	-14.98%
Asset ratio:	0.02%	0.02%	0.00%
Attrition level:	24.98%	22.80%	-8.72%
Coverage ratio of tangible assets:	484,586.21%	605,708.23%	24.99%
Efficiency ratio of tangible assets:	13,195.51%	16,432.12%	24.53%

Financial investments

The Fund holds no financial investments.

1.5.3 Inventories

a) Content:

- goods

b) Structure:

Table No. 17

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year
				In HUF thousand	%	
Raw materials	0	0	0	0	0.00	0.00
Goods						
- commercial goods	100	0	100	0	0.00	100.00
Total:	100	0	100	0	0.00	100.00

1.5.4 Receivables

a) Content:

- receivables from member institutions,
- receivables from credit institutions,
- other receivables

b) Structure:

Table No. 18

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year
				In HUF thousand	%	%
Receivables from member institutions	23,306	0	337,449	314,143	1,347.91%	99.93%
= receivables transferred due to deposit with- drawals	262,126		3,403,555	3,141,429	1,198.44%	1,007.95%
= depreciation reversal of receivables trans- ferred due to deposit withdrawals	-238,820		3,066,106	-2,827,286	-1,183.86%	-908.02%
= accessory costs due to deposit withdrawals	16,690		28,738	12,048	72.19%	8.51%
= depreciation reversal of accessory costs due to deposit withdrawals	-16,690		-28,738	-12,028	-72.19%	-8.51%
Other receivables from credit institutions	0	0	0	0	0.00%	0.00%
- due to guarantee and redemption of onerous obligations				0	0.00%	0.00%
- depreciation reversal due to guarantee and redemption of onerous obligations				0	0.00%	0.00%
Other receivables:	696	0	221	-475	68.25%	0.07%
- Accounts receivable	0		0	0	0.00%	0.00%
- Interest-free housing loans	378		0	-348	-100.00%	0.00%
- Advances paid	100		0	-100	-100.00%	0.00%
- Reclassified tax payment obligations	218		210	-8	3.67%	0.06%
- Other receivables	0		11,	11	0.00%	0.01%
Total:	24,002	0	337,670	313,668	1,306.84%	100.00%

Receivables – balance certificates

Table No. 19

Description / in HUF thousand	2009	2010
Trade debtors	23,306	337,449
- from the outstanding balance	23,306	337,449
= not disputed	23,306	337,449
- from the outstanding balance	23,306	337,449
= months 0 - 3	23,306	337,449
Various other receivables	696	221
- from the outstanding balance	696	221

c) Priority balance certificates:

Change in depreciation in accordance with the Accounting Act:

Table No. 20

Description / in HUF thousand	Accounting Act opening	additions	disposals	reversal	Accounting Act closing
Receivables from member institu- tions	255,510	2,839,333			3,094,843
Total	255,510	2,839,333	0	0	3,094,843

Amount of receivables to be collected per member institution:

Table No. 21

Description In HUF thousand	receivable amount	onerous obli- gations	depreciation opening	depreciation closing	closing book value
Heves és Vidéke Tksz. deposits	262,126	0	238,820	238,820	23,306
Heves és Vidéke Tksz. incidental costs	16,690	0	16,690	16,690	0
Általános Közlekedési Hit. deposits	3,141,428	0	0	2,827,285	314,143
Általános Közlekedési Hit. incidental costs	12,048	0	0	12,048	0
Total:	3,432,292	0	255,510	3,094,843	337,449

Receivables transferred to the Fund per member institution:

Table No. 22

Description In HUF thousand	Frozen depos- its amount	Disbursements in the relevant year			Amount of disbursements		
		total	principal			total	principal
Heves és Vidéke Takarékszövetkezet	1,389,090	0	0	0	262,126	262,126	0
Általános Közlekedési Hitel- szövetkezet	3,288,532	3,141,428	3,098,293	43,135	3,141,428	3,098,293	43,135
Total:	4,677,622,	3,141,428,	3,098,293,	43,135,	3,403,555,	3,360,420,	43,135,

1.5.5 Securities

a) Content:

- government bonds.
- discount treasury bills (T-bills)
- NBH bonds.

b) Structure:

Table No. 23

Description In HUF thousand	2009	effect of revision	2010	change		Composition for the rele- vant year %
				In HUF thousand	%	
Government securities	82,829,242	0	84,640,918	1,811,676	2.19%	96.11%
- domestic government securities	82,829,242	0	84,640,918	1,811,676	2.19%	96.11%
= Hungarian government bonds	74,862,527	0	68,066,043	-6,796,484	-9.08%	77.29%
= discount treasury bills	7,966,715	0	16,574,875	8,608,160	108.05%	18.82%
- Other securities	0	0	3,427,153	3,427,153	0.00%	3.89%
= NBH bonds	0	0	3,427,153	3,427,153	0.00%	3.89%
Total:	82,829,242	0	88,068,071	5,238,829	6.32%	100.00%

Securities – balance movements

Table No. 24

Description / in HUF thousand	opening	additions	disposals	closing
GROSS VALUE	82,829,242	279,052,987	273,814,158	88,068,071
Government securities	82,829,242	154,648,131	152,836,455	84,640,918
- domestic government securities	82,829,242	154,648,131	152,836,455	84,640,918
= Hungarian government bonds	74,862,528	107,050,807	113,847,292	68,066,043
= discount T-bills	7,966,714	47,597,324	38,989,163	16,574,875
Other securities	0	124,404,856	120,977,703	3,427,153
- NBH bonds		124,404,856	120,977,703	3,427,153
DEPRECIATION	0	0	0	0
NET VALUE	82,829,242	279,052,987	273,814,158	88,068,071
Government securities	82,829,242	154,648,131	152,836,455	84,640,918
- domestic government securities	82,829,242	154,648,131	152,836,455	84,640,918
= Hungarian government bonds	74,862,528	107,050,807	113,847,292	68,066,043
= discount T-bills	7,966,714	47,597,324	38,989,163	16,574,875
Other securities	0	124,404,856	120,977,703	3,427,153
- NBH bonds	0	124,404,856	120,977,703	3,427,153

Securities – balance movements by type

Table No. 25

Description / in HUF thousand	2009	2010
Securities		
ADDITIONS	244,318,549	279,052,987
- purchase	244,318,549	279,052,987
DISPOSALS	230,488,577	273,814,158
- sale	230,488,577	273,814,158

c) Priority balance certificates:

Change in depreciation in accordance with the Accounting Act: -.

Differences between purchase and face values:

Table No. 26

Description In HUF thousand	Purchase value on ac- quisition	Face value on acquisition	2009 market value	2009 audited value
Hungarian government bonds	68,066,042	71,207,880	68,066,042	68,066,042
Discount treasury bills	16,574,875	17,059,010	16,574,875	16,574,875
NBH bonds	3,427,154	3,432,020	3,427,154	3,427,154
Total:	88,068,071	91,698,910	88,068,071	88,068,071

Securities – indicators

Table No. 27

Description	2009 %	2010 %	change %
Proportion of securities:	99.97%	99.59%	-0.38%
Ratio of securities:	96.53%	96.84%	0.32%
Short-term liquidity III:	11,384.76%	92,066.58%	708.68%

1.5.6 Liquid assets

a) Content:

- cash,
- bank accounts.

b) Structure:

Table No. 28

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year %
				In HUF thousand	%	
Cash	160	0	176	16	10.00%	0.62%
Bank deposits	1,754	0	28,426	26,672	1,520.64%	99.38%
Total	1,914	0	28,602	26,688	1,394.36%	100.00%

1.5.7 Prepaid expenses

a) Content:

- due to revenues,
- due to expenses.

b) Structure:

Table No. 29

Description in HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year %
				In HUF thousand	%	
Total accrued income	2,896,092	0	2,449,634	-446,458	-15.42%	99.92%
- accrued income	20,817		8,016	-12,801	-61.49%	0.32%
- accrued interest	2,875,275		2,441,618	-433,657	-15.08%	99.60%
Prepayment of costs and expenses	2,087	0	1,859	-228	-10.92%	0.08%
- prepaid costs	2,087		1,859	-228	-10.92%	0.08%
Total	2,898,179	0	2,451,493	-446,686	-15.41%	100.00%

d) Comments:

Effect of the proportion of exchange gain for the year on purchasing interest-bearing securities:
HUF 2 441 618.

1.5.8 Provisions

No provisions were accumulated.

1.5.9 Long-term liabilities

The Fund does not have any long-term liabilities.

1.5.10 Short-term liabilities

a) Content:

- liabilities towards depositors,
- other liabilities.

b) Structure:

Table No. 30

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year %
				In HUF thousand	%	
Liabilities towards depositors	78,053	0	78,053	0	100.00%	81.57%
- other deposit insurance liabilities	78,053		78,053	0	100.00%	81.57%
Other short-term liabilities	649,509	0	17,635	-631,873	-97.28%	18.43%
- Trade creditors	1,122		10,690	9,568	852.76%	11.17%
- Liabilities towards the central budget	117	0	6,945	6,828	5,835.90%	7.26%
= other taxes	117		6,945	6,828	5,835.90%	7.26%
- Other short-term liabilities	648,269		0	-648,269	-100.00%	0.00%
Total:	727,561	0	95,688	-631,873	-86.85%	100.00%

Short-term liabilities – balance movements

Table No. 31

Description / In HUF thousand	2009	2010
Liabilities towards depositors		
- other deposit insurance liabilities	78,053	78,053
outstanding as of the report date	78,053	78,053
Other short-term liabilities		
Trade creditors		
- settled up to the report date	1,122	10,690
paid up to the report date	1,122	10,690
- settled up to the report date	649,509	17,635
paid up to the report date	649,509	17,635

1.5.11 Accrued expenses

a) Content:

- costs,
- due to deferred revenues.

b) Structure:

Table No. 32

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year %
				In HUF thousand	%	
Accrued income	0	0	0	0	0.00%	0.00%
Accrued costs and expenses	4,196	0	71,307	67,111	1,599.40%	100.00%
- accrued costs	4,196		71,307	67,111	1,599.40%	100.00%
Total	4,196	0	71,307	67,111	1,599.40%	100.00%

1.5.12 Equity

a) Content:

- registered capital,
- reserves,
- profit/loss for the relevant year.

b) Structure:

Table No. 33

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year %
				In HUF thousand	%	
Registered capital	886,082	0	896,082	0	0.00%	0.99%
Reserves	70,725,129	0	84,177,873	13,452,744	19.02%	92.74%
Revaluation reserve	0	0	0	0	0.00%	0.00%
Retained profit for the relevant year	13,452,744	0	5,697,480	-7,755,264	-57.65%	6.27%
Total	85,073,955	0	90,771,435	5,697,480	6.70%	100.00%

Equity – calculation of the reserve

Table No. 34

Legal titles in HUF thousand	2009	Effect of revision	2010
Opening reserves	68,144,325		70,725,129
Changes in the relevant year	2,580,804		13,452,744
Closing reserves	70,725,129		84,177,873

1.6 Explanation to the items of the profit and loss statement

Profit and loss account per operating activity:

Table No. 35 (data In HUF thousand)

	Description	Deposit Insurance		Asset management		Operation		Total	
		2009	2010	2009	2010	2009	2010	2009	2010
1	Premium revenue from member institutions	2,280,203	2,435,030	0	0	0	0	2,280,203	2,435,030
2	Premium revenue from claims collected on behalf of depositors	0	0	0	0	0	0	0	0
3	Commission revenue from disbursement of deposits insured with state guarantee	0	86	0	0	0	0	0	86
4	Revenue from other deposit insurance	36,400	27,401	0	0	0	0	36,400	27,401
I.	Revenues from deposit insurance (01+02+03+04)	2,316,603	2,462,517	0	0	0	0	2,316,603	2,462,517
II.	Other revenues	8,065	50,642	0	0	255	249	8,320	50,891
III	Revenues from other than deposit insurance	0	0	0	0	0	0	0	0
IV	Revenues from financial transactions	0	0	12,529,322	7,034,960	0	0	12,529,322	7,034,960
V	Extraordinary revenues	0	0	0	0	0	0	0	0
5	Expenses related to the disbursement of frozen deposits	0	0	0	0	0	0	0	0
6	Expenses related to receivables collected on behalf of depositors	0	0	0	0	0	0	0	0
7	Expenses incurred on disbursement of deposits guaranteed by the state	0	0	0	0	0	0	0	0
8	Other expenses of deposit insurance	337	2,839,333	0	0	0	0	337	2,839,333
VI	Expenses of deposit insurance (05+06+07+08)	337	2,839,333	0	0	0	0	337	2,839,333
VII	Other expenses	0	0	0	0	521	590	521	590
VIII	Expenses of other than deposit insurance	0	0	0	0	0	0	0	0
IX	Expenses of financial transactions	0	0	1,166,382	791,357	0	0	1,166,382	791,357
X	Extraordinary expenses	0	0	0	0	0	0	0	0
9	Material type expenses	0	0	0	0	76,826	80,639	76,826	80,639
10	Personnel expenses	0	0	0	0	142,386	121,622	142,386	121,622
11	Depreciation write-off	0	0	0	0	15,049	17,347	15,049	17,347
XI	Operating costs (09+10+11)	0	0	0	0	234,261	219,608	234,261	219,608
A	RETAINED PROFIT FOR THE YEAR (I+II+III+IV+V-VI-VII-VIII-IX-X-XI)	2,324,331	-326,174	11,362,940	6,243,603	-234,527	-219,949	13,452,744	5,697,480

1.6.1 Revenues from deposit insurance and other revenues

a) Content:

- premium revenue from member institutions,
- other income derived from deposit insurance,
- other income.

b) Structure:

Table No. 36

Description In HUF thousand	2009	Effect of revision	2010	table		Composition for the relevant year %
				In HUF thousand	%	
Premium revenue from member institutions	2,280,203	0	2,435,030	145,914	6.30%	96.88%
- standard premium revenue	2,280,203		2,434,802	154,827	6.79%	96.88%
- increased premium revenue			228	228	0.00%	0.01%
- premium reimbursement				0	0.00%	0.00%
Premium revenue from claims collected on behalf of depositors	0	0	0	0	0.00%	0.00%
Commission revenue from disbursement of deposits insured with state guarantee	0	0	86	86	0.00%	0.00%
Other revenue from deposit insurance	36,400	0	27,400	-9,000	-24.72%	1.08%
- revenue from sale of assets received in return for claims				0	0.00%	0.00%
- reversal of depreciation related to deposit insurance				0	0.00%	0.00%
- HFSA (PSZAF) fines	36,400		27,400	-9,000	-24.73%	1.09%
- other revenue from deposit insurance	0		0	0	0.00%	0.00%
Other revenues	8,320	0	50,891	42,571	511.67%	2.02%
Total	2,324,923	0	2,513,408	188,485	8.11%	100.00%

1.6.2 Operating costs, expenses

a) Content:

- cost types,
- other expenses.

b) Structure:

Table No. 37

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the relevant year %
				In HUF thousand	%	
Expenses from deposit insurance	337	0	2,839,333	2,838,996	842,432.05%	92.80%
- other expenses from deposit insurance	337	0	2,839,333	2,838,996	842,432.05%	92.80%
Expenses from other than deposit insurance	0	0	0	0	0.00%	0.00%
Cost types						
- materials	76,826	0	80,639	3,813	4.96%	2.64%
= cost of materials	4,080	0	4,461	381	9.34%	0.16%
= material type of services used	68,811	0	72,510	3,699	5.38%	2.37%
= other services	3,935	0	3,668	-267	-6.79%	0.12%
- payroll expenses	142,386	0	121,622	-20,764	-14.58%	3.98%
- depreciation	15,049	0	17,347	2,298	15.27%	0.57%
Other expenses	521	0	590	69	13.24%	0.02%
Total	235,119	0	3,059,531	2,824,412	1,201.27%	100.00%

Priority changed in balances:

Table No. 38

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year %
				In HUF thousand	%	
Services used						
- transportation, loading, warehousing, packaging	3,166		3,707	541	17.09%	5.11%
- renting and hiring fees	1,667		1,713	46	2.76%	2.36%
- maintenance costs	2,079		2,284	205	9.86%	3.15%
- postage and telecommunications services	6,200		5,218	-982	-15.84%	7.20%
- training and further training	429		416	-13	-3.03%	0.57%
- advertising, publicity and propaganda services	0		899	899	0.00%	1.24%
- business travels, secondment costs	5,894		7,534	1,640	27.82%	10.39%
- membership premiums	2,337		2,486	149	6.38%	3.43%
- auditor's fee	2,516		2,565	49	1.95%	3.54%
- expert services	28,454		26,145	-2,309	-8.11%	36.06%
- specific services to the company activity	246		294	48	19.51%	0.41%
- other services used	15,823		19,249	3,426	21.65%	26.55%
Total	68,811	0	72,510	3,700	5.38%	100.00%

Table No. 39

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year %
				In HUF thousand	%	
Other services						
- insurance premiums	2,817		1,569	-1,248	-44.30%	42.78%
- banking costs	1,118		1,620	502	44.90%	44.17%
- authority fees	0		479	479	0.00%	13.05%
Total	3,935	0	3,668	-267	-6.79%	100.00%

Table No. 40

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year %
				In HUF thousand	%	
Other expenses:	521		590	69	13.24%	100.00%
- impairment	0		20	20	0.00%	3.39%
- without taxes, contributions and innovation contributions	429		470	-41	9.56%	79.66%
- motor vehicle weight tax	73		70	-7	9.59%	11.86%
- fines, penalties, late payment interest imposed by APEH and Social Security	6		0	0	0.00%	0.00%
- other, non-priority	13		30	17	130.77%	5.09%
Total:	521		590	69	13.24%	100.00%

c) Comment:

Priority changes in balances: -.

1.6.3 Results of financial activities

a) Content:

- revenue from financial transactions,
- expenses of financial transactions.
-

b) Structure:

Table No. 41

Description In HUF thousand	2009	Effect of revision	2010	change		Composition for the rele- vant year %
				In HUF thousand	%	
Revenues from financial activity						
Interest received	6,400		8,878	2,478	38.72%	0.13%
Revenues from financial transactions	12,522,922	0	7,026,081	-5,496,841	-43.89%	99.87%
- exchange rate gains on investments in for- eign currency	28		6	-22	-78.57%	0.00%
- profit on Hungarian government bonds	12,522,894	0	7,026,075	-5,496,819	-43.89%	99.87%
= exchange gains on Hungarian government bonds	5,318,707		1,415,302	-3,903,405	-73.39%	20.12%
= profit from interest on Hungarian gov- ernment bonds	4,858,163		4,789,349	-68,814	-1.42%	68.08%
= exchange gains on discount treasury bills	689,894		589,721	-100,173	-14.52%	8.38%
- exchange gains on other securities	1,656,130		231,703	-1,424,427	-86.01%	3.29%
- profit on foreign exchange futures hedge transactions			0	0	0.00%	0.00%
Total:	1,636,363		0	-1,636,363	-100.00%	0.00%
Financial expenses	12,529,322	0	7,034,959	-5,494,363	-43.85%	100.00%
Interests paid and similar expenses						
Expenses of financial transactions	0		0	0	0.00%	0.00%
- exchange rate loss on investments in for- eign currency	1,155,695	0	713,982	-441,713	-38.22%	90.22%
- loss on Hungarian government securities	56		70	14	25.00%	0.01%
= exchange rate loss on Hungarian govern- ment bonds	1,155,639	0	713,912	-441,727	-38.22%	90.21%
= exchange rate loss on discount treasury bills	1,155,639		713,844	-441,795	-38.23%	90.20%
Other financial expenses	0		,68	68	0.00%	0.01%
Total:	10,687		77,376	66,689	624.02%	9.78%
Balance	1,166,382	0	791,358	-375,024	-32.15%	100.00%
Revenues from financial activity	11,362,940	0	6,243,601	-5,119,339	-45.05%	100.00%

1.6.4 Extraordinary profit/loss

No extraordinary profit/loss was represented.

1.7 Supplementary data

The following supplement is provided to a more complete evaluation of the Annual Report:

1.7.1 Headcount, payroll accounting

Average statistical headcount:

Table No 42

headcount	2009	2010
Physical	0	0

White-collar	7	7
Total headcount:	7	7

Priority payroll-related expenses:

Table No. 43

In HUF thousand / year	2009	2010
- incentives	10,713	2,931
- social	0	156
- cost refund	1,486	1,557
- other	2,091	3,931
Total payroll-related expenses	14,290	8,575
Social security expenses	29,571	23,353
Taxes on wages:		
- paid by the employer	2,903	0
- incentives	0	1,779

1.8 The Fund's assets, financial and earnings positions

1.8.1. Presentation of the securities portfolio and assessment of the asset managers' work

The book value of the relevant year's opening securities portfolio was HUF 82 829 242 thousand, and at the end of the relevant year, securities were represented in the balance sheet at HUF 88 068 071 thousand (closing balance). The latter included HUF 68 066 042 thousand in Hungarian government bonds and HUF 16 574 875 thousand in discount treasury bills. The securities portfolio increased by 6.32%.

The following table shows the effect of asset management on the retained profit for the relevant year:

Table No. 44 (data: in HUF thousand)

Profit/loss component	Revenue	Expense	Profit/loss
Exchange gains/losses on Hungarian government bonds	1,415,302	713,844	701,458
Interest gains on Hungarian government bonds	4,789,349	0	4,789,349
Exchange gains/losses on discount government securities	589,721	68	589,653
Yield of NBH bonds	231,703	0	231,703
Commission on portfolio management	0	66,895	-66,895
Custodian commission	0	2,211	-2,211
Fee to KELER	0	8,270	-8,270
Total	7,026,075	791,288	6,234,787

The year 2010 was fairly eventful in the domestic securities market, which is still the only investment possibility for the Fund. Until the end of April, trading was characterised by an optimistic climate, decreasing yields and soaring bond prices. From the end of April, however, the rapidly worsening international environment markedly left its trace on the domestic climate. From the summer months on, the domestic factors put the market of Hungarian government bonds on a roller coaster. Due to a lack of confidence concerning Hungary, the yield curve became permanently steep. After

a temporary calm in the early autumn, another rise was seen in yields. For shorter terms, yields expectations were raised by more austere measures by the central bank, while for longer terms, by medium and long-term concerns for Hungary. For long-term bonds (10-15 years), fairly high yield levels were reached by early December, and values around 8% could not be much surpassed even by the end of the year.

At the end of the year, NBH – benefiting from the optimistic climate – decided on decreasing the base rate by 25 base points in all the three interest rate decision meetings scheduled, reducing the domestic interest level from 6.25% to 5.75%. Although the Monetary Council passed decisions that are unambiguous to interpret subsequently, analysts predicted the end of interest rate reduction at 5.5% as late as in February, as an effect of unfavourable international trends. According to opinions of the time, although the Hungarian figures of inflation and boom would justify decreasing interest rates, insufficient latitude is allowed by the wave of risk aversion revived in the wake of international banks' measures to reduce liquidity and by potentially deteriorating risk assessment of Hungary. NBH reduced the base rate once again in April; however, they became more cautious in the following months, and opted for retaining the 5.25% level of the base rate instead.

Due to the uncertainty experienced in the last months of the year, the Monetary Council decided on a 25-base point increase at each of its meetings held in November and December, with reference to their view that the expected inflation rate will exceed the Central Bank's target figures in all terms.

Our three portfolio managers achieved a gross yield of 7.56% on the whole portfolio. In 2010, asset management added HUF 6,234 million to the retained profit.

The profit of portfolio management was reduced by the fees paid to the portfolio manager, to the custodian and to KELER.

In the relevant year, Pioneer, MKB and OTP achieved yields of 7.34%, 7.55% and 7.79%, respectively, and the figure of MAX-C was 6.46% in the corresponding period.

No investments were made in foreign government securities in the relevant year.

1.8.2 Summary evaluation of the profit

In the relevant year, the NDIF generated a profit of HUF 8,536,813 thousand, which is HUF 4,916 million less than the retained profit of 2009. The key components of the change are presented in the following table.

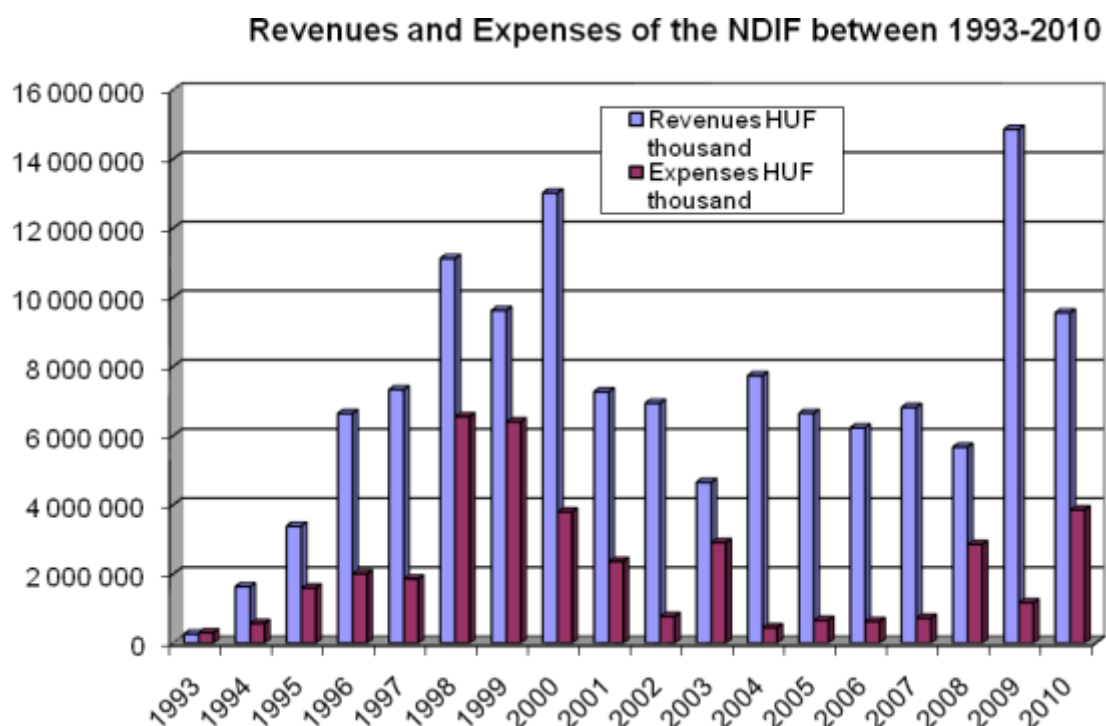
Table No. 45

Description In HUF thousand	2009	Effect of revision	2010	change In HUF thousand	change %
Revenue from deposit insurance	2,316,603	0	2,462,517	145,914	6.30%
Other revenues	8,320	0	50,891	42,571	511.67%
Revenues from financial transactions	12,529,322	0	7,034,960	-5,494,362	-43.85%
Total revenues	14,854,245	0	9,548,368	-5,305,877	-35.72%
Expenses of deposit insurance	337	0	2,839,333	2,838,996	842,432.05%
Other expenses	521	0	590	69	13.24%
Expenses of financial transactions	1,166,382	0	791,357	-375,025	-32.15%
Total expenses	1,167,240	0	3,631,280	2,464,040	211.10%
Operating costs	234,261	0	219,608	-14,653	-6.25%
Total expenses and operating costs	1,401,501	0	3,850,888	-2,449,387	-174.77%
Retained profit	13,452,744	0	5,697,480	-7,755,264	-57.65%

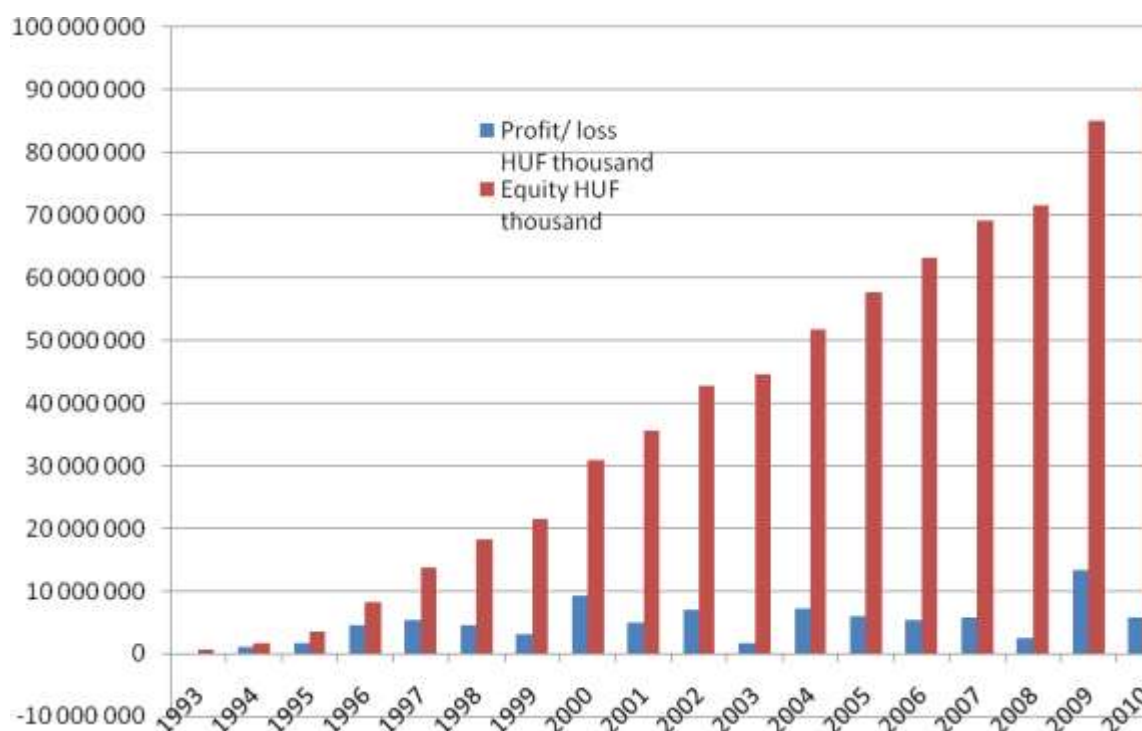
The retained profit decreased by 57.65% in comparison to the previous year's figure, partly due to reduced revenues from financial operations, and partly because of a significant depreciation represented on account of a credit institution.

Expenses increased by 211.10%, of which the decrease in the expenses of financial operations was offset by a significant increase in the depreciation represented.

The following diagram shows the total revenues and expenses of the NDIF according to the profit and loss statement from its foundation in 1993 until 2010.



1.8.3 Trends of the Fund's equity and profits from foundation up to date



When examining this graph, it must be taken into consideration that the equity contains accumulated profits of the preceding years, as well as those of the relevant year, therefore the equity growth is influenced by the fluctuation of profit.

The fluctuation of profit seen from 1998 until 2004 is explained by the dynamics of recovery prospects related to the liquidation of Realbank Rt, while for the succeeding years, mainly by the changes in the yields of the government securities market. The drop in 2010 was on account of payments made due to indemnification of Általános Közlekedési Hitelszövetkezet.

1.9 Explanations for the major differences between projected and actual data for 2010

Premium revenues from member institutions exceeded the projected figure by 3.7%.

Other deposit insurance revenues were realised at 91% of the projected figure. This represents the portion of fines imposed on the NDIF by the supervision – which is difficult to project.

The Other revenues contain the late payment amount (HUF 50,608 thousand) transferred by the liquidator of Rákóczi Hitelszövetkezet, the costs of mobile phones invoiced to the staff (HUF 218 thousand), as well as the fees of other taxable activities (HUF 65 thousand). With these amounts, the figure projected to 2010 was outperformed by 12%.

It is expedient to examine *revenues and expenses from financial transactions* together, because we planned expected portfolio results on estimating both revenues and expenses. The following assumptions were made on planning financial operations:

- the annual average fixed balance of the portfolio will be HUF 82.8 billion at original cost, where the projected yield and the return reinvested in the portfolio were also taken into account;
- divestment due to indemnification payments were projected at HUF 3.1 billion;
- portfolio managers estimate an average return of 7% on securities;

- interest revenue from deposit fixing of NBH O/N was HUF 8,500 thousand calculated at a deposit interest of 6% before 22 February 2010, and subsequently at 5.75%.

The average return for 2010 finally finished at 7.56%, as all portfolio managers succeeded in achieving a yield above the reference index yield (6.46%). Moreover, in comparison with the projected figure, the assets held by the portfolio manager were realised at a higher value. As a result of the foregoing two effects, the profit from financial operations, and of portfolio management within that, exceeded the projected figure by 34%.

Within *expenses of financial transactions*, the fees of portfolio managers are represented in addition to the foregoing price impact, which differ from the projected figure as little as 1% (HUF 66,895 thousand). The custodian fees also complied with the projections (HUF 10,481 thousand).

No other expenses derived from deposit insurance were projected; however, the deposits paid in connection with Általános Közlekedési Hitelszövetkezet wound up in the relevant year, as well as the relevant depreciation considered were required to be represented on this line at a value of HUF 2,827 thousand.

Other expenses were planned to include the cost of assumed private use of company phones, any expenses of claims, vehicle taxes and company vehicle tax, which were realised at 98%.

All the three element of *operating expenses* in 2010 were realised below the projections, and fell behind by 14% in total.

Due to the savings achieved in *material type expenses*, the value of this line is 14% lower. The saving comes from more economical cost control (lower phone, travel, vehicle repair and fuel costs) on the one hand, and the fact that the KIR development represented as expert fees in the projections were activated as intangible goods, on the other hand.

For *personnel expenses*, the 16.8% lower actual figure is to a considerable extent a result of the mid-year changes in personnel. In addition, savings were achieved on the representation costs line, and the wage-related contributions were also realised at a lower value, on account of the foregoing.

The actual figure of *depreciation* was 6% more favourable compared to the projections.

2 Supplementary information and reference data

2.1 Institutional communications of the NDIF

The indemnification implemented early in the year – presumably due to the small number of depositors – attracted less media attention than expected. Pursuant to its resolution dated 11 February 2010, the HFSA withdrew the operating licence of Általános Közlekedési Hitelszövetkezet (ÁKH); consequently, HUF 3.28 billion of approximately 1,190 depositors were frozen with our member institution. As at the time the deposits were frozen, ÁKH had six outlets (two in Budapest, and one in Budaörs, Győr, Adony and Pápa each).

Concurrently to the deposit freeze, the Fund's crisis communication plan was updated, and, pursuant to the Act on Credit Institutions and Financial Enterprises, mandatory announcements were published in the dailies Magyar Nemzet and Népszabadság with the cooperation of HFSA's communications department, and a press conference was convened by 18 February. The press conference was attended by journalists from Heti Világgazdaság (HVG), Info Rádió, MTI Econews, Napi

Gazdaság, as well as portfolio.hu. Almost all Internet media sites that did not take part in the press conference adopted the news published by MTI.

In addition to the press conference, MR1 Kossuth Rádió broadcast a phone interview with the managing director in its programme “Krónika”, and contributions were published in Figyelő and HVG in their issue on week 7 – in the wake of the interview with the managing director. Concurrently with the appearance, a crisis (micro) site was reactivated on our home page, which conveys specific information to the depositors of ÁKH concerning the NDIF indemnification process. the NDIF’s voice announcement was also reactivated.

The NDIF was prepared from all aspects to perform indemnification up to the limit laid down in legislation as a HUF 13,567,000 equivalent to EUR 50,000 within twenty working days - being the first to do so in Europe – following the deposit freeze. No data consolidated for customers required by the law were available for this action.

On 19 February 2010, the NDIF issued its second announcement (also in Népszabadság and Magyar Nemzet), informing the depositors about the three possible ways of payment to private individuals and sole entrepreneurs, and the conditions thereof.

The Fund also announced completion of the indemnification for ÁKH on 16 March at another press conference.

During the year, a press release was issued on 13 August concerning the appointment of the new managing director. Mention must also be made of the fact that the managing director gave an interview to a journalist of Napi Gazdaság in October.

The announcements published on our home page featured the cooperation agreement signed with our British partner institution, as well as the visits of the chairpersons of the Indonesian and Taiwanese deposit insurance funds to Budapest.

2.2 Events related to liquidation in progress

2.2.1 Heves és Vidéke Takarékszövetkezet ‘under liquidation’ (“UL”)

Based on the most recent information received from Concordat Felszámoló Kft, no new developments were seen in the liquidation process in 2010. The criminal procedure initiated against the former managing director and his accomplices in the year of liquidation (in 1993!) was completed at the Court of Heves Megye. An ongoing action for compensation was linked to this procedure against Mrs. Pálné Godó and 17 defendants. The receiver indicated a new deadline to submit the closing balance, whereby in the second half of 2010, they wish to complete liquidation “at any rate”, because there are no obstacles to it now. This, unfortunately, has not happened yet, presumably due to the suit in process.

Since the commencement of the liquidation until the balance sheet rule-off date, the NDIF has paid an indemnification of HUF 262,126,706, which is registered by the liquidator in category d). In addition, statement of declared accessory costs of HUF 16,690,000 was confirmed by the liquidator.

We make mention of the fact that in its letter dated 7 January 2011, the liquidator confirmed its earlier information stating that the NDIF can expect a 10% recovery of its creditor claims classified in category d).

2.2.2 Általános Közlekedési Hitelszövetkezet “UL”

In its Resolution No. **EN-I-90/2010** dated **11 February 2010**, the Supervision withdrew the operating licence of Általános Közlekedési Hitelszövetkezet (hereinafter referred to as ÁKH or Credit Cooperative), and concurrently initiated a winding-up procedure. The Budapest-based Credit Cooperative operated six branches (two in Budapest, one each in Budaörs, Győr, Adony and Pápa), and its market weight was small both in terms of the number of customers and its deposit and credit portfolio. On the date of the freeze, the credit cooperative had deposits of *HUF 3,280 million – protected by the NDIF – and 1,190 depositors* (the average deposit size was HUF 3,285 million).

Pursuant to the provisions of the Act on Credit Institutions and Financial Enterprises and as a result of the foregoing, the NDIF was to pay indemnification on the Credit Cooperative’s frozen deposits. On the HUF and foreign currency deposits insured by the Fund, the NDIF was authorised to pay up to an aggregate indemnification amount equivalent to fifty thousand EUR per depositor – HUF 13,567,000 in this specific indemnification.

Pursuant to section 105 (1) of the Act on Credit Institutions and Financial Enterprises, the 20-working day timeframe available to carry out the indemnification expired on 11 March 2010.

The start date of the winding-up procedure for ÁKH was 9 April 2010.

The NDIF indemnified nearly 98% of all depositors until 31 May 2010. The remaining 2% consisted of deposits fixed as surety.

In its letter dated 31 May, the Fund declared its claim to the liquidator for the indemnification payments performed and the costs incurred up to that date, and stated the amount of indemnification payments yet to be expected. The claim represented HUF 3,162,638,560 for deposits paid and indemnification costs expected, and HUF 12,047,569 for incidental costs related to indemnification.

According to the information given by the liquidator on 8 February 2011, with respect to the considerable depreciation, as well as the creditor claims against the credit cooperative, the return of the NDIF’s deposit claims in category d) in section 57. (1) of the Bankruptcy Act will probably not exceed 10%.

Concluding an agency contract with the Ministry of Finance

According to Government Decree 49/2010. (III.5.), the central budget pays a reimbursement for the portion of deposits insured by the NDIF and frozen with the Credit Cooperative that are above the limit of indemnification in terms of deposit insurance.

Pursuant to the decree referenced, the indemnification was paid by the NDIF according to an agreement with the Ministry of Finance.

2.3 Legal matters

2.3.1 Legal proceedings

No final judgement was passed in legal proceedings underway against the NDIF. A final judgement to be passed later is not expected to generate a payment obligation for the NDIF.

2.3.2 Other liabilities

Except for the customary liabilities (trade creditors and similar), we are not aware of any other claims against the Fund.

The Fund did not issue a guarantee statement establishing any payment obligations in 2010.

2.4 IT developments in 2010

Our IT investments implemented enhanced the efficiency and security of our existing systems, taking into consideration the requirements set by the 20-day indemnification.

According to the recommendations of the IT security auditor, the transfer of the server room, as well as and protection against inrush current and water were aimed at increased safety of operation.

2.5 International activity

In the wake of the global financial crisis, deposit insurance is faced with new challenges, and a higher value is attached to its role. It is truly reflected by the legislative process in the European Union, which alone is an answer to the convergence process under way with the G20, and the fact that evaluation the Deposit Insurance Principles using a unique methodology will be a part of FSAP evaluations to be carried out by the IMF starting from 2011. The management of the NDIF took an active part in these forward-looking procedures also in 2010.

IADI (International Association of Deposit Insurers) held its ninth annual general meeting in Tokyo at the end of October 2010, which was attended by the Managing Director of the NDIF. The steering body approved the annual report and balance sheet for 2009/10, as well as the next year's business plan, and elected new officials.

The professional conference held after the general meeting addressed the role of institutions that constitute a financial safety net, under the title "Financial Safety Net – the Way Forward". The NDIF's representative held a presentation about the new EU directive.

On this occasion, it was announced that the prize „Deposit Insurer of the Year” was awarded and presented to the Japanese partner institution in 2010 – by a secret ballot.

The *Executive Council of IADI* held meetings in February, June and concurrently with the general meeting in October, which the Managing Director of the NDIF attended as a member and a permanent participant, being the chairperson of the European Regional Committee.

At its meetings in February and June, the council particularly addressed the schedule of finalising the methodological material that facilitates assessment/evaluation of compliance with the principles of deposit insurance, which had to be aligned with the final meeting of the Financial Stability Board in December 2010. At its meeting in July, the council decided on the new secretary general, and appointed Mr. Carlos Isoard from Mexico for a three-year term to be the secretary general to the international association.

The meeting held in October mostly passed decisions on the preparations for the general assembly, the draft resolutions on the agenda, and the preparations for electing officials.

A prominent event at the **European Forum of Deposit Insurers (EFDI)**, comprising European deposit insurance institutions, was the general assembly convened between 29 September and 1 October 2010 in Rome. In line with the traditions, the general assembly was followed by a professional conference. This time, EFDI and IADI held a joint event under the title “Reinforcing Financial Stability – the Contribution of Deposit Insurance”. The event was attended by the Managing Director and the Senior Legal Advisor of the NDIF. The Managing Director gave a presentation entitled “Weights and Counterweights – Regulators’ Responsibility”.

A key function of the EFDI is close professional cooperation with the European Commission. Within the EFDI, a dedicated working group is involved in coordinating professional issues resulting from EU membership. This working group held meetings in March, July and September, in order to review the actions to be taken in connection with preparation for the accelerated indemnification and legislation changes forming in the wake of the Directive 94/19/EC revised by the EU Commission. The meetings held in July and October were attended by the Managing Director.

The Board of Directors of EFDI, in which the Managing Director of the NDIF also participates as an official, held altogether five meetings.

Concerning the exchange of professional experience, mention must be made of the fact that the Chief Economist of the NDIF gave a presentation at the conference held in Basel in February on the subject of managing cross-border bank crises.

The Chief Economist participated in the management training organised by IADI between 5 and 9 April under the title “Crisis Management for Problematic Banks” at the Training Centre of FDIC as a presenter; the costs of his travel were assumed by FDIC.

In May, the Chief Legal Advisor of the NDIF participated in a conference organised by our Polish partner institution for the 15th anniversary of their foundation under the title *Global Financial Crisis: Lessons for the Stability of the Financial Sector*.

In the same month, we received a delegation of the Korea Deposit Insurance Corporation headed by Managing Director Joong-Hwan LEE, who is in charge of the bankruptcy auditing area within the institution.

In July, the chairperson of the Indonesian Deposit Insurance Society paid a one-day visit to Budapest. General issues of deposit insurance were discussed with the delegation headed by Rujito Mohtar.

In August, the fourth partner meeting was held in Budapest with the delegation of the Central Deposit Insurance Corporation of Taiwan headed by the chairperson Fred Chen.

2.6 Tasks defined by the Board of Directors of the NDIF, and their implementation

In 2010, the Board of Directors passed 53 resolutions at its meetings and in the form of written voting external to meetings on matters required by the Act on Credit Institutions and Financial Enterprises, or on major matters affecting the Fund’s organisation and operation, in the following subjects, among others:

- ❑ approve and submit a report and a budget for the relevant year to the competent organizations;
- ❑ set up work-plans for the internal auditor and the IT security controller, adopt reports;
- ❑ carry out the indemnification procedure for the deposits frozen with Általános Közlekedési Hitelszövetkezet;
- ❑ agree with the Ministry of National Economy (formerly called Ministry of Finance) concerning the payment of deposits frozen with Általános Közlekedési Hitelszövetkezet and protected by state guarantee;
- ❑ elect an auditor;
- ❑ modify regulations and publish as necessary;
- ❑ pass decisions on portfolio management;

- ❑ pass decisions related to the further development and testing of the payment system, primarily concerning preparation for the 20-working day compensation, as well as related to checking the ability to produce Consolidated Insurance Deposit Data;
- ❑ discuss issues related to further development of deposit insurance;
- ❑ conclude an agreement with the Supervision concerning mutual provision of crisis locations;
- ❑ renew an IT quality assurance certificate;
- ❑ concluding a framework agreement with the British deposit insurance institution;
- ❑ decisions passed on maintaining relations with the European Union and participation in international organisations;
- ❑ IT developments.

Decisions made by the Board of Directors have been implemented in line with their respective provisions.

3 Institutional objectives, strategic goals

3.1 Institutional objectives

For meeting No. 124 of the Board of Directors held on 22 September 2010, a proposal was produced concerning the possible directions of enhancing deposit insurance in Hungary. The board set forth the following institutional objective in the said document (Mission Statement):

Operating a cutting edge deposit insurance system that reinforces depositors' confidence in the banking system, with further institutional development so that it meets the challenges posed by financial shocks, through aligning the legal frameworks, and is capable of efficiently cooperating with partner institutions in maintaining the functioning of the domestic financial system to serve depositors' security.

Implementation of the above objectives is envisaged coupled with a management attitude that relies on the highest ethical standards, compliance, customer-centredness and openness to change.

Our strategic goals that support the foregoing objectives are subjected to an annual review.

The strategic goals and the related tasks laid down by the board for the period starting in 2011 are as follows:

Prevent crises in member institutions and retain the ability of efficient indemnification	Ensure safe, still profitable management of the Fund's assets	Maximise recovery of the expenses of deposit insurance	Improve operating efficiency and safety
<i>Develop market-friendly risk analysis</i>	<i>Implement safe asset management that eliminates risks as much as possible</i>	<i>Manage the liquidation assets efficiently, ensure a return on the NDIF's expenses as high as possible</i>	<i>Reinforce institutional preparedness and ability to respond</i>
<i>Participate in fast crisis management</i>	<i>Participate in fast crisis management</i>	<i>Minimise the costs related to indemnification</i>	<i>Set up an operating environment that generates customer satisfaction, increase corporate social responsibility</i>
<i>Communicate efficiently</i>			

3.2 Strategic objectives, strategic tasks and action plan

Strategic goals	Strategic tasks	Action plan for 2011
I. Prevent crises in member institutions and retain the ability of efficient indemnification	<i>Develop market-friendly risk analysis</i>	Set up an operating environment for risk analysis
	<i>Participate in fast crisis management</i>	Based on indemnification experience, make a proposal to expand the scope of HFSA audits and the exchange of information
		Participate in the HFSA audit in certain cases
		Develop a proposal to increase the efficiency of crisis prevention
		Testing Payout IT on live data
		Supplement the indemnification scenario and the related procedures
	<i>Communicate efficiently</i>	Assess awareness of domestic deposit insurance
		Develop annual and medium-term communication strategies, with special regard to a more emphatic representation of consumer protection
		Based on the experience of indemnification, review the panic prevention and tension management crisis communication manual related to the payout period
		Participate in and join the work of initiatives and organisations aimed at developing financial culture
		Use innovative communication channels (social media)
		Keep continuous partnership-based contact with the member institutions' managers and staff in charge of communication in the field of informing customers.
		Initiate cooperation, exchange of experience and permanent forums with the communication managers of EU deposit insurance institutions

Strategic goals	Strategic tasks	Action plan for 2011
II. Ensure safe, still profitable management of the Fund's assets	<i>Implement safe asset management that eliminates risks as much as possible</i>	Implement fund management that eliminates partner risk in terms of asset management
		Diversify the portfolio in line with the foreign currency exposures
		Reinforce the control mechanisms of portfolio management
		Prepare for adopting premium payment differentiated by risk
III. Maximise return on the expenses of deposit insurance	<i>Manage the liquidation assets efficiently, ensure a return on the NDIF's expenses as high as possible</i>	Develop a financial crisis plan for a case when a large bank becomes insolvent
		Announce the claim related to indemnification on account of "Jógazda" Tkp." as soon as possible
	<i>Minimise the costs related to indemnification</i>	Using our representation in the SB of Felszámoló Közhasznú Kft, gain direct insight into the process of liquidation
		Based on indemnification-related experience, modify regulations, review the circle of external service provider partners, and modify as needed
IV. Improve operating efficiency and safety	<i>Reinforce institutional preparedness and ability to respond</i>	Conclude a wide range of agent bank standby contracts
		Operate in line with and comply with the international deposit insurance standards (IADI-BCBS Core Principles for Effective Deposit Insurance Systems)
		Develop HR to increase efficiency
		Expand internal risk analysis and incorporate audit in the process
		Improve safety of operation (build an automatic fire extinguisher)
	<i>Set up an operating environment that generates customer satisfaction, increase corporate social responsibility</i>	Exchange European and international experience and adopt novelties
		Adopt measurements for subsequent customer satisfaction in the event of indemnification
		Organise retail deposit insurance forums
		Training for front office administrators in member institutions

Budapest, 18 February 2011.

Dr. András Fekete-Győr
Managing Director

Appendix

Membership premium for the relevant year per member institution:

(data: HUF)

Name of credit institution	Premium paid for 2010
Allianz Bank Zrt.	10,356,438
Banco Popolare Hungary Bank Zrt.	3,623,722
Banif Plus Bank Zrt.	1,165,919
Bank of China (Hungária) Zrt.	1,031,413
Budapest Hitel és Fejlesztési Bank Nytt.	100,620,031
CIB Bank Zrt.	234,112,138
Commerzbank Zrt.	15,665,175
Credigen Bank Zrt.	102
Deutsche Bank Zrt.	7,281,529
DRB Dél-Dunántúli Regionális Bank Zrt.	80,192,311
Erste Bank Hungary Nyrt.	116,894,683
FHB Kereskedelmi Bank Zrt.	9,633,200
Gránit Bank Zrt.	3,144,077
Hanwha Bank Magyarország Zrt.	6,455,704
HBW Express Bank Zrt.	108,248,156
Széchenyi Kereskedelmi Bank Zrt.	5,689,112
KDB Bank (Magyarország) Zrt.	61,557,805
Kereskedelmi és Hitelbank Zrt.	55,941,455
Kinizsi Bank Zrt.	8,894,325
Magyar Cetelem Bank Zrt.	22,534,020
Magyar Export-Import Bank Zrt.	3,823,974
Magyar Takarékszövetkezeti Bank Zrt.	5,577,425
Magyarországi Volksbank Zrt.	116,594,337
Merkantil Bank Zrt.	5,185,416
MFB Zrt.	261,309,575
MKB Bank Zrt.	124,370,576
Mohácsi Takarékbank Zrt.	123,029,770
OTP Bank Nyrt.	308,393,371
Porsche Bank Hungária Zrt.	459,899
Raiffeisen Bank Zrt.	186,752,565
Sopron Bank Zrt.	3,261,047
Unicreditbank Hungary Zrt.	124,312,121
Total banks	2,116,111,391

Name of credit institution	Premium paid for 2010
Agria Bélapátfalva Takarékszövetkezet	869,573
Alba Takarékszövetkezet	2,275,804
Alsónémedi és Vidéke Takarékszövetkezet	3,606,200
Apátfalvi Takarékszövetkezet	626,291
Bácska Takarékszövetkezet	1,637,008
Bak és Vidéke Takarékszövetkezet	2,141,487
Bakonyvidéke Takarékszövetkezet	923,455
Balaton-felvidéki Takarékszövetkezet	1,090,669
Balatonföldvár és Vidéke Takarékszövetkezet	1,146,268
Balmazújváros és Vidéke Takarékszövetkezet	1,610,575
Bátaszék és Vidéke Takarékszövetkezet	919,503
Biatorbágy és Vidéke Takarékszövetkezet	1,347,042
Biharkeresztesi Takarékszövetkezet	466,644
Biharnagybajom és Vidéke Takarékszövetkezet	269,472
Boldva és Vidéke Takarékszövetkezet	996,532
Bóly és Vidéke Takarékszövetkezet	2,027,434
Borotai Takarékszövetkezet	1,241,017
Borsod Takarékszövetkezet	2,368,440
Bükkalja Takarékszövetkezet	1,192,928
Cserhátvidéke Körzeti Takarékszövetkezet	848,378
Dél-Pest Megyei Takarékszövetkezet	1,569,452
Dél-Zalai Egyesült Takarékszövetkezet	1,317,853
Drávamenti takarékszövetkezet	2,449,561
Drégelypalánk és Vidéke Takarékszövetkezet	566,965
Duna Takarékszövetkezet	9,448,904
Dunaföldvár és Vidéke Takarékszövetkezet	2,971,071
Dunakanyar Takarékszövetkezet	2,102,158
Dunapataj és Vidéke Takarékszövetkezet	490,139
Eger és Környéke Takarékszövetkezet	1,832,492
Endrőd és Vidéke Takarékszövetkezet	3,816,128
Ercsi és Vidéke Körzeti Takarékszövetkezet	446,183
Érd és Vidéke Takarékszövetkezet	2,361,932
Érsekudvarter és Vidéke Takarékszövetkezet	459,527
Észak Tolna Megyei Takarékszövetkezet	1,175,520
Fegyvernek és Vidéke Körzeti Takarékszövetkezet	945,757
Felsőzsolca és Vidéke Takarékszövetkezet	1,143,864
Fókusz Takarékszövetkezet	4,459,892
Fontana Credit Takarékszövetkezet	4,316,999
Forrás Takarékszövetkezet	1,574,857
Forró és Vidéke Takarékszövetkezet	591,699
Füzesabony és Vidéke Takarékszövetkezet	2,481,171
Gádos és Vidéke Takarékszövetkezet	1,659,186
Gyöngyös-Mátra Takarékszövetkezet	2,611,829
Gyulai Takarékszövetkezet	911,443
Hajdú Takarékszövetkezet	3,004,532
Hajdúdorog és Vidéke Takarékszövetkezet	663,251

Name of credit institution	Premium paid for 2010
Hajós és Vidéke Takarékszövetkezet	606,778
Hartai Takarékszövetkezet	390,108
Hatvan és Vidéke Takarékszövetkezet	2,616,605
Hévíz és Vidéke Takarékszövetkezet	1,291,767
Hodász-Porcsalma Takarékszövetkezet	455,891
Jászárokszállás és Vidéke Körzeti Takarékszövetkezet	1,522,429
Jász-Takarékszövetkezet	1,773,739
„JÓGAZDA” Szövetkezeti Takarékpénztár	1,864,809
Kaba és vidéke Takarékszövetkezet	728,512
Kápolnásnyék és Vidéke Takarékszövetkezet	1,541,748
Kaposmenti Takarékszövetkezet	667,077
Kéthely és Vidéke Takarékszövetkezet	1,512,419
Kevermes és Vidéke Takarékszövetkezet	975,260
Kisdunamenti Takarékszövetkezet	954,719
Kiskunfélegyházi Takarékszövetkezet	1,184,651
Kis-Rába menti Takarékszövetkezet	1,501,779
Kiszombor és Vidéke	786,745
Kondorosi Takarékszövetkezet	1,660,546
Körmend és Vidéke Takarékszövetkezet	811,699
Környe-Bokod Takarékszövetkezet	2,378,817
Kunszentmárton és Vidéke Takarékszövetkezet	2,701,932
Lakiteleki Takarékszövetkezet	1,078,487
Lébény-Kunsziget Takarékszövetkezet	814,805
Alföld Takarékszövetkezeti Hitelintézet	3,970,358
Lövő és Vidéke Takarékszövetkezet	1,839,609
Mecsekvidéki Takarékszövetkezet	2,776,154
Monor és Vidéke Takarékszövetkezet	4,063,261
Nagybajom és Vidéke Takarékszövetkezet	1,820,526
Nagyecsed és vidéke Takarékszövetkezet	1,366,262
Nagykátai és Vidéke Takarékszövetkezet	1,108,635
Nagyréde és Vidéke Körzeti Takarékszövetkezet	940,259
Nemesnádudvar és Takarékszövetkezet	412,227
Nyírbélteki Körzeti Takarékszövetkezet	758,094
Nyúl és Vidéke Takarékszövetkezet	1,338,687
Orgovány és vidéke Takarékszövetkezet	5,856,256
Örkényi Takarékszövetkezet	5,681,055
Pannon Takarékszövetkezet	4,249,241
Pannonhalma és Vidéke Takarékszövetkezet	3,618,344
Partiscum XI Takarékszövetkezet	1,819,873
Pécel és Vidéke Takarékszövetkezet	1,547,795
Pilisvörösvár és Vidéke Takarékszövetkezet	2,888,093
Pillér Takarékszövetkezet	2,837,731
Polgári Takarékszövetkezet	5,033,903
Rábaközi Takarékszövetkezet	1,468,815
Rajka és vidéke Takarékszövetkezet	5,925,183
Rakamaz és Vidéke Körzeti Takarékszövetkezet	1,526,191
Répcelak és Vidéke Takarékszövetkezet	1,114,269
Rétköz Takarékszövetkezet	999,366

Name of credit institution	Premium paid for 2010
Ricse és Vidéke Takarékszövetkezet	204,084
Rónasági Takarékszövetkezet	2,958,590
Rum és Vidéke Takarékszövetkezet	1,756,956
Sajóvölgye Takarékszövetkezet	2,335,447
Sárbogárd és Vidéke Takarékszövetkezet	811,018
Savaria Takarékszövetkezet	4,284,678
Solt és Vidéke Takarékszövetkezet	291,716
Soltvadkert és Vidéke Takarékszövetkezet	6,836,810
Somogy Takarékszövetkezet	2,504,519
Szabadszállás és Vidéke Takarékszövetkezet	692,070
Szabolcs Takarékszövetkezet	3,597,963
Szarvas és Vidéke Körzeti Takarékszövetkezet	1,244,449
Szatmár-Beregi Takarékszövetkezet	1,733,602
Szatymaz és Vidéke Takarékszövetkezet	733,055
Szécsény és környéke Takarékszövetkezet	425,944
Szeghalom és Vidéke Takarékszövetkezet	1,503,260
Szegvár és Vidéke Takarékszövetkezet	3,512,123
Szendró és Vidéke Takarékszövetkezet	446,301
Szentgál és Vidéke Takarékszövetkezet	1,224,855
Szentlőrinc-Ormánság Takarékszövetkezet	2,014,942
Szerencs és Környéke Takarékszövetkezet	784,206
Szigetvári Takarékszövetkezet	7,542,927
Takarék Szövetkezeti Hitelintézet	2,778,668
Téti Takarékszövetkezet	1,620,603
Tisza Takarékszövetkezet	1,266,177
Tiszafüred és Vidéke Takarékszövetkezet	2,518,929
Tiszavasvári Takarékszövetkezet	1,856,882
Tokaj és Vidéke Takarékszövetkezet	1,562,645
Tompai és Vidéke Takarékszövetkezet	243,795
Turai Takarékszövetkezet	1,416,050
Újszász és Vidéke Körzeti Takarékszövetkezet	1,097,935
Vámosgyörk és Vidéke Takarékszövetkezet	313,688
Vámospércs és vidéke Takarékszövetkezet	981,291
Veresegyház és Vidéke Takarékszövetkezet	2,514,935
Vértesszentmária Takarékszövetkezet	1,866,304
Völgység-Hegyhát Takarékszövetkezet	4,260,519
Zalavölgye Takarékszövetkezet	971,983
Zemplén Takarékszövetkezet	940,274
Zirci Takarékszövetkezet	2,533,245
Zomba és Vidéke Takarékszövetkezet	1,931,121
Total credit cooperatives	255,873,145

Name of credit institution	Premium paid for 2010
Fundamenta-Lakáskassza Zrt.	32,958,376
OTP Lakástakarékpénztár Zrt.	26,760,275
Mecsekkörnyék Hitelszövetkezet	354,111
Széchenyi István Hitelszövetkezet	1,574,491
Szentesi Hitelszövetkezet	831,782
Tiszántúli Első Hitelszövetkezet	365,455
Total of credit cooperatives	62,669,545
Általános Közlekedési Hitelszövetkezet "U.L.:"	147,460
Grand total	2,435,029,728,