National Deposit Insurance Fund of Hungary

SAFE DEPOSIT, GRANTED REFUND.

CONSOLIDATED

ANNUAL REPORT

1 January 2011 to 31 December 2011

05.03.2012

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BDO

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1476 Budapest, Pf. 138.

Independent Auditor's Report

to the Shareholder of Országos Betétbiztosítási Alap

Audit Report on annual financial statements

We have audited the accompanying 2011 annual financial statements of **Országos Betétbiztosítási Alap,** which comprises the balance sheet as at **31 December 2011** - showing a balance sheet total of **HUF 91 931 525 thousands** and a profit for the year of **HUF 1 018 325 thousands** -, the related profit and loss account for the year then ended and the summary of significant accounting policies, and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary and for maintaining internal controls which are considered necessary by the management to prepare the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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Opinion:

We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Országos Betétbiztosítási Alap in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Országos Betétbiztosítási Alap as at 31 December 2011 and of the result of its operation for the year then ended.

Other reporting requirements regarding the business report

We have examined the accompanying business report of Országos Betétbiztosítási Alap for the financial year of 2011.
The management is responsible for the preparation and fair presentation of the business report in accordance with the Hungarian Accounting Law and generally accepted accounting principles in force in Hungary. Our responsibility is to assess whether or not the accounting information disclosed in the business report is consistent with the financial statements. Our work in respect of the business report was limited to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non audited financial records. In our opinion the 2011 business report of Országos Betétbiztosítási Alap is consistent with the disclosures in the financial statements as of 31 December 2011.

Budapest, 05.03.2012

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A. C. ép.
Registration number: 002387

Ferenc Baumgartner
Managing Director

BDO Magyarország Könyvvizsgáló Kft.
Eng.szám:
Licence nr.:
002387

András Nagy
Certified Auditor
Chamber registration No.: 005718

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

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	31.12.2010	Effect of revision	31.12.2011
1	**A**	**FIXED ASSETS**	**52,494**		**40,266**
2	*I.*	*INTANGIBLE ASSETS*	*37,508*		*27,140*
3	I.1	Capitalized value of formation and transformation			
4	I.2	Rights and concessions			
5	I.3	Intellectual property	37,508		*27.140*
6	I.4	Advance payments for intangible assets			
7	I.5	Revaluation of intangible assets			
8	*II.*	*TANGIBLE ASSETS*	*14,986*		*13,126*
9	II.1	Lands and buildings and related rights	1,130		1,038
10	II.2	Equipment, fittings, vehicles	13,856		12,088
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**	**88,434,443**		**89,047,639**
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*	*337,670*		*2,132,217*
22	II.1	Receivables from member institutions	337,449		
23	II.1.a	Premium receivables			
24	II.1.b	Receivables transferred to the Fund	337,449		2,131,970
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	221		247
31	*III.*	*SECURITIES*	*88,068,071*		*86,880,898*
32	III.1	Government securities	84,640,918		86,880,898
33	III.2	Other securities	3,427,153		
34	*IV.*	*LIQUID ASSETS*	*28,602*		*34,424*
35	IV.1	Cash, cheques	176		129
36	IV.2	Bank deposits	28,426		34,295
37	**C**	**PREPAID EXPENSES AND ACCRUED INCOME**	2,451,493		2,843,620
38		**TOTAL ASSETS:**	**90,938,430**		**91,931,525**

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**	**31.12.2010**	**Effect of revision**	**31.12.2011**
39	**D.**	**EQUITY**	**90,771,435**		**91,799,760**
40	I.	REGISTERED CAPITAL	896,082		906,082
41	II.	RESERVES	84,177,873		89,875,353
42	III.	REVALUATION RESERVE			
43	IV.	RETAINED PROFIT FOR THE YEAR	5,697,480		1,018,325
44	**E.**	**PROVISIONS**			
45	**F.**	**LIABILITIES**	**95,688**		**123,906**
46	*I.*	*LONG-TERM LIABILITIES*			
47	*II.*	*SHORT-TERM LIABILITIES*	*95,688*		*123,906*
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	17,635		45,853
53	**G.**	**ACCRUED EXPENSES AND DEFERRED INCOME**	71,307		7,859
54		**TOTAL EQUITY AND LIABILITIES:**	**90,938,430**		**91,931,525**

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

National Deposit Insurance Fund					
PROFIT AND LOSS STATEMENT TOTAL COST 'A'					
Seq. No.		**Description / in HUF thousand**	**31.12.2010**	**Effect of revision**	**31.12.2011**
1	1	Premium revenue from member institutions	2,435,030		6,975,147
2	2	Premium revenue from claims collected on behalf of depositors			6,975
3	3	Commission revenue from disbursement of deposits insured with state guarantee	86		
4	4	Other revenue from deposit insurance	27,401		150
5	**1.**	**Revenues derived from deposit insurance (01+02+03+04)**	**2,462,517**		**6,982,172**
6	**II.**	**Other revenues**	**50,891**		**3,220**
7	**III.**	**Revenues from other than deposit insurance**			
8	**IV.**	**Revenues from financial transactions**	**7,034,960**		**6,735,055**
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	2,839,333		7,214,371
14	**VI.**	**Expenses of deposit insurance (05+06+07+08)**	**2,839,333**		**7,214,371**
15	**VII.**	**Other expenses**	**590**		**8,907**
16	**VIII.**	**Expenses of other than deposit insurance**			
17	**IX.**	**Expenses of financial transactions**	**791,357**		**5,213,649**
18	**X.**	**Extraordinary expenses**			
19	9	Material-type expenses	80,639		120,849
20	10	Personnel costs	121,622		127,801
21	11	Depreciation write-off	17,347		16,645
22	**XI.**	**Operating costs (09+10-11)**	**219,608**		**265,295**
23	**A.**	**RETAINED PROFIT FOR THE YEAR (I+II+III+IV+V-VI-VII-VIII-IX-X-XI)**	**5,697,480**		**1,018,325**

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

National Deposit Insurance Fund

Cash-flow statement

	Description / in HUF thousand	2010	Effect of revision	2011	Change		Composition for the relevant year
					In HUF thousand	%	
1	Retained profit for the year	5,697,480		1,018,325	-4,679,155	-82.13%	17,490.98%
2	Depreciation recognised	17,367		16,645	-722	-4.16%	285.90%
3	Write-off and write-back of investments	0		7,221,570	7,221,570	0.00%	12,4039.3%
4	Net change in provisions	0		0	0	0.00%	0.00%
5	Net gain on sale of fixed assets	0		5,222	5,222	0.00%	89.69%
6	Changes in trade creditors	0		0	0	0.00%	0.00%
7	Changes in other short-term liabilities	-631,873		28,218	660,091	-104.46%	484.68%
8	Changes in accrued expenses	67,111		-63,448	-130,559	-194.54%	-1,089.80%
9	Changes in trade debtors	476		337,449	336,973	70,792.65%	5,796.10%
10	Changes in current assets (excluding trade debtors and liquid assets)	-5,552,972		-8,166,066	-2,613,094	47.06%	-140,267.8%
11	Changes in prepaid expenses and accrued income	446,686		-392,127	-838,813	-187.79%	-6,735.26%
I.	**OPERATING CASH FLOW**	**44,275**	**0**	**5,461**	**-38,814**	**-87.67%**	**-26.17%**
14	Acquisition of fixed assets	-17,586		-12,667	4,919	-27.97%	-217.57%
15	Proceeds from sale of fixed assets	-1		3,028	3,029	-302,900.00%	52.01%
II.	**CASH FLOW FROM INVESTING ACTIVITIES**	**-17,587**	**0**	**-9,639**	**7,948**	**-45.19%**	**46.20%**
17	Proceeds from issuance of share capital (other capital revenue)	0		10,000	10,000	0.00%	171.76%
19	Borrowings	0			0	0.00%	0.00%
20	Repayment and redemption of long-term loans and bank deposits	0			0	0.00%	0.00%
21	Capital contribution received	0			0	0.00%	0.00%
22	Redemption of shared (other capital decrease)	0			0	0.00%	0.00%
24	Repayment and clearance of loans and credits	0			0	0.00%	0.00%
25	Long-term loans extended, bank deposits with credit institutions	0			0	0.00%	0.00%
26	Capital contribution given	0			0	0.00%	0.00%
27	Changes in liabilities due to founders/other long-term liabilities	0			0	0.00%	0.00%
III.	**CASH FLOW FROM FINANCING ACTIVITIES**	**0**		**10,000**	**10,000**	**100.00%**	**-47.93%**
IV.	**CHANGES IN LIQUID ASSETS**	**26,688**		**5,822**	**-21,192**	**-78.18%**	**100.00%**

1 SUMMARY NOTES

1 January 2011 to 31 December 2011

1.1 General characteristics

1.1.1 Company data

Name:	NATIONAL DEPOSIT INSURANCE FUND OF HUNGARY (ORSZÁGOS BETÉTBIZTOSÍTÁSI ALAP)	
Legal form:	other organisation:"sui generis" organisation	
Internet address:	www.oba.hu	
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
	= at the end of the business year:	HUF 906,082 thousand
Activities	- core activity:	Deposit Insurance
	- supplementary activities:	-
Network:	= headquarters:	H-1027 Budapest, Csalogány u. 9-11.
	= branches:	

1.1.2 Characteristics of the Fund

Authorized to sign the Report:	Dr. András Fekete-Győr
Board of Directors:	Antal Varga, Gyula Pleschinger (before 31 October 2011, András Kármán), Dr. Károly Szász, Dr. Júlia Király, Dr. Levente Kovács (before 31 May 2011, Dr. Rezső Nyers), Dr. András Fekete-Győr
Supervisory Board:	No Supervisory Board is functional for the Fund.
Auditor company:	BDO Kft. (1103 Budapest, Kőér utca 2/A, reg. No.: 002387)
Chief Accountant:	András Nagy (membership No.: 005718) István Nemecz H-1027 Budapest, Csalogány u. 9-11. Reg.No.: 132571
Legal representation:	Dr. Géza Gálfalvi
Account management banks:	- HUF: National Bank of Hungary (NBH), OTP Bank Nyrt., ING Bank Zrt., CIB Bank Zrt. - foreign currency: -
Activities subject to licence:	
• The Fund is exposed to public interest:	Yes

Information required by legislation concerning particular activities: Government Decree No. 214/2000. (XII. 11.)

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 2011 to 31 December 2011	
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 2012	
Balance sheet date for the company per item:	fixed for each balance sheet item	
Rule-off date:	3 February 2012	
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:	-none
	-items consolidated:	-none
Itemization of the profit and loss statement:	-new items added:	-none
	-items consolidated:	-none

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 18,359,952 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 at the end of each year.
- –the qualifications of significant, material and crucial are fixed for each asset group. The balance sheet lines are indicated by Roman numerals, while lines of balance sheet items by Arabic numerals.

- our annual closure and the relevant report comply with the requirements and are consistent,
- in our work, the principle of precaution and the principle of authenticity are represented, and are used with the principle of 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 a 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 initiate and complete payment of compensation to depositors within twenty working days, in case deposits kept with its member institutions are frozen, or pursuant to a resolution issued by the Supervisory Authority, or pursuant to a court order for liquidation is published in case a liquidation procedure is instituted, at the earliest of the three dates.

1.1.6 The Fund 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 Minister of State to the Ministry for National Economy, the Vice President of the National Bank of Hungary (NBH), the President to the Hungarian Financial Supervisory Authority (HFSA), secretary general of the Hungarian Banking Association (HBA), the Managing Director of the National Federation of Saving Co-operatives (NFSC), 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 2011, the chairman's position was filled in by Managing Director of the National Federation of Savings Cooperatives Antal Varga, while the position of the vice chairman by Minister of State for Taxation and Financial Policy Affairs, Ministry for National Economy András Karman until the end of October, succeeded by Gyula Pleschinger.

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[1]

In the first nine months of 2011, the volume of industrial production rose by 6.2 % in comparison with the corresponding period of the year 2010, industrial export improved by 9.1%, while domestic sales kept diminishing by another 5.2%.

As a result of external and internal factors, the growth prospects of the Hungarian economy heavily deteriorated in 2008 and 2009, whereas the year 2010 saw also certain signs of overcoming these.

[1] Based on analysis produced by the Government Debt Management Agency

Summary of macroeconomic figures:

	2006	2007	2008	2009	2010*	2011 Q1*	2011 Q2*	2011 Q3*
GDP growth rate	3.9%	0.1%	0.9%	-6.8%	1.3%	2.5%	1.5%	1.4%
Growth rate of industrial production	9.9%	7.9%	0.0%	-17.8%	10.6%	n/a	n/a	6.2%**
Growth rate of industrial export	14.3%	15.5%	0.1%	-18.8%	16.9%	n/a	n/a	9.1%**
current balance of payments /GDP	-7.4%	-7.2%	-7.3%	-0.2%	1.1%	0.2%++	0.7%++	1.1%++
government finance statistics balance / GDP	-9.3%	-5.4%	-3.3%	-3.8%	-3.3%	-2.7%++	-3.7%++	-5.6%++
gross debt of central government / GDP	62.0%	61.6%	67.7%	72.8%	73.9%	74.7%+	70.3%+	75.6%+
inflation rate (annual average rate)	3.9%	8.0%	6.1%	4.2%	4.9%	n/a	n/a	n/a
unemployment rate	7.5%	7.4%	7.8%	10.0%	11.2%	11.6%	10.8%	10.7%
growth rate of real earnings	3.6%	-4.6%	-0.8%	-2.4%	1.9%	n/a	n/a	n/a

Source: Central Statistical Office (CSU), National Bank of Hungary (NBH), Ministry of Finance (PM), Ministry for National Economy, Government Debt Management Agency (ÁKK Zrt.)

* preliminary figures

** figures for January to November 2011

\+ figures calculated using the expected GDP for 2011

++ data cumulated from the beginning of the year, calculated using the expected GDP for 2011

The growth picking up in Q1 2011 slightly decelerated in Q2 and Q3. In the first three quarters, growth of the economy reached 1.8% in comparison with the corresponding period of the previous year.

The central bank target inflation rate for the whole of year 2011 and for subsequent periods is 3%. According to the “Report on Inflation” issued by the central bank in December 2011, inflation may stay above the target as a result of government measures and expense shocks, which is what happened, given that inflation for the whole year was 3.9%.

In early 2011, the 10-year yield on HUF decreased from about 8% approaching 7%, and fluctuated between 7 and 7.5% from September on, where a significant role was played by the announcement of the Széll Kálmán Plan for boosting the economy, as well as its favourable reception. From September, the 10-year yield took to rising again, which was considerably influenced by the government decisions concerning the FX mortgage early repayment scheme, as well as the escalation of the debt crisis in Western Europe, in addition to deteriorating prospects of domestic and global growth. At the end of year 2011, the 10-year yield was fluctuating around 9.75%.

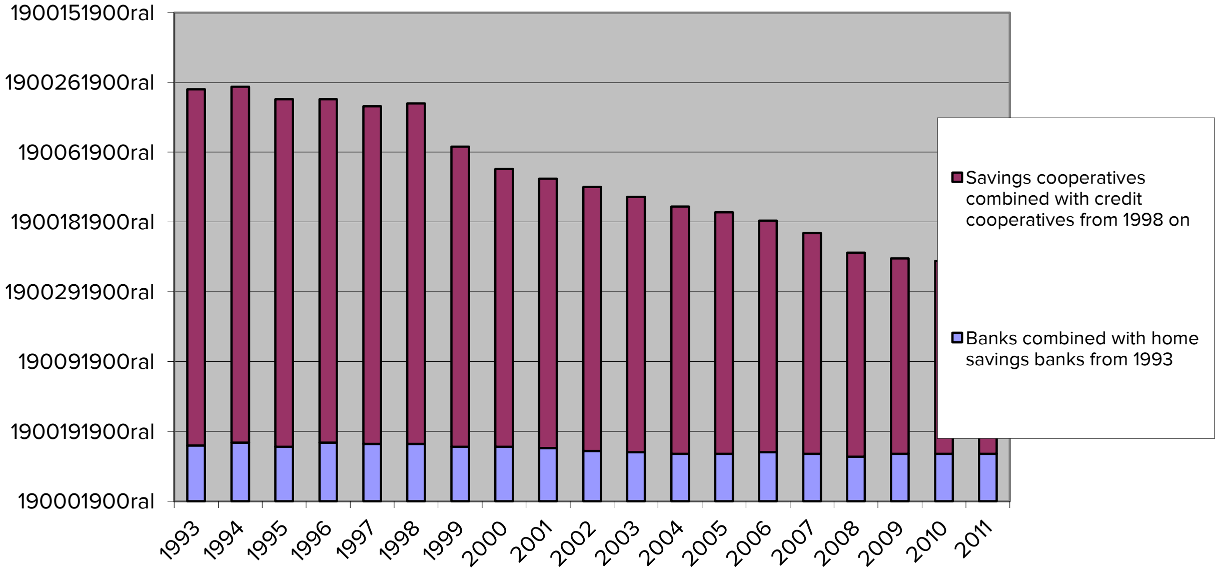
The central bank base rate closed the year at 7.00%. The movement of short yields closely followed the central bank base rate.

A high priority objective of the government’s economic policy is to reduce the public finance deficit. According to the latest Convergence Programme, it means a budget appropriation surplus of 2.0% in proportion to the GDP for 2011, while a budgeted GDP-proportionate deficit of 2.5% for 2012, 2.2% for 2013, 1.9% for 2014 and 1.5% for 2015 on accrual basis.

1.2.1 The number of member institutions

In early 2011, the Fund had 172 members, including 34 banks and specialised credit institutions (of which two were home savings banks), 134 savings cooperatives and 4 credit cooperatives. The number of Fund members decreased by six during 2011, on the aggregate. The year saw a bank merged into another one, one bank transformed into a branch, and one home savings bank joining the Fund, one savings cooperative transformed into bank, four savings cooperatives merged into a different savings cooperative, and the operating licence of one savings cooperative withdrawn by the Supervisory Authority.

As of 31 December 2011, the Fund had a membership of 166 credit institutions, together with 34 commercial banks and specialised credit institutions (including three home savings banks), 128 savings cooperatives and four credit cooperatives.



1.2.2 Trends and composition of savings and deposits

The total savings deposited with credit institutions as at the beginning of 2011– based on the premium returns as of June of the current year – amounted to HUF 16,640 billion, which, breaking the tendency of a long period, represents a drop of approximately HUF 300 billion (1.8%) in comparison with one year previously. Concerning savings by type of credit institutions, 91.4% remains deposited with banks and home savings banks, 8.6% with cooperatives, which represents a minor increase in proportion to the benefit of cooperative credit institutions over the previous year.

As shown in Table 1, it was only the securities portfolio that did not decrease within the HUF 297 billion (1.8%) drop in the savings portfolio.

The tendency keeps featuring steadily decreasing weight of savings deposits from year to year. Decreased interest accrual is due to the continuously diminishing interest rates in the market.

Dynamics of savings deposited with credit institutions (HUF billion)

Table No. 1

Description	At the start of 2010	At the start of 2011	2010=100 %
Deposits	**14,474**	**14,155**	**0.98**
Of which: savings deposits	657	634	0.97
other	13,817	13,521	0.98
Securities	**2,238**	**2,316**	**1.03**
Interest payable	**226**	**169**	**0.75**
TOTAL	**16,937**	**16,640**	**0.98**

Breakdown of the totals in the previous table by member institution type (data in HUF billion)

Table No. 2

01.01.2011	Banks and home savings banks	%	Savings co-operatives and credit co-operatives	%
Deposits	**12,895**	**91.1**	**1,261**	**8.9**
Of which: savings deposits	212	33.5	422	66.5
other deposits	12,682	93.8	839	6.2
Securities	**2,164**	**93.5**	**152**	**6.5**
Interest payable	**153**	**90.8**	**16**	**9.2**
TOTAL	**15,212**	**91.4**	**1,428**	**8.6**

1.2.2.1 Distribution of savings by type of protection

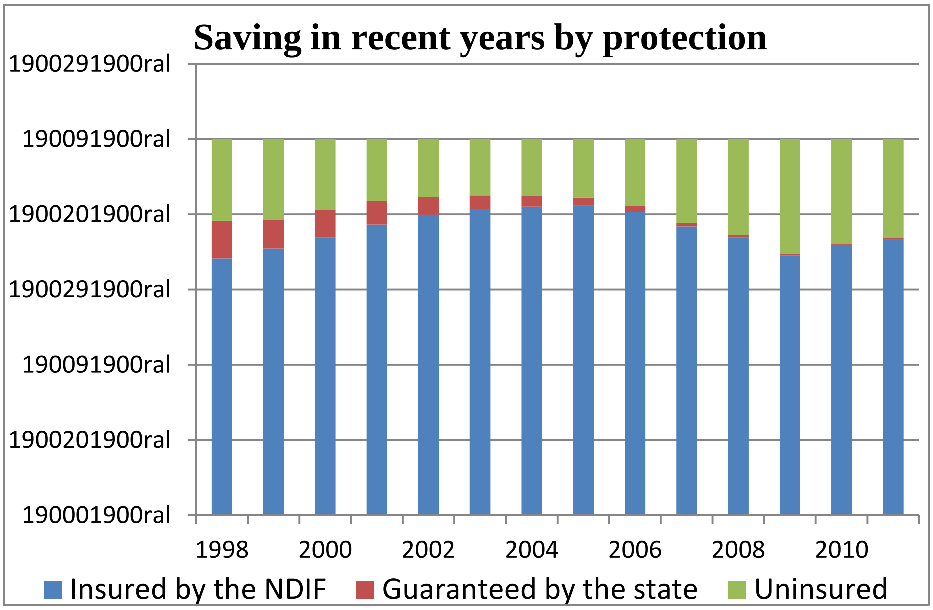
While the total portfolio of savings decreased, the ratio of the portfolio insured by the Fund grew by 1.4%age points to exceed 73% by early 2011, it still lagged behind peak seen in 2005.

By 2011, a shift in proportions is observable, except in interests, to the benefit of portfolios insured by the Fund, which is explained by a decrease in the savings portfolio and deposit interest rates. Within the securities portfolio, the ratio of protection by the Fund rose by almost 9%age points over the previous year's figure, combined with a slight growth of the portfolio.

Distribution of savings by type of protection

Table No. 3

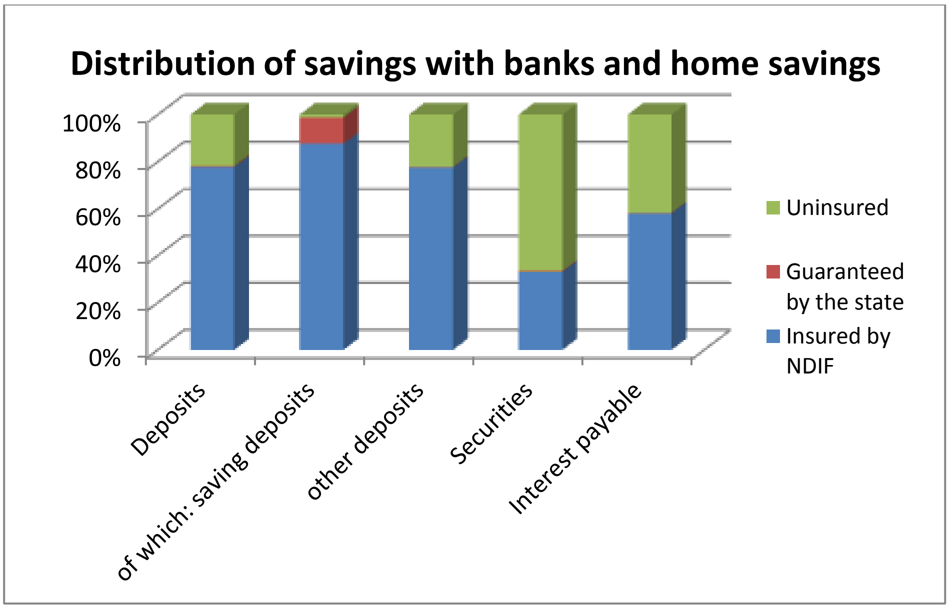
Description	Opening 2010 %			Opening 2011 %		
	Insured by NDIF	Guaranteed by the state	Uninsured	Insured by NDIF	Guaranteed by the state	Uninsured
Deposits	**78.8**	**0.4**	**20.8**	**79.5**	**0.4**	**20.1**
Of which: savings deposits	93.3	5.4	1.3	93.4	5.0	1.6
other deposits	78.1	0.2	21.7	78.8	0.2	21.0
Securities	**28.2**	**0.4**	**71.4**	**36.9**	**0.4**	**62.8**
Interest payable	**62.4**	**1.2**	**36.4**	**60.5**	**1.4**	**38.1**
TOTAL	**71.9**	**0.4**	**27.7**	**73.3**	**0.4**	**26.2**



Distribution of savings by type of protection as at the start of 2011 (%)
(banks and home savings banks)

Table No. 4

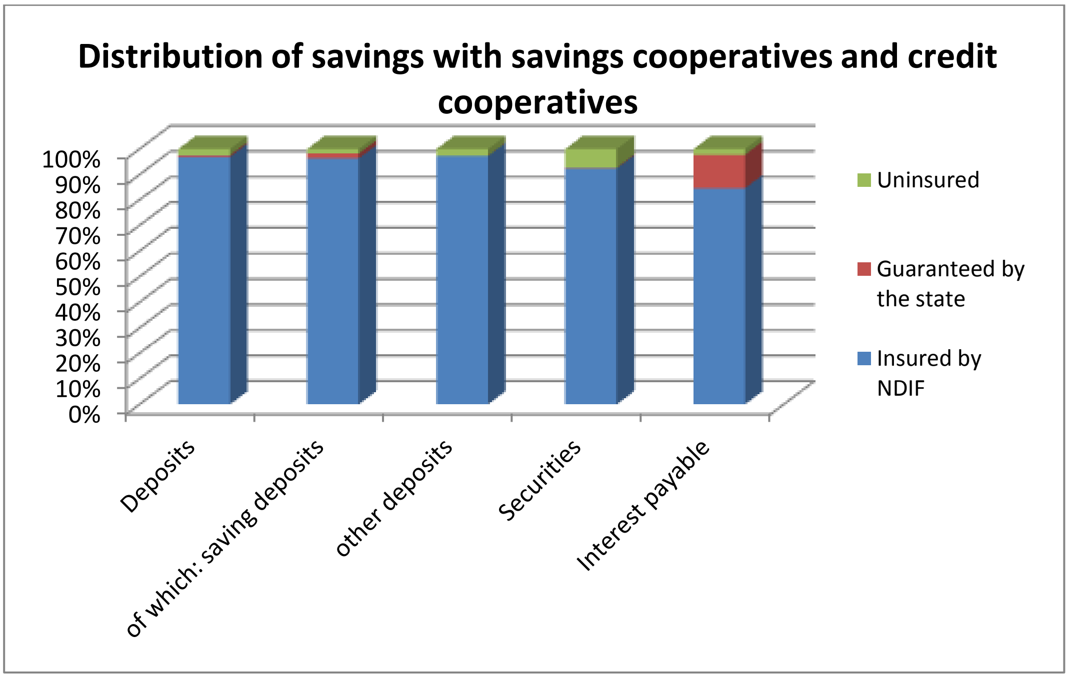
Description	Banks and home savings banks		
	Insured by NDIF	Guaranteed by the state	Uninsured
Deposits	**77.7**	**0.4**	**21.9**
Of which: savings deposits	87.7	11.1	1.2
other deposits	77.6	0.2	22.2
Securities	**33.0**	**0.4**	**66.6**
Interest payable	**58.1**	**0.2**	**41.7**
Total, as at the start of 2011	**71.2**	**0.4**	**28.4**
Total, as at the start of 2010	**69.8**	**0.4**	**29.8**



Distribution of savings by type of protection as at the start of 2011 (%)
(cooperative credit institutions and cooperatives)

Table No. 5

Description	cooperative credit institutions and cooperatives		
	Insured by NDIF	Guaranteed by the state	Uninsured
Deposits	**97.0**	**0.6**	**2.4**
	96.3	1.9	1.8
Of which: savings deposit	97.3	0.0	2.7
Other deposits	**92.4**	**0.3**	**7.3**
Securities	**84.7**	**13.1**	**2.2**
Interest payable	**96.3**	**0.8**	**2.9**
Total, as at the start of 2011	**95.8**	**0.9**	**3.3**
Total, as at the start of 2010	**97.0**	**0.6**	**2.4**



1.2.3 Compensation obligations of the Fund

The Fund's premium base, i.e. the portfolio of insured savings grew by HUF 41 billion, as opposed to the decreased total portfolio of savings worth HUF 297 billion presented above. The Fund's compensation obligation within that grew by HUF 953 billion to HUF 8,506 billion by 2011. It was caused by the fact that the compensation limit was doubled compared to the previous one as of 1 January 2011, i.e. to EUR 100,000.

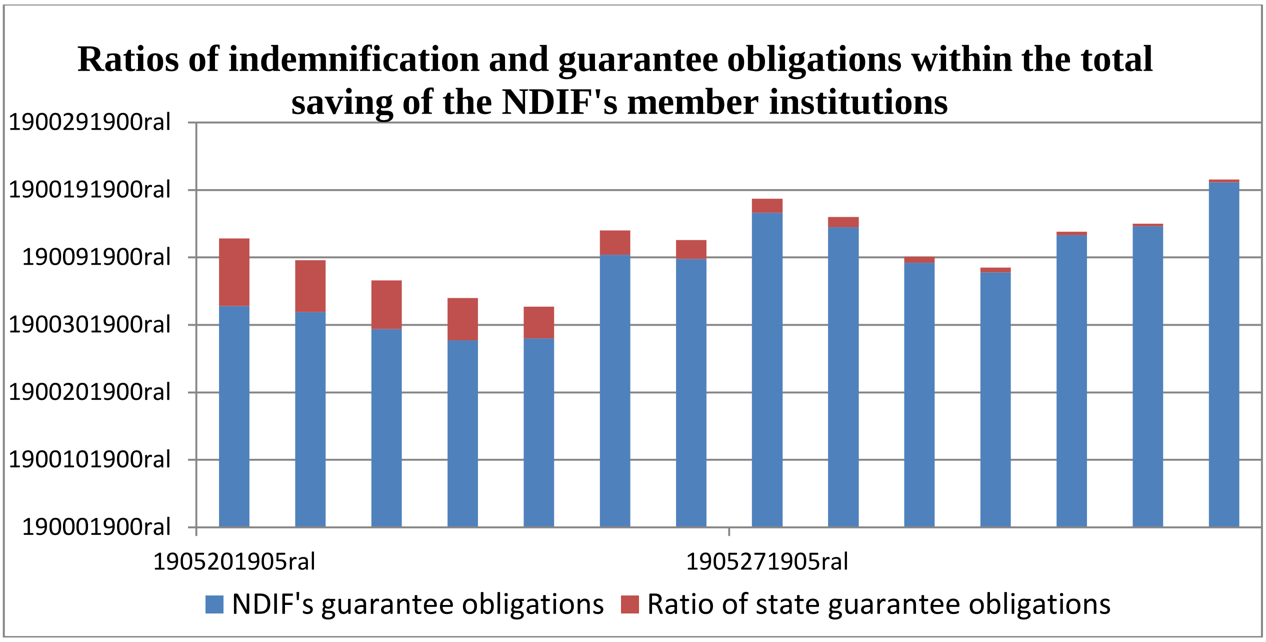
Also considering the state guarantee, effective compensation and guarantee obligations cover 51.5% of savings with credit institutions (45% in 2010).

Compensation and guarantee obligations for savings held in credit institutions

Table No. 6

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	2002	79.9	4.7	15.4	100.0
	2003	81.4	3.6	15.0	100.0
	2004	82.1	2.8	15.1	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
	2011	**73.3**	**0.4**	**26.2**	**100.0**
Ratio of compensation or guarantee obligations for the NDIF within the insured* and the guaranteed balance	2002	35.1	100.0	0	-
	2003	49.6	100.0	0	-
	2004	48.5	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	-
	2011	**69.6**	**100.0**	**0**	**-**
Ratio of compensation or guarantee obligations within total savings kept in NDIF member institutions	2002	28.0	4.7	0	32.7
	2003	40.4	3.6	0	44.0
	2004	39.8	2.8	0	42.6
	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
	2011	**51.1**	0.4	**0**	**51.5**

*** The insured balance equals to the NDIF premium base**



Ratios of indemnification and guarantee obligations within the total saving of the NDIF's member institutions

The average size of deposits decreased from HUF 294,000 to HUF 262,000 (by 11 %).

From 2010 on, member institutions in their premium returns state data consolidated by depositor within the premium base. Based on this, two depositor classes are distinguished (depositors holding deposits worth between EUR 0 and 100,000, and above EUR 100,000, at the value converted using the exchange rate effective at the year-end), in order to facilitate more accurate budgeting of the Fund's compensation obligations.

Within the premium base, 60.7% correspond to depositor class under EUR 100,000, and 39.3% to the one above EUR 100,000.

Distribution of savings insured by the NDIF by deposit class in 2011

Table No.7

Deposit classes	Total			Banking sector			Cooperative sector		
	HUF bn	%	1000	HUF bn	%	1000	HUF bn	%	1000
HUF equivalent of EUR 0 to 100 000	7,413	60.7	9,835	6,184	57.0	7,994	1,229	89.4	1841
Above HUF equivalent of EUR 100 000	4,802	39.3	39	4,656	43.0	37	146	10.6	2
Total	**12,215**	**100.0**	**9,874**	**10,840**	**100.0**	**8,031**	**1,375**	**100.0**	**1,843**
Average deposit of amount per customer (HUF thousand)	**1,237**			**1,350**			**746**		

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, as well as a portion recovered from receivables transferred to the Fund, which may be complemented by loans borrowed by the Fund.

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. The Fund earned a revenue of HUF 10 million under this title in 2011.

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 proceeding 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 three years, and in 2008, it dropped to a half. From 2009 on, we introduced a uniform 0.2 per mill premium rate based on a resolution of the NDIF Board of Directors, which remained in effect also in 2010. As mentioned above, the European Union doubled the compensation limit as of 2011 to a uniform EUR 100,000. Deliberating this in combination with the European Commission's proposal on capital requirement, the Board of Directors set the premium rate at 0.6 per mill.

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 2011

Table No. 8.

Credit institution	Premium paid in 2010 (HUF million)	Premium paid in 2011 (HUF million)	Theoretical indemnification obligation /HUF 1000 HUF	
			2010.	2011.
Bank	2 116	6 286	0.35	0.91
Savings co-operative	256	816	0.22	0.64
Home savings bank	60	202	0.20	0.60
Credit co-operative	3	9,7	0.23	0.64
Grand total	**2 435**	**7 314**	**0.32**	**0.86**

* The data exclude deviations originating from preferential or increased premiums. The balance sheet figure is adjusted by the positive and negative amounts of the foresaid.

In 2011 the average premium on every HUF 1,000 of deposit insurance indemnification amount with credit institutions is HUF 0.86.

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). The Board of

Directors set an increased premium in 2011 for two member institutions, generating a revenue of HUF 3,125 thousand on the aggregate.

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 2011, 108 member institutions were granted preferential premiums worth HUF 342 million.

1.4 Coverage ratio

The fund ratio is an internationally accepted indicator of the asset position or "capitalisation" of deposit insurance institutions, which 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.

Because the yield of investments was above the inflation rate, the Fund's assets available to indemnify depositors was steadily increasing. The market value of assets as at the turn of 2010/2011 amounted to HUF 88 billion. In early 2011, HUF 9 billion was paid as indemnification by the Fund.

The coverage ratio decreased in comparison with the previous year's figure, and is also in the lower region even in a European comparison.

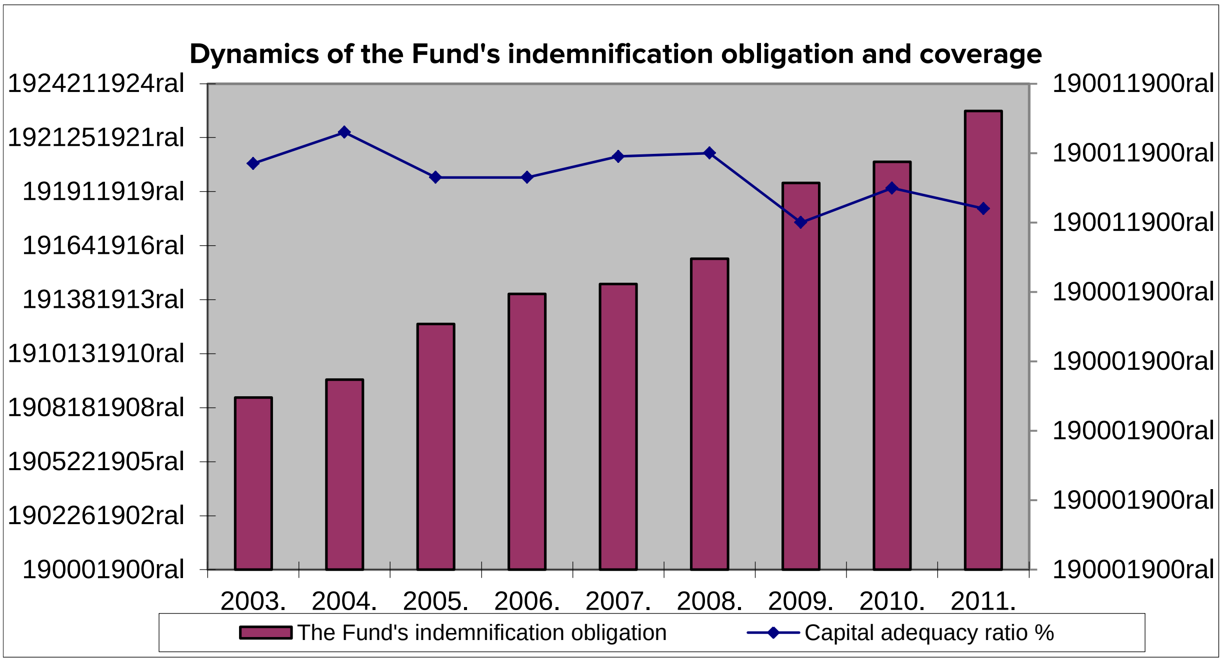
Dynamics of the coverage ratio between 2003 and 2011

Table No. 9

Description	2003 actual	2004 actual	2005 actual	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual
NDIF compensation obligation ((in HUF billion)	3,186	3,521	4,551	5,104	5,288	5,761	7,159	7,590	8,506
NDIF's assets (in HUF billion)*	37.4	44.3	51.5	57.8	63.1	69	71.6	83	88
Coverage ratio %	**1.17**	**1.26**	**1.13**	**1.13**	**1.19**	**1.2**	**1.0**	**1.1**	**1.03**
Average premium rate (per mill)	**0.21**	**0.20**	**0.20**	**0.19**	**0.18**	**0.09**	**0.2**	**0.2**	**0.6**

* Market value of the Fund's liquid assets represented by securities, increased by interest– as at the end of the year preceding the relevant year (opening value in the relevant year)
*Compared to the current indemnification obligation.

The following diagram illustrates a slow opening of scissors, i.e. increasing steepness of obligations combined with assets adopting a tendency of slight decrease, although only within a narrow band, which will be reasonable to be considered on setting long-term premium obligations.



1.5 Explanations for balance sheet items

1.5.1 Intangible assets

A considerable part of intangible assets consists of software purchased or developed by the Fund. The carrying amount of these assets is their original cost. For all assets, individual valuation is used. The company does not apply a residual value for software; its depreciation is recognised using the straight line method, projected to the gross value, proportionately on a daily basis starting from the date of activation. Intangible assets of minor value are recognised by the Fund using lump-sum depreciation, whereas for intellectual products, depreciation is written off using a 33% rate.

In 2011, a significant investment was made, the Fund's new homepage was developed concurrently with the corporate identity change of the Fund, at an original cost of HUF 2,006 thousand.

Dynamics of the portfolio of intangible assets in the relevant year

Table No. 10

Description	**Gross value (HUF 1,000)**	**Depreciation (HUF 1,000)**
Opening as at 01.01.2011	127,052	89,544
Growth in the relevant year (activation)	2,006	-
Sales in the relevant year	-	-
Asset disposal in the relevant year	-	-
Depreciation in the relevant year	-	12,374
Closing as at 31.12..2011	129,058	101 ,918

1.5.2 Tangible assets

The Fund's tangible assets comprise the assets needed to ensure operations, such as renovation works on rented buildings, IT devices, office equipments.

Similarly to intangible assets, individual valuation is used for each asset, with a residual value established on an individual basis to match its respective significance. A straight line method of depreciation was used, projected to gross value, proportionately on a daily basis starting from the date of activation. Tangible assets of minor value are recognised by the Fund using lump-sum depreciation.

The largest investment in the relevant period was replacement of the Fund's IT assets (HUF 5,929 thousand), and instalment of a fire extinguishing system in the server room (HUF 4,228 thousand). During the relevant year, the Fund sold its vehicles purchased in earlier years, which were recorded in the books at residual value.

Composition of tangible assets

Table No. 11

Description In HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Rights related to land and buildings	1,130	0	1,038	-92	8.14
- plot of land, land allotment	3		3	0	0.00
- buildings, parts of buildings	1,127		1,035	-92	8.16
Equipment, fittings, vehicles	13,856	0	12,088	-1,768	-12.76
- office technology equipment	1,141		4,590	3,449	302.28
- vehicles	8,394		0	-8,394	-100.00
- IT equipment	3,979		7,391	3,412	85.75
- furniture	239		107	-132	-55.23
- other	103		0	-103	-100.00
Total:	**14,986**	**0**	**13,126**	**-1,860**	**-12.41**

Highlighted changes in balances:

Table No. 12

Description / HUF thousand	opening	growth	decrease	reclassification +-	closing
GROSS VALUE	**65,728**	**23,179**	**32,931**	**0**	**55,979**
Rights related to land and buildings	5,811	-			5,811
Equipment, fittings, vehicles	59,917	10,512	20,261		50,168
Capital projects in progress		12,667	12,667		0
DEPRECIATION	**50,741**	**4,271**	**12,158**	**0**	**42,854**
Rights related to land and buildings	4,681	93			4,774
Equipment, fittings, vehicles	46,060	4,178	12,158		38,080
NET VALUE	**14,987**	**-167**	**2,403**	**0**	**13,126**
Rights related to land and buildings	1,130	-93	0	0	1,037
Equipment, fittings, vehicles	13,857	6,334	8,106	0	12,088
Capital projects in progress	0	12,667	12,667	0	0

In the relevant year, tangible assets increased due to procurements. In depreciations, only planned depreciation was recognised.

Tangible assets – indicators

Table No. 13

Description	2010 %	2011 %	change %
Proportion of tangible assets in fixed assets:	28.55	32.60	-4.05
Asset ratio:	0.02	0.01	-0.01
Attrition level:	22.08	23.45	1.37

1.5.3 Financial investments

The Fund holds no financial investments.

1.5.4 Inventories

The Fund's investments include a single timeshare, with balance and value unchanged during the relevant year.

1.5.5 Receivables

The Fund's receivables comprise receivables from member institutions (which amount to zero on the balance sheet date), receivables from credit institutions, as well as other receivables. The Fund measures receivables on an individual basis, and impairment is recognised based on individual measurement. Impairment is deemed as significant if its value exceeds HUF 100 thousand, or modifies the balance sheet item by more than 5%.

Rates applicable to recognising impairment for receivable type items:

Table No. 14

Description	
Under liquidation	individual
Under bankruptcy	50.0%
Under agreement	individual
Over one year	61.2%
Over six months	29.4%
Over three months	14.1%

The amount of deposits paid on indemnification is stated in the line 'Receivables transferred to the Fund', at HUF 2,131,969 thousand. Structure of receivables composition:

Table No. 15

Description HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Receivables from member institutions	**337,449**	**0**	**2,131,970**	**1,794,521**	**531.79**
= receivables from credit institutions	-		225	225	100.00
= depreciation reversal of receivables from credit institutions	-		-225	-225	-100.00
= receivables transferred due to payment of deposits	3,403,555		12,416,567	9,013,012	264.81
= depreciation reversal of receivables transferred due to payment of deposits	-3,066,106		-10,284,597	7,218,491	235.43
= incidental costs incurred due to payment of deposits	28,738		61,732	32,994	114.81
= depreciation reversal of incidental costs incurred due to payment of deposits	-28,738		-61,732	-32,994	114.81
Other receivables from credit institutions	**0**	**0**	**0**	**0**	**0.00**
- due to guarantee and redemption of onerous obligations				0	0.00
- depreciation reversal due to guarantee and redemption of onerous obligations				0	0.00
Other receivables:	**221**	**0**	**247**	**26**	**11.76**
- Accounts receivable	0		0	0	0.00
- Interest-free housing loans	0		0	0	0.00
- Advances paid	0		61	-61	-100.00
- Reclassified tax payment obligations	210		172	-38	-18.10
- Other receivables	11		14	3	27.27
Total:	**337,670**	**0**	**2,132,217**	**1,794,547**	**531.45**

Changes in impairment in line with the Accounting Act:

Table No. 16

Description / HUF thousand	Accounting Act opening	additions	disposals	reversal	Accounting Act
Receivables from member institutions	0	225			225
Receivables from liquidator of credit institutions	3,094,843	7,214,371		24,617	10,284,597
Total	**3,094,843**	**7,214,596**	**0**	**24,617**	**10,284,822**

Amount of receivables to be collected per member institution:

Table No. 17

Description HUF thousand	receivable amount	onerous obligations	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 Hitelszövetkezet deposits	3,133,679	0	2,827,285	2,820,314	313,365
Általános Közlekedési Hitelszöv. incidental costs	12,048	0	0	12,048	0
’Jógazda’ Szövetkezeti Takarékpénztár deposits	8,976,675	0	0	7,181,376	1,795,299
’Jógazda’ takarékpénztár incidental costs	32,995	0	0	32,995	0
Total:	**12,434,213**	**0**	**3,082,795**	**10,302,243**	**2,131,970**

Receivables transferred to the Fund per member institution:

Table No. 18

Description HUF thousand	Frozen deposits	Disbursements in the relevant year			Amount of disbursements		
		total	principal	interest	total	principal	interest
Heves és Vidéke Takarékszövetkezet	1,389,090	0	0	0	262,126	262,126	0
Általános Közlekedési Hitelszövetkezet	3,288,532	538	530	8	3,141,428	3,098,293	43,135
„Jógazda" Szövetkezeti Takarékpénztár[1]	9,861,220	8,985,027	8,774,565	210,462	8,985,027	8,774,565	210,462
Total	**4,677,622**	**3,141,428**	**3,098,293**	**43,135**	**3,403,555**	**3,360,420**	**43,135**

[1]Payments to "Jógazda" Szövetkezeti Takarékpénztár in the current year include the amount offset in the relevant year.

Receivables – indicators

Table No. 19

Description	2010 %	2011 %
Proportion of receivables:	0.03	2.32
Ratio of receivables:	0.37	2.39

1.5.6 Securities

Pursuant to legislation, the Fund holds the premiums collected from member institutions in Hungarian government securities, more specifically, in treasury bills. Recognition is based on original cost, and the method of valuation is individual for each security. During the relevant year, the Fund did not use the facility of measurement at fair value.

Structure:

Table No. 20

Description, HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Government securities	84 640 918	0	86 880 898	2 239 980	2.65
- domestic government	84 640 918	0	86 880 898	2 239 980	2.65
= Hungarian government	68 066 043	0	70 070 238	2 004 195	2.94
= discount treasury bills	16 574 875	0	16 810 660	235 785	1.42
- Other securities	3 427 153	0	0	- 3 427 153	-100.00
= NBH bonds	3 427 153	0	0	- 3 427 153	-100.00
Total:	**88 068 071**	**0**	**86 880 898**	**-1 187 173**	**-1.35**

Securities – balance movements

Table No. 21

Description / HUF thousand	opening	additions	disposals	closing
GROSS VALUE	**88,068,071**	**337,465,385**	**338,652,558**	**86,880,898**
Government securities	84,640,918	337,465,385	338,652,558	86,880,898
- domestic government securities	84,640,918	337,465,385	338,652,558	86,880,898
= Hungarian government bonds	68,066,043	123,435,124	121,430,929	70,070,238
= discount T-bills	16,574,875	67,744,440	67,508,655	16,810,660
Other securities	3,427,153	146,285,821	149,712,974	0
- NBH bonds	3,427,153	146,285,821	149,712,974	0
IMPAIRMENT	0			**0**
NET VALUE	**88,068,071**	**337,465,385**	**338,652,558**	**86,880,898**
Government securities	84,640,918	337,465,385	338,652,558	86,880,898
- domestic government securities	84,640,918	337,465,385	338,652,558	86,880,898
= Hungarian government bonds	68,066,043	123,435,124	121,430,929	70,070,238
= discount T-bills	16,574,875	67,744,440	67,508,655	16,810,660
Other securities	3,427,153	146,285,821	149,712,974	0
- NBH bonds	3,427,153	146,285,821	149,712,974	0

a) Highlighted balance certificates:

Change in depreciation in accordance with the Accounting Act:

Differences between purchase and face values:

Table No. 22

Description HUF thousand	Purchase value on acquisition	Face value on acquisition	2011 market value	2011 audited value
Hungarian government bonds	70,070,238	78,015,670	70,070,238	70,070,238
Discount treasury bills	16,810,660	17,037,480	16,810,660	16,810,660
Total:	**86,880,898**	**95,053,150**	**86,880,898**	**86,880,898**

Securities – indicators

Table No. 23

Description	2010 %	2011 %	change %
Proportion of securities:	99.59	97.57	-2.02
Ratio of securities:	96.84	94.51	-2.33

1.5.7 Liquid assets

The Fund's liquid assets comprise liquid assets held to cover operating costs, kept as overnight fixed deposits with the National Bank of Hungary (HUF 34,295 thousand), as well as cash on hand (HUF 129 thousand).

1.5.8 Prepaid expenses and accrued income

The Fund's recognises proportionate interests on securities worth HUF 2,841,934 thousand and other income affecting year 2011 worth HUF 27 thousand (additional premium revenue invoiced subsequently to credit institutions) under prepaid expenses and accrued income.

The same line comprises items of prepaid expenses worth HUF 1,659 thousand, which includes newspaper subscriptions, community transport season tickets and proportionate amounts of life insurances for 2012.

1.5.9 Provisions

No provisions were accumulated.

1.5.10 Long-term liabilities

The Fund holds no long-term liabilities.

1.5.11 Short-term liabilities

In the relevant year, the Fund offered no guarantees or other onerous obligations.

The Fund recognises the following items under short-term liabilities:

- other deposit insurance liabilities	HUF	78,053 thousand
- liabilities to trade creditors	HUF	39,771 thousand
- tax liabilities	HUF	5,755 thousand
- other liabilities	HUF	327 thousand

Short-term liabilities – valuation

Table No. 24

Description / HUF thousand	gross	revaluation at year end	net
Liabilities towards depositors	78,053		78,053
Other short-term liabilities	45,853		45,853
Total	**123,906**	**0**	**123,906**

Short-term liabilities – indicators

Table No. 25

Description	2010 %	2011 %	change %
proportion of liabilities:	0.11%	0.13%	-87.21%
short-term liquidity I.:	92,420	72,056	711.55%
short-term liquidity II.:	92,420	72,056	711.55%

1.5.12 Accrued expenses and deferred income

The Fund recognises expenses that affect the relevant period but will be incurred only subsequently under accrued expenses.

Accounting and auditing expenses	HUF	3,174,000
Operating expenses of the payout system	HUF	2,655,000
Expenses of legal services	HUF	796,000
Fuel expenses	HUF	363,000
Public utility costs of buildings	HUF	333,000
Telephone expenses	HUF	148,000
Other expenses not highlighted	HUF	390,000
Accrued expenses	**HUF**	**7,859,000**

1.5.13 Equity

In the relevant year, changes in equity are caused by the following items:
- Admission fee of HUF 10,000 thousand paid by Erste Lakástakarékpénztár
- HUF 1,018,325 thousand profit for the relevant year

The result generated in the relevant year is transferred by the Fund to the reserve in January 2012.

Composition of equity

Table No. 26

Description, HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Registered capital	896,082	0	906,082	10,000	1.12
Reserves	84,177,873	0	89,875,353	5,697,480	6.77
Revaluation reserve	0	0	0	0	0.00
Retained profit for the relevant year	5,697,480	0	1,018,325	-4,679,155	-82.44
Total	**90,771,435**	**0**	**91,799,760**	**1,028,325**	**1.13**

Equity – calculation of reserves

Table No. 27

Legal titles, HUF thousand	2010	Effect of revision	2010
Opening reserves	**70,725,129**		**84,177,873**
Changes in the relevant year	13,452,744		5,697,480
Closing reserves	84,177,873		89,875,353

Changes in equity:

Table No. 28

Description HUF thousand	Subscribed capital	Reserve	Retained profit for the relevant year
Opening value	**896,082**	**84,177,873**	**5,697,480**
Increments	**0**	**5,697,480**	
-capital increase on incorporation	10,000		
- transfer of previous year's retained profit		5,697,480	
- other		0	1,018,325
Reductions	**0**	**0**	**5,697,480**
- transfer of previous year's retained profit	0		5,697,480
- transfer of previous year's retained profit			
- other			0
Closing value	**906,082**	**89,875,353**	**1,018,325**

Equity indicators

Table No. 29.

Description	2010 %	2011 %	change %
Capital ratio	99.82	99.86	0.68
coverage of invested assets	172,917.73	227,983.31	6.25

1.6 Explanations for the items of profit and loss statement

Profit and loss account per operating activity:

Table No. 30 (data in HUF thousand)

	Description	Deposit Insurance		Asset management		Operation		Total	
		2010	2011	2010	2011	2010	2011	2010	2011
1	Premium revenue from member institutions	2,435,030	6,975,147	0	0	0	0	2,435,030	6,975,147
2	Premium revenue from claims collected on behalf of depositors	0	6,975	0	0	0	0	0	6,975
3	Commission revenue from disbursement of deposits insured with state guarantee	86	0	0	0	0	0	86	0
4	Revenue from other deposit insurance	27,401	150	0	0	0	0	27,401	150
I.	**Revenues from deposit insurance (01+02+03+04)**	**2,462,517**	**6,982,272**	**0**	**0**	**0**	**0**	**2,462,517**	**6,982,272**
II.	**Other revenues**	**50,642**	**0**	**0**	**0**	**249**	**3,220**	**50,891**	**3,220**
III	**Revenues from other than deposit insurance**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IV	**Revenues from financial transactions**	**0**	**0**	**7,034,960**	**6,735,055**	**0**	**0**	**7,034,960**	**6,735,055**
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	2,839,333	7,214,371	0	0	0	0	2,839,333	7,214,371
VI	**Expenses of deposit insurance (05+06+07+08)**	**2,839,333**	**7,214,371**	**0**	**0**	**0**	**0**	**2,839,333**	**7,214,371**
VII	**Other expenses**	**0**	**0**	**0**	**0**	**590**	**8,907**	**590**	**8,907**
VIII	**Expenses of other than deposit insurance**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IX	**Expenses of financial transactions**	**0**	**0**	**791,357**	**5,213,649**	**0**	**0**	**791,357**	**5,213,649**
X	**Extraordinary expenses**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
9	Material type expenses	0	0	0	0	80,639	120,849	80,639	120,849
10	Personnel expenses	0	0	0	0	121,622	127,801	121,622	127,801
11	Depreciation write-off	0	0	0	0	17,347	16,645	17,347	16,645
XI	**Operating costs (09+10-11)**	**0**	**0**	**0**	**0**	**219,608**	**265,295**	**219,608**	**265,295**
A	**RETAINED PROFIT FOR THE YEAR (I+II+III+IV+V-VI-VII-VIII-IX-X-XI)**	**-326,174**	**-232,249**	**6,243,603**	**1,521,406**	**-219,949**	**-270,832**	**5,697,480**	**1,018,325**

1.6.1 Details of deposit insurance revenues

In the Fund's profit and loss statement, premium revenues recognised for member institutions is presented under premium revenues recognised for member institutions. In the relevant year, member institutions were required to pay 0.06% of their respective total deposit portfolios as a premium to the Fund. 100% of the premium revenue is generated from Hungary in HUF.

Premium revenues from receivables collected on behalf of depositors (HUF 6,975 thousand) includes the impairment recognised in earlier years and reversed in the relevant year.

Other deposit insurance revenue worth HUF 150 thousand was generated from late payment interest charged on member institutions for overdue payment of membership premiums.

Membership premiums for the relevant year per member institution:

Name of credit institution	Premium paid
Banks	
Banco Popolare Hungary Bank Zrt.	11,463,102
Banif Plus Bank Zrt.	119
Bank of China (Hungária) Zrt.	7,351,229
Budapest Hitel és Fejlesztési Bank Nyrt.	279,849,654
CIB Bank Zrt.	674,609,731
Commerzbank Zrt.	52,142,555
Credigen Bank Zrt.	324
Deutsche Bank Zrt.	15,210,357
DRB Dél-dunántúli Regionális Bank Zrt.	15,554,515
Erste Bank Hungary Zrt.	551,311,812
FHB Bank Zrt.	62,402,228
Gránit Bank Zrt.	5,486,763
Hanwha Bank Magyarország Zrt.	1,397,222
KDB Bank (Magyarország) Zrt	34,196,631
Kereskedelmi és Hitelbank Zrt.	594,689,780
Kinizsi Bank Zrt.	7,524,786
Magnet Magyar Közösségi Bank Zrt.	28,518,621
Magyar Cetelem Bank Zrt.	-
Magyar Export-Import Bank Zrt.	-
Magyar Takarékszövetkezeti Bank Zrt.	15,160,161
Magyarországi Volksbank Zrt.	128,002,345
Merkantil Bank Zrt.	15,226,957
MFB Zrt.	1,618,792
MKB Bank Zrt.	709,896,699
Mohácsi Takarék Bank Zrt.	7,130,330
OTP Bank Nyrt.	1,776,998,514
Pannon Takarék Bank Zrt.	9,636,457
Porsche Bank Hungária Zrt.	3,001,737
Raiffeisen Bank Zrt.	689,807,712
Sopron Bank Zrt.	17,069,197
Széchenyi Kereskedelmi Bank Zrt.	1,164,000
Unicreditbank Hungary Zrt.	545,550,248

Savings cooperatives

Abaúj Takarék Takarékszövetkezet	986,854
AGRIA Bélapátfalva Takarékszövetkezet	1,441,965
ALBA Takarékszövetkezet	3,635,474
Alföld Takarék Szövetkezeti Hitelintézet	13,840,759
Alsónémedi és Vidéke Takarékszövetkezet	11,140,709
Apátfalvi Takarékszövetkezet	1,100,731
Bácska Takarékszövetkezet	2,824,813
Bak és Vidéke Takarékszövetkezet	3,389,988
Bakonyvidéke Takarékszövetkezet	1,420,623
Balaton-felvidéki Takarékszövetkezet	1,846,120
Balatonföldvár és Vidéke Takarékszövetkezet	1,772,391
Balmazújváros és Vidéke Takarékszövetkezet	2,580,459
Bátaszék és Vidéke Takarékszövetkezet	1,498,929
Biatorbágy és Vidéke Takarékszövetkezet	4,038,738
Boldva és Vidéke Takarékszövetkezet	1,695,322
Bóly és Vidéke Takarékszövetkezet	3,203,690
Borotai Takarékszövetkezet	2,015,920
Borsod Takarék Takarékszövetkezet	3,940,828
Bükkalja Takarékszövetkezet	1,917,311
Cserhátvidéke Körzeti Takarékszövetkezet	1,336,039
Dél-Pest Megyei Takarékszövetkezet	2,704,631
Dél-Zalai Egyesült Takarékszövetkezet	2,164,272
Drávamenti Takarékszövetkezet	7,824,996
Drégelypalánk és Vidéke Takarékszövetkezet	944,150
Duna Takarékszövetkezet	15,721,098
Dunaföldvár és Vidéke Takarékszövetkezet	5,036,703
Dunakanyar Takarékszövetkezet	6,854,888
Dunapataj és Vidéke Takarékszövetkezet	778,538
Eger és Környéke Takarékszövetkezet	2,836,822
Endrőd és Vidéke Takarékszövetkezet	6,271,937
Ercsi és Vidéke Körzeti Takarékszövetkezet	719,462
Érd és Vidéke Takarékszövetkezet	3,796,714
Érsekvadkert és Vidéke Takarékszövetkezet	755,187
Észak Tolna Megyei Takarékszövetkezet	4,065,548
Fegyvernek és Vidéke Körzeti Takarékszövetkezet	1,509,455
Felsőzsolca és Vidéke Takarékszövetkezet	1,936,720
Fókusz Takarékszövetkezet	7,575,312
Fontana Credit Takarékszövetkezet	7,277,790
Forrás Takarékszövetkezet	2,701,547
Főnix Takarékszövetkezet	2,888,969
Füzes Takarék Szövetkezeti Hitelintézet	7,810,527
Gádoros és Vidéke Takarékszövetkezet	2,419,206
Gyöngyös-Mátra Takarékszövetkezet	4,274,383
Gyulai Takarékszövetkezet	1,424,718
Hajdú Takarék Takarékszövetkezet	6,164,341
Hajdúdorog és Vidéke Takarékszövetkezet	2,143,205
Hajós és Vidéke Takarékszövetkezet	962,804
Hartai Takarékszövetkezet	623,359

Hatvan és Vidéke Takarékszövetkezet	4,098,073
Hévíz és Vidéke Takarékszövetkezet	2,040,842
Hodász-Porcsalma Takarékszövetkezet	727,992
Jászárokszállás és Vidéke Körzeti Takarékszövetkezet	2,613,841
Jász-Takarékszövetkezet	2,796,079
„Jógazda” Takarékszövetkezet	224,798
Kápolnásnyék és Vidéke Takarékszövetkezet	2,524,755
Kaposmenti Takarékszövetkezet	1,056,884
Kéthely és Vidéke Takarékszövetkezet	2,335,508
Kevermes és Vidéke Takarékszövetkezet	1,666,172
Kisdunamenti Takarékszövetkezet	1,438,736
Kiskunfélegyházi Takarékszövetkezet	1,853,757
Kis-Rába menti Takarékszövetkezet	2,591,598
Kiszombor és Vidéke Takarékszövetkezet Kiszombor	1,342,410
Kondorosi Takarékszövetkezet	2,899,168
Körmend és Vidéke Takarékszövetkezet	4,778,733
Környe-Bokod Takarékszövetkezet	3,806,981
Kunszentmárton és Vidéke Takarékszövetkezet	4,358,609
Lakiteleki Takarékszövetkezet	1,755,125
Lébény-Kunsziget Takarékszövetkezet	1,351,167
Lövő és Vidéke Takarékszövetkezet	2,999,466
Mecsekvidéke Takarékszövetkezet	10,273,978
Monor és Vidéke Takarékszövetkezet	6,651,501
Nagybajom és Vidéke Takarékszövetkezet	7,236,398
Nagyecsed és Vidéke Takarékszövetkezet	857,325
Nagykáta és Vidéke Takarékszövetkezet	5,266,685
Nagyréde és Vidéke Körzeti Takarékszövetkezet	356,829
Nemesnádudvar és Vidéke Takarékszövetkezet	929,220
Nyírbélteki Körzeti Takarékszövetkezet	1,473,194
Nyúl és Vidéke Takarékszövetkezet	3,009,237
Orgovány és Vidéke Takarékszövetkezet	16,592,967
Örkényi Takarékszövetkezet	7,985,849
Pannonhalma és Vidéke Takarékszövetkezet	2,871,938
Partiscum XI Takarékszövetkezet	2,950,550
Pécel és Vidéke Takarékszövetkezet	2,271,402
Pilisvörösvár és vidéke Takarékszövetkezet	12,930,067
Pillér Takarékszövetkezet	2,349,168
Polgári Takarékszövetkezet	7,590,643
Rábaközi Takarékszövetkezet	2,487,432
Rajak és Vidéke Takarékszövetkezet	9,604,556
Rakamaz és Vidéke Körzeti Takarékszövetkezet	2,535,916
Répcelak és Vidéke Takarékszövetkezet	1,909,292
Rétköz Takarékszövetkezet	1,528,466
Ricse és Vidéke Takarékszövetkezet	348,398
Rónasági Takarékszövetkezet	5,018,302
Rum és Vidéke Takarékszövetkezet	2,830,663
Sajóvölgye Takarékszövetkezet	4,132,661
Sárbogárd és Vidéke Takarékszövetkezet	1,405,683
Savaria Takarékszövetkezet	6,826,228

Solt és Vidéke Takarékszövetkezet	470,592
Soltvadkert és Vidéke Takarékszövetkezet	22,212,119
Somogy Takarék Szövetkezet	3,891,107
Szabadszállás és Vidéke Takarékszövetkezet	1,236,855
Szabolcs Takarékszövetkezet	6,144,822
Szarvas és Vidéke Körzeti Takarékszövetkezet	3961,964
Szatmár-Beregi Takarékszövetkezet	2,880,465
Szatymaz és Vidéke Takarékszövetkezet	2169,445
Szécsény és Környéke Takarékszövetkezet	750,392
Szeghalom és Vidéke Takarékszövetkezet	5.083,542
Szegvár és Vidéke Takarékszövetkezet	12,110,164
Szendrő és Vidéke Takarékszövetkezet	720,599
Szentgál és Vidéke Takarékszövetkezet	228,883
Szentlőrinc-Ormánság Takarékszövetkezet	3,080,498,
Szerencs és Környéke Takarékszövetkezet	1,193,244
Szigetvári Takarékszövetkezet	13,223,219
Takarék Szövetkezeti Hitelintézet	9,056,722
Téti Takarékszövetkezet	2,687,642
Tisza Takarékszövetkezet	4,421,207
Tiszafüred és Vidéke Takarékszövetkezet	4,287,607
Tiszavasvári Takarékszövetkezet	2,993,851
Tokaj és Vidéke Takarékszövetkezet	4,357,603
Tompa és Vidéke Takarékszövetkezet	397,939
Turai Takarékszövetkezet	4,699,277
Újszász és Vidéke Körzeti Takarékszövetkezet	1,773,403
Vámosgyörk és Vidéke Takarékszövetkezet	495,176
Veresegyház és Vidéke Takarékszövetkezet	3,791,889
Vértes Takarékszövetkezet	5,205,560
Völgység-Hegyhát Takarékszövetkezet	6,619,936
Zalavölgye Takarékszövetkezet	1,561,044
Zemplén Takarékszövetkezet	1,567,968
Zirci Takarékszövetkezet	4,030,522,
Zomba és Vidéke Takarékszövetkezet	3,268,061
Home savings banks	
Erste Lakás-takarékpénztár Zrt.	27,040
Fundamenta-Lakáskassza Zrt.	115,417,273
OTP Lakás-takarékpénztár Zrt.	87,034,410
Credit cooperatives	
Mecsekkörnyék Hitelszövetkezet	1,124,208
Széchenyi István Hitelszövetkezet	4,503,593
Szentesi Hitelszövetkezet	2,828,059
Tiszántúli Első Hitelszövetkezet	1,241,599
Grand total	**6,972,022,245**

In the relevant year, the Board of Directors set extra premiums worth HUF 3,124,794 in addition to the regular premiums. No amounts were paid in the relevant year by departing member institutions. The Fund received no subsidy in the relevant year.

1.6.2 Operating costs and expenses

In the relevant year, operating costs and expenses were as follows:

Table No. 31

Description HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Expenses from deposit insurance	**2,839,333**	**0**	**7,214,371**	**4,375,038**	**154.09**
- other expenses from deposit insurance	2,839,333	0	7,214,371	4,375,038	154.09
Expenses from other than deposit insurance	**0**	**0**	**0**	**0**	
Other expenses	**590**	**0**	**8,907**	**8,317**	**1,409.66**
Cost types					
- materials	80,639	0	120,849	40,210	49.86
= cost of materials	4,461	0	7,509	3,048	68.33
= material type of services used	72,510	0	111,304	38,794	53.50
= other services	3,668	0	2,036	-1,632	-44.49
- payroll expenses	121,622	0	127,801	6,179	5.08
- depreciation	17,347	0	16,645	-702	-4.05
Total	**3,059,531**	**0**	**7,488,573**	**4,429,042**	**144.76**

Highlighted items:

Table No. 32

Description HUF thousand	2010	Effect of revision	2011	change		Composition for the relevant year %
				HUF thousand	%	
Services used						
- transportation, loading, warehousing, packaging	3,707		4,192	485		3.8
- renting and hiring fees	1,713		6,703	4,990	291.3	6.0
- maintenance costs	2,284		2,016	-268	-11.7	1.8
- postage and telecommunications services	5,218		4,917	-301	5.8	4.4
- training and further training	416		145	-271	65.1	0.1
- advertising, publicity and propaganda services	899		21,605	20,706	2,303.2	19.4
- business travels, secondment costs	7,534		8,644	1,110	14.7	7.8
- membership premiums	2,486		2,890	404	16.3	2.6
- auditor's fee	2,565		2,149	-416	16.2	1.9
- accounting and chief accountant services	-		19,453	19,453	100.0	17.5
- expert services	26,145		31,717	5,572	21.3	28.5
- other services used	19,543		6,873	-12,670	64.8	6.2
Total	**72,510**	**0**	**111,304**	**45,620**	**62.9**	**100.00**

Table No. 33

Description HUF thousand	2010	Effect of revision	2011	change		Composition for the relevant year %
				HUF thousand	%	
Other services						
- insurance premiums	1,569		856	-713	45.4	42.0
- banking costs	1,620		1,162	-458	28.3	57.1
- authority fees	479		18	-461	96.2	0.9
Total	**3,668**	**0**	**2,036**	**-1,632**	**44.5**	**100.0**

Table No. 34

Description HUF thousand	2010	Effect of revision	2011	change		Composition for the relevant year %
				HUF thousand	%	
- impairment	20		0	-20	-100.0	0.0
- without taxes, contributions and innovation contributions	540		240	-300	55.6	2.7
- tangible assets sold	0		8,250	8,250	100.0	92.6
- other non-highlighted	30		417	387	1,290.0	4.7
Total:	**590**		**8,907**	**8,128**	**1,377.6**	**100.0**

a) Comments:

Highlighted changes in balances: -.

1.6.3 1.6.3 Results of financial activities

a) Content:
- revenue from financial transactions,
- expenses of financial transactions.

b) Valuation - recognition:
- Carrying is based on: book value
- Movements in foreign exchange are measured in line with the principle of authenticity.
- Valuation at fair value: not used. The balance is certified by analytic records.

c) Structure:

Table No. 35

Description HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Revenues from financial activity					
Interest received	8,878		11,429	2,551	28.7
Revenues from financial transactions	7,026,081	0	6,723,626	-302,455	-,4.3
- exchange rate gains on investments in foreign currency	6		57	51	850.0
- profit on Hungarian government securities	7,026,075	0	6,723,569	-302,506	4.3
= exchange gains on Hungarian government bonds	1,415,302		993,314	-421,988	29.8
= profit from interest on Hungarian government bonds	4,789,349		4,593,994	-195,355	4.1
= exchange gains on discount treasury bills	589,721		799,159	-209,438	35.5
= profit on NBH bonds	231,703		337,102	105,399	45.5
- exchange gains on other securities	0		0		
- profit on foreign exchange futures hedge transactions	0		0		
Total:	**7,034,959**	**0**	**6,735,055**	**-299,904**	**4.3**

Table No. 35, continued

Description, HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Financial expenses					
Interests paid and similar expenses	0		10	10	100.0
Expenses of financial transactions	713,982	0	5,180,590	4,466,608	625.6
- exchange rate loss on investments in foreign currency	70		132	62	88.6
- loss on Hungarian government securities	713,912	0	5,180,458	4,466,546	625.6
= exchange rate loss on Hungarian government bonds	713,844		5,178,786	4,464,942	625.5
= exchange rate loss on discount treasury bills	68		1,672	1,604	2,358.8
Other financial expenses	77,376		33,049	-44,327	-57.3
Total:	**791,358**	**0**	**5,213,649**	**4,422,291**	**558.8**
Balance	**6,243,601**	**0**	**1,521,407**	**-4,722,194**	**-75.6**

In the relevant period, the Fund only held foreign exchange cash on hand, which had to be revalued at the end of year. The impact of revaluation on the profit/loss generated HUF 132,000 in loss and HUF 57,000 in profit.

1.6.4 Extraordinary profit/loss

No extraordinary profit/loss was recognised.

1.7 Supplementary data

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

1.7.1 Headcount, payroll accounting

Dynamics of the average statistical headcount:

Table No. 36

headcount	2010	2011
Physical	0	0
White-collar	7	6
Total headcount:	**7**	**6**

Dynamics of average wages, income and expenses:

Table No. 37

HUF / person / month	2010	2011
average wage of non-physical	1,068,279	1,062,660
Total average wage	**1,068,279**	**1,062,660**

Highlighted personnel expenses:

Table No. 38

HUF thousand / year	2010	2011
- incentives	2,931	7,004
- social	156	2,289
- cost refund	1,557	1,052
- emoluments	-	12,478
- other	3,931	2,693
Total payroll-related expenses	8,575	25,617
Social security expenses	23,353	24,239
Taxes on wages:		
- paid by the employer	0	0
- corporate, personal income tax, healthcare contribution	1 779	1 533

Remunerations to the Board of Directors in 2011 amounted to HUF 12,478, 000 (no such amount in 2010).

1.7.2 Rights and obligations with a maturity over 5 years

None.

1.7.3 Business reporting obligation

Applicable.

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 88,068,071 thousand, and at the end of the relevant year, securities were represented in the balance sheet at HUF 86,880,898 thousand (closing balance). The latter included HUF 70,070 thousand in Hungarian government bonds and HUF 16,810,661 thousand in discount treasury bills. The securities portfolio increased by 1.35%.
The following table shows the effect of asset management on the retained profit for the relevant year:

Table No. 39 (data in HUF thousand)

Profit/loss component	Revenue	Expense	Profit/loss
Exchange gains/losses on Hungarian government bonds	993,314	5,178,786	4,185,472
Interest gains on Hungarian government bonds	4,593,994		4,593,994
Exchange gains/losses on discount government securities	799,159	1,672	797,487
Yield of NBH bonds	337,102	0	337,102
Commission on portfolio management		22,895	22,895
Custodian commission		2,233	2,233
Fee to KELER		7,920	-7,920
Total	**6,723,569**	**5,213,506**	**1,510,063**

The year 2011 was extremely eventful: the first months could be viewed as continuation to the recuperation period started back in 2009, until at around mid-year a dramatic turn set in. As investors were losing confidence in a solution to the wave of bankruptcies having started on the periphery of the euro zone, the confidence in recovery was shaken suddenly again.

The economic situation in Hungary and particularly its assessment changed a great deal during the past year. At the beginning of the year, the central bank raised the base rate up to 6%, and retained it until the last month of the year. The rises in November and December by 50 basis points each temporarily managed to stabilise the forint, but the downgrades by Moody's and by S&P further deteriorated the country's assessment by investors.

The market of government securities was also characterised by profound duality. The domestic bond market was kept in motion first by a favourable external environment, then, until the summer months, by improving assessment of the country. Foreign investors' interest was gradually swelling until late summer, and the HUF denominated bond portfolio held by them climbed from HUF 2 600 billion as at the beginning of the year to HUF 4 000 billion by early September. Purchases by foreign funds managers were also boosted by the fact that a considerable amount of capital influxed in emerging markets' debt funds in the first eight months of the year. From September on, foreign interest came to an abrupt halt as a result of an increasingly hesitant climate and unfavourable news of Hungary, but only foreign capital worth about HUF 200 billion left the HUF bond market characterised by low liquidity and increased yield levels.

Fluctuating mood is most visible in bond market yields and prices. The diminished yield as at the beginning of the year was followed by a relatively quiet period until mid-summer, then the second half of the summer saw major fluctuations, mostly due to the deteriorated external environment, then to the purchases of foreign funds in Hungary. From September on, the foresaid unorthodox decisions of economic policy and the concerns sent yields vigorously rising.
In the uncertain and quickly changing environment, the three fund managers that participated in managing the Fund's portfolio achieved varied yields. Their gross yield on the total portfolio was 1.85% (which included PIONEER at 1.93%, OTP Alapkezelő at 3.97%, MKB at -0.21%, while the benchmark yield in the relevant year was 2.31%), and asset management in 2011 contributed HUF 1,545 million to the retained profit.

The profit from portfolio management was decreased by fees paid to portfolio managers and custodians, as well as to KELER.

In the relevant year, no investments were made in foreign government securities.

1.8.2 Summary evaluation of the profit

In the relevant year, the NDIF generated a profit of HUF 1,018,325 thousand, which is HUF 4,679 million less than the retained profit of 2010. The key components of the change are presented in the following table.

Table No. 40

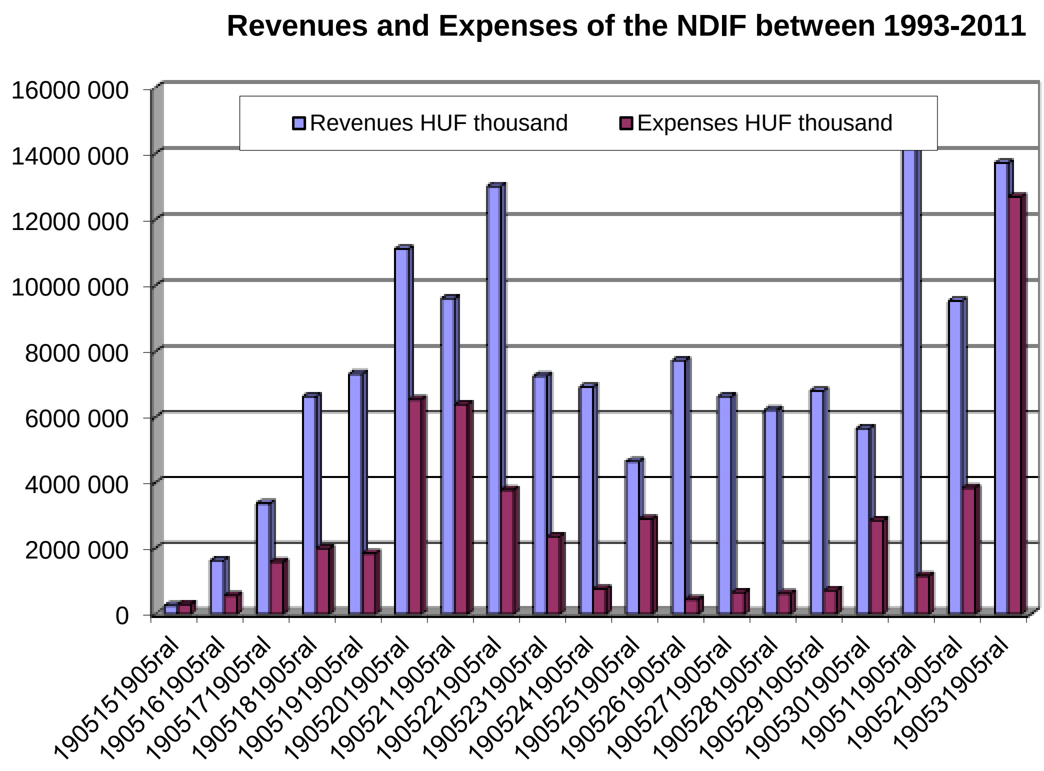
Description HUF thousand	2010	Effect of revision	2011	change	
				HUF thousand	%
Revenue from deposit insurance	2,462,517	0	6,982,122	4,519,605	183.54%
Other revenues	50,891	0	3,370	-47,521	-93.38%
Revenues from financial transactions	7,034,960	0	6,735,055	-299,905	-4.26%
Total revenues	**9,548,368**	**0**	**13,720,547**	**4,172,179**	**43.70%**
Expenses of deposit insurance	2,839,333	0	7,214,371	4,375,038	154.09%
Other expenses	590	0	8,907	8,317	1,409.66%
Expenses of financial transactions	791,357	0	5,213,649	4,422,292	558.82%
Total expenses	**3,631,280**	**0**	**12,436,927**	**8,805,647**	**242.49%**
Operating costs	219,608	0	265,295	45,687	20.80%
Total expenses and operating costs	**3,850,888**	**0**	**12,702,222**	**8,851,334**	**229.85%**
Retained profit	**5,697,480**	**0**	**1,018,325**	**-4,679,155**	**-82.13%**

The retained profit decreased by 82.13% in comparison to the previous year's figure, which had multiple reasons in the relevant year. For one, the impairment provisions accumulated as a result of payments made in the wake of the bankruptcy of 'Jógazda' Szövetkezeti Takarékpénztár considerably deteriorated the Fund's profit.

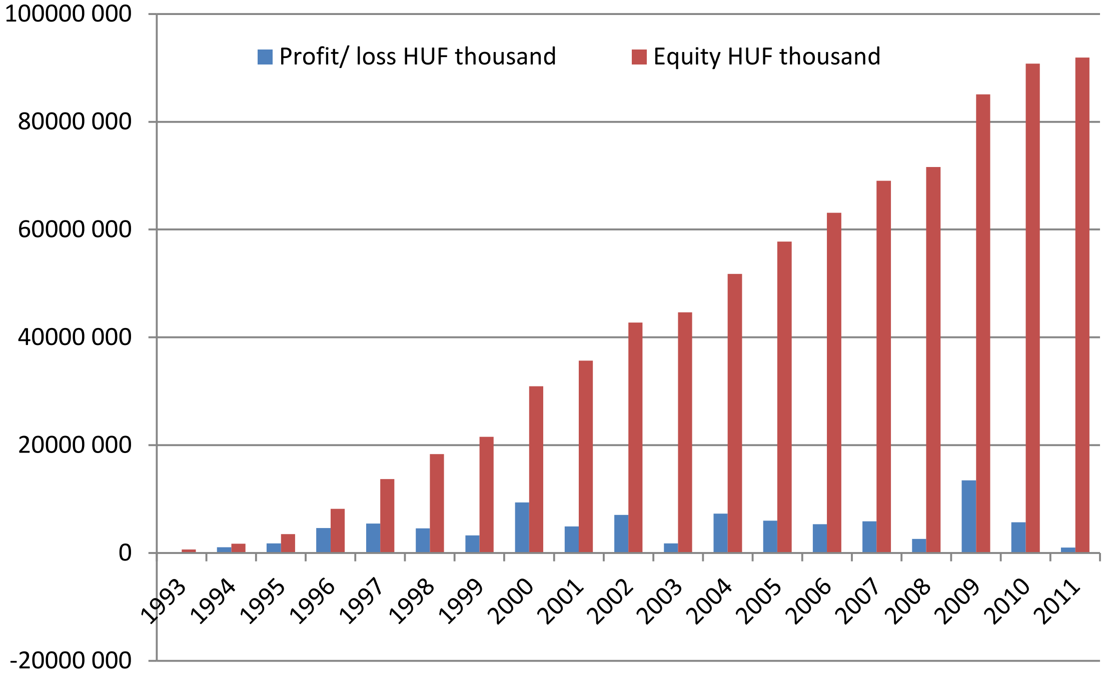
Barely more than HUF 1.5 billion was realised on yields of securities held by the Fund were also unfavourable in the relevant year, which, when contrasted with the previous year's figure of HUF 4.1 billion, reflects a considerable drop.

Expenses grew by 242.49%, resulting both from increased expenses of financial operations and from a significant impairment.

The following diagram presents all revenues and expenses as recognised in the



1.8.3 Equity and profit/loss from the Fund's foundation 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 equity growth is influenced by the fluctuation of profit.

The fluctuation of profit seen between 1998 and 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, whereas the profit/loss of the relevant year was influenced by the liquidation of 'Jógazda' Szövetkezeti Takarékpénztár.

1.9 Explanations for the major differences between projected and actual data for 2011

Premium revenues from member institutions failed to meet the projected figure by almost 10%. The reason for that nearly 10% drop in deposits had not been calculated previously.

It is expedient to examine *revenues and expenses from financial transactions* together. Revenues from financial transactions can be considered to meet the projections, as the discrepancy is insignificant. Much more significant is, however, the increase in expenses of financial operations, which was primarily brought about by unfavourable movements in the government bond market, which was intensifying towards the end of year.

Within *expenses of financial transactions*, the fees of portfolio managers are represented in addition to the foregoing price impact; on planning we assumed that the portfolios managed by all the three fund managers used by the Fund would reach or exceed the reference index yield, which finally turned out to have been achieved by a single partner only. The savings generated in this way amounted to over HUF 40 million higher than planned. The custodian fees also moved as expected (HUF 10,153 thousand).

The reason why *other revenues from deposit insurance* increased in comparison with the budgeted figure was unplanned amounts from the sale of tangible assets, as well as delay interest revenues, which are difficult to plan.

Other expenses from deposit insurance were in line with the projections, with regard to the fact that the payment obligations to be incurred due to the indemnification were foreseen as early as in the budgeting period, and we managed to estimate the resulting impairment amount.

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. What we did not reckon with on this line was the net value of liquidated assets, which is shown here as an expense.

All the three element of *operating expenses* in 2011 were realised below the projections, and fell behind by 10% in total.

Due to the savings achieved in *material type expenses*, the value of this line is 6% lower. The saving party comes from more economical cost control (lower phone, travel, vehicle repair and fuel costs). Considerable savings were seen on the expert fees and banking costs.

For *personnel expenses,* the 9.4% lower actual figure is to a considerable extent a result of the conference planned early in the year to be held in Budapest in connection with the Hungarian EU Presidency, which was finally cancelled. In addition, savings were achieved on the lines ‘representation costs’ and ‘other benefits (per diems abroad)’.

The actual figure of *depreciation* was 12% more favourable compared to the projections.

2 Supplementary information and reference data

2.1 *Institutional communications of the NDIF*

Indemnification of “Jógazda” Szövetkezeti Takarékpénztár (“Jógazda” Cooperative Savings Fund)

In January 2011, indemnification of the customers of „Jógazda” Szövetkezeti Takarékpénztár was completed. From a communication point of view, the case offered innumerable educational points. The customer base concentrated on two (Borsod-Abaúj-Zemplén and Bács-Kiskun) counties required closer cooperation with the local/regional media (often providing them infomation at a priority level over the national media), and also offered partnership in cases that risked rapid implementation of the indemnification. Such cases were missing declarations by individuals in management positions and their next of kin listed in section 100 (Exclusions) of the Act on Credit institutions and financial enterprises, as well as the information issued to the owners of “Gránit” Discount Deposit handled in a deceitful way by “Jógazda”.

For the first time in the history of indemnifications performed by the Fund, a customer satisfaction survey administered after the disbursement showed that the provisions of currently effective deposit insurance legislation concerning the lead time and limit of indemnification were acceptable for the overwhelming majority of those concerned, and that the Fund coped with the situation brought about by this case in a way that strengthened public confidence. For details of the communication-related tasks of the Fund concerning the indemnification, see the White Paper on the indemnification of “Jógazda” customers on the Fund’s homepage.

New Corporate Identity
Nearly twenty years after the Fund was established, it was time to reconsider the basic corporate image of the institution. The winning concept was selected out of 21 submitted by eight graphical/advertisement agencies, which gave rise to a modern brand with a slogan that expresses deposit insurance services more accurately than before *("Safe deposit, granted refund.")*. On selecting and implementing a winning image, the opinion of member and partner institutions were also considered; ultimately, the new image also gained recognition with consumers and the media.

Homepage and the social media
Similar opinions were received by the reviewed and updated homepage, as well as our first activity in social media (Facebook and Twitter) launched at the time of the "Jógazda" case. With this initiative, the Fund was a pioneer among European deposit insurance companies.

Consumer protection logo
In line with the new image, the consumer protection symbol has been redesigned, and, in line with a decision passed by the Board of Directors, is a mandatory element on all customer information documents of member institutions as of 1 March 2012.

Consumer protection campaign
The consumer protection campaign reinforced the new image and the homepage at the end of last year, which advertised the Fund's homepage and the new coverage limit of EUR 100,000 through it. In the campaign implemented in December 2011, 12 thousand visitors were received on the homepage. The homepage, the campaign and the current economic factors in combination resulted in an exceptionally long time (over three minutes) spent on the homepage on average.

Media events
Targeting the regions most affected by the indemnification of "Jógazda" customers in January (Miskolc and Kecskemét), we started organising media conferences in rural areas, with a view to establishing active contact with the regional media. The role of media independent of the capital city is gaining significance, and the local media is increasingly viewed as an effective means of forming opinions.

Consultations with partner institutions
Professional consultations initiated by the Fund with the communication /marketing experts of partner institutions (HFSA, NBH, HBA, NFSC), as well as member institutions are routine activities now, where all communication-related activities of the Fund are discussed in detail.

Education and research relations
The regular workshops and meetings held with university researchers and instructors were also successfully launched, which is our attempt at opening towards the world of education. Attendees representing six science universities at the Scientific Consultative Deposit Insurance Forum at its first session held in September considered it important and topical to keep direct contact with the Fund, as well as researching and studying deposit insurance and the related fields.

2.2 Events related to liquidation in progress

2.2.1 Heves és Vidéke Takarékszövetkezet 'under liquidation' ("UL")

Based on information received from Concordat Felszámoló Kft on 11 January 2012, no new developments were seen in the liquidation process in 2011, either. An ongoing lawsuit for compensation, now in the second instance, is awaiting final ruling by the Tribunal of Budapest, which is assumed by the liquidator to be passed by mid-2012.

The liquidator indicated a new deadline to submit the closing balance sheet, whereby until 30 September 2012, they wish to complete liquidation “at any rate” – regardless of the decision to be passed by the Tribunal.

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 recognised by the liquidator in category d) of section 57 (1) of the Act on Bankruptcy and Liquidation. In addition, statement of declared accessory costs of HUF 16,690 thousand was confirmed by the liquidator.

Let us make mention of the fact that in its foresaid letter the liquidator confirmed its earlier information whereby the Fund can expect a 10% recovery of its creditor claims classified in category d).

2.2.2 Általános Közlekedési Hitelszövetkezet “UL”

The Fund stated a claim of HUF 3,162,638,560 in terms of deposits cleared (the sum of compensations actually paid by the Fund and not received by customers was HUF 3,133,678,574), whereas in terms of incidental costs incurred for indemnification, a claim of HUF 12,047,569 was stated, which was confirmed by the liquidator.

According to the information given by the liquidator on 10 January 2012, the return of the NDIF’s deposit claims in category d) in section 57. (1) of the Bankruptcy Act will probably exceed 10%, with respect to the debtors’ payment difficulties, the uncertain outcome of cases under legal action, as well as the operating costs.

2.2.3 “Jógazda” Szövetkezeti Takarékpénztár “UL”

In its resolution No. EN-I-/2011. dated 3 January 2011, the Supervisory Authority withdrew the operating licences of the Savings Co-operative, and concurrently initiated liquidation thereof. In the case of indemnification in January 2011 for „Jógazda” Szövetkezeti Takarékpénztár, the Fund assumed a role that involved significant disbursements (HUF 9,125,801 thousand**)** and a significant group of depositors (5,329 persons) since the 20-day refund was adopted in early 2010.

The start date of the liquidation proceedings against the Savings Co-operative was 14 February 2011.

In its letter dated 13 April, the Fund stated its claim to the liquidator for the indemnification payments made and the costs incurred to date, and also stated the expected amounts of indemnification payments.

The claims of the Fund as creditor stated until 31 December 2011 for deposits paid and deposits expected to be eligible for payment was HUF 9 125 800 870, and for incidental costs related to the indemnification amounted to HUF 32 994 634.

At the request of the Ministry for National Economy, the Fund refunded a vast majority of owners of frozen state guaranteed deposits held with “Jógazda” Szövetkezeti Takarékpénztár as well. On 24 March the Fund issued a press release about the HUF 43.9 million refunded on the 186 state guaranteed deposits.

According to information provided by the liquidator on 12 January 2012, total revenue of approximately HUF 2.3 billion is expected from the collection of receivables, to their current information. This, added to the revenues to be generated from the sale of real estate and investments, suggests probable recovery of 20 to 30% of the Fund’s creditor claims.

Interim balance sheet No. I. was produced with a balance sheet date of 13 February 2012 in the course of the liquidation procedure.

2.3 Legal matters

2.3.1 Legal proceedings

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

2.3.2 Other commitments

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 2011.

2.4 IT developments in 2011

The implemented IT investments comprised replacement of obsolete head office servers, workstations and 15-year old printers. An automatic fire extinguishing system was installed in the computer room.

2.5 International activities

Due to the prolonged economic crisis, the global and EU financial regulations seek solutions that are more in-depth and more comprehensive than earlier. From the aspect of financial stability, deposit insurance legislations gained added significance in the G20 countries, which calls for increasing legal harmonisation consultations, coordinating work and training courses for deposit insurance organisations to improve their response skills and competencies.

The EU has been involved in seeking a compromise in terms of certain technical issues of the deposits insurance directive, with the participation of the Commission, the Parliament and the Council.

The Fund actively participated in the work of the international deposit insurance organisations (IADI and EFDI) also in 2011, as well as in the meetings held to promote cooperation and exchange of experience, where the Fund was represented by the Managing Director of the NDIF and the Communication Manager also in charge of international relations.

International Association of Deposit Insurers (IADI)
The *annual* meeting of the European Regional Committee (ERC) of the *International Association of Deposit Insurers* was held in Prague on 27-28 January 2011, where the Managing Director of the Fund was re-elected as chairman of the committee.

A thematic conference of the ERC was held on 30-31 March 2011 in Bucharest. The presenting partner institutions shared their practices applied for communication and raising awareness. A section of the conference addressed experience with the use of social media, where exemplary presentations were delivered on the use of Twitter by the American FDIC and Facebook by the NDIF.

In October, IADI held its tenth Annual General Meeting and the meeting of its Executive Council in Warsaw, where regional committees and standing committees also met (the annual conference was held under the title "*Beyond the Crisis: the Need for Strengthened Financial Stability Framework*"). It was stated at the relevant special committee's meeting that the evaluation methodology of Deposit Insurance Principles would be incorporated by the IMF in its FSAP audit programme.
A key speaker at the conference linked to the general meeting was Sheila Bair, who was Chairperson of the FDIC between 2008 and 2011. Based on the FDIC's experience, she emphasized the importance of being able to converse with the public and to increase communication efforts in support of deposit insurance.

European Forum of Deposit Insurers (EFDI)
EFDI held its Board meeting in Budapest on 3 May 2011. The steering committee discussed the issue of positioning the organisation, and called for more firm action and public appearance. This gave rise to the need for a new EFDI image and a new homepage.

The EFDI's Annual General Meeting was held on 31 May in Belgrade. A guest speaker of the event was President of the Hungarian Financial Supervisory Authority Károly Szász. Being a board member of the European Banking Supervisory Authority, Mr. Szász explained his view on the current tasks the organisation is facing. In his presentation delivered at the conference, the Managing Director of the Fund described the latest Hungarian experience gained through the fast payout process applied to "Jógazda" in January, as well as the lessons learned it provided.

EFDI's EU committee held a meeting on 30 September. The attendees reported on using the fast (20-working-day) payout process per country. The Fund's representative presented the Hungarian experience (the cases of ÁKH in March 2010 and of „Jógazda" Takarékpénztár in January 2011), and handed out English version of a White Paper summarising the experience of the latter case. At the meeting, the expert representing the Dutch central bank (DNB) reported on the details of transferring the Dutch deposit insurer on ex-ante funding base, while the representative of the British partner institution (FSCS) on the British bank's concepts of recovery and crisis management, for while piloting has been commenced on the four largest banks.

Jointly organised by USAID and EFDI, a conference was held in Sarajevo, under the title *Financial Stability in South-East Europe*. At the event, an evaluation of compliance of the deposit insurers in Albania, Bosnia-Herzegovina, Montenegro and Serbia with the IADI Principles was presented by the heads of the relevant institutions, as well as by foreign experts who assisted in the evaluation. The lessons learnt and actions to be taken by each country proved to be useful also for all other countries.

Bilateral exchange of experience
In the past years, the Fund's experience was demanded at a number of international forums. Such requests for experience and information have hiked recently, due to the financial and stability impacts of the international economic and financial crises. In March 2011, a 12-person delegation of the Mongolian financial government visited the Fund, organised by the World Bank. The objective sought by the delegation was to gather relevant experience needed to manage the Mongolian banking crisis, to draft legislation on deposit insurance and to set up a framework of institutions. In line with this complicated set of subjects, the delegation included the first deputy president of the Central Bank of Mongolia, experts from the ministries of justice and finance, from the supervisory authority and members of the Parliament involved in financial issues.

On 12 September, the Memorandum of Understanding signed with the Central Deposit Insurance Corporation of Taiwan (CDIC) in 2005 was renewed for another two years. The cooperation aimed at an exchange of experience is considered by both parties as useful and the shared experience as valuable.

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

In 2011, the Board of Directors passed 54 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, accept reports;
- carry out the indemnification procedure for the deposits frozen with "Jógazda" Szövetkezeti Takarékpénztár;
- agree with the Ministry for National Economy concerning the payment of state guaranteed deposits frozen with "Jógazda" Szövetkezeti Takarékpénztár;
- elect an auditor;
- pass a decision on a portfolio management contract to be concluded with ÁKK Zrt. (Government Debt Management Office) on managing NDIF's assets, and on accepting the Investment Principles;
- pass a decision on testing the payout system on actual data, in line with the Act on Credit Institutions and Financial Enterprises;
- modify the requirements applicable to customer information to be prepared by credit institutions;
- accept the Fund's communication plan for the years 2011 to 2013;
- pass a decision on mandatory use of the deposit insurance emblem by credit institutions;
- pass a decision on the new corporate identity of the Fund;
- modify the Indemnification Scenario;
- establish an increased premium;
- modify and, if necessary, publish internal regulations.

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

3 Institutional objectives

The Fund has set the following long-term institutional objective:

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-centricity 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**
Develop market-friendly risk analysis	*Implement safe asset management that eliminates risks as much as possible*	*Manage the liquidation assets efficiently, ensure a recovery on the NDIF's expenses as high as possible*	*Reinforce institutional preparedness and ability to respond*
Create the operating conditions for efficient indemnification of depositors irrespective of the number of customers	*Participate in fast crisis resolution*	*Minimise the costs related to indemnification*	*Set up an operating environment that generates customer satisfaction, increase corporate social responsibility*
Communicate efficiently			

3.1 Meeting targets projected for 2011

T	The projected target has been achieved	K	To be launched later (future date)	E	Proceeding as scheduled, or remained within the budget limits	I	Action delayed due to regrouping / change in priorities

Goals and tasks set		Measures projected	Actions to be taken in 2011	Achieve-ment
Prevent crises in member institutions and retain the ability of efficient indemnification	*Develop market-friendly risk analysis*	Set up an operating environment for risk analysis	To be implemented subject to the EU Directive	K
	Participate in fast crisis management	Based on indemnification experience, make a proposal to expand the scope of HFSA audits and the exchange of information	Proposal and implementation	T
		Participate in HFSA audits on ad-hoc basis	Proposal and implementation	T
		Develop a proposal to increase the efficiency of resolution	Proposal and implementation	K
		Testing Payout IT on live data	Proposal and implementation	T
		Supplement the indemnification scenario and the related procedures	Implementation	T
Prevent crises in member institutions and retain the ability of efficient indemnification	*Communicate efficiently*	Survey on awareness of domestic deposit insurance	Implementation (24%)	T
		Develop annual and medium-term communication strategies, with special regard to a more emphatic representation of consumer protection	Development and implementation	E
		Based on the experience of indemnification, review the panic prevention and tension management crisis communication manual related to the payout period	Development and implementation	T
		Participate in and join the work of initiatives and organisations aimed at developing financial culture	Implementation	E
		Use innovative communication channels (social media)	Development and implementation	E
		Keep continuous partnership-based contact with the member institutions' managers and staff in charge of communication in the field of informing customers.	Development and implementation	E
		Initiate cooperation, exchange of experience and permanent forums with the communication managers of EU deposit insurance institutions	Proposal and implementation	E

Goals and tasks set		Measures projected	Actions to be taken in 2011	Achieve-ment
Ensure safe, still profitable management of the Fund's assets	*Implement safe asset management that eliminates risks as much as possible*	Implement fund management that eliminates partner risk in terms of asset management	Proposal and implementation	**T**
		Diversify the portfolio in line with the foreign currency exposures	Proposal and implementation	**I**
		Reinforce the control mechanisms of portfolio management	Proposal and implementation	**E**
		Prepare for adopting premium payment differentiated by risk	To be implemented subject to the EU Directive	**K**
	Participate in fast crisis management	Develop a financial crisis plan for a case when a large bank becomes insolvent	Development and implementation	**E**
Maximise recovery of the expenses of deposit insurance	*Manage the liquidation assets efficiently, ensure a return on the NDIF's expenses as high as possible*	Announce the claim related to indemnification on account of "Jógazda" Tkp. as soon as possible	Implementation	**T**
		Using our representation in the SB of Felszámoló Közhasznú Kft, gain direct insight into the process of liquidation	Implementation	**E**
	Minimise the costs related to indemnification	Based on indemnification-related experience, modify internal regulations, review the circle of external service provider partners, and modify as needed	Development and implementation	**E**
		Conclude broad standby agreements with agent banks	Development and implementation	**E**

Goals and tasks set		Measures projected	Actions to be taken in 2011	Achieve-ment
Improve operating efficiency and safety	*Reinforce institutional preparedness and ability to respond*	Operate in line with and comply with the international deposit insurance standards (IADI-BCBS Core Principles for Effective Deposit Insurance Systems)	Proposal and implementation	**E**
		Develop HR to increase efficiency	Proposal and implementation	**I**
		Expand internal risk analysis and incorporate audit in the process	To be implemented subject to the EU Directive	**K**
		Improve safety of operation (build an automatic fire extinguisher)	Development and implementation	**T**
		Exchange European and international experience and adopt novelties	Proposal and implementation	**T**
		Establish IT backup site with HFSA premises	Implementation	**K** **(Q2 2012)**
		Establish stand-by agreements on documents handling and posting in large volume	Proposal and implementation	**E**
	Set up an operating environment that generates customer satisfaction, increase corporate social responsibility	Adopt measurements for subsequent customer satisfaction in the event of indemnification	Development and implementation	**T**
		Organise retail deposit insurance forums	Development and implementation	**I**
		Training for front office administrators in member institutions (E-learning)	Development and implementation	**K** **(Q2 2012)**

3.2 Prioritised objectives for 2012

It was considered as a high-priority task for the National Deposit Insurance Fund in 2011 to indemnify the depositors of „Jógazda" Szövetkezeti Takarékpénztár within 20 working days, which demanded considerable resources of the Fund, and to implement the action plan produced using the diverse experience thereof (see the White Paper on "Jógazda"). From amendments to legislation and fine-tuning the internal systems to external communication, the tasks affecting the full range of operation, even covering a part of year 2012 abundantly provide the Fund with work to do.

We find it important to emphasize that our institution holds specific concepts for the activities applicable to each field, of which actions to implement these are formulated with the Board's approval. In order to boost public confidence in the banking system – basically still in a volatile market environment – the following goals are pursued:

1) *Efficient indemnification of depositors currently within a 20-working day timeline (which is presumably continuing to shrink further), which reckons with potential risks, irrespective of the number of customers;*
2) *In case of crises, use of the funds available to the Fund more efficiently than before by preventing indemnification through resolution measures, and to decrease the contributions of member institutions maintaining the system in the long run;*
3) *Based on objective assessments, considerable and rapid increase of the extremely low awareness of the services provided by the deposit insurance system – also in a regional comparison – in the short term;*
4) *In case of a crisis, testing harmonised cooperation of the institutions constituting a safety net to the system of financial intermediary system.*

Closer cooperation with the Supervisory Authority, the National Bank of Hungary and interest representation of the member institutions is inevitable in terms of all four abovementioned goals.

Our active participation in the activity of international deposit insurance institutions remains an important objective, as it may retroact in various forms on implementing our foresaid objectives. It means conveying Hungarian experience, in part, and is also represented in adopting utilisable foreign experience. The European Forum (EFDI) and the International Association (IADI), which is gaining increasing weight, rely on the NDIF's professional contribution and active personal participation. As a part of this, our objective remains to initiate cross-border cooperation in deposit insurance, which keeps pace with similarly cross-border financial services aligned with them, with particular emphasis on exchange of information and coordinated provision of information aimed at prevention.

Similarly to previous years, a crucial objective for 2012 is to ensure efficient and cost-effective operation.

Strategic objectives	Strategic tasks	Action plan for 2012
I. Prevent crises in member institutions and retain the ability of efficient indemnification	*Develop market-friendly risk analysis*	Develop an operating environment for risk analysis
		Renew risk analysis for the IT operating environment (DNV certificate)
	Create the operating conditions for efficient indemnification of depositors irrespective of the number of customers	Based on indemnification experience, expand HFSA audits and exchange of information. Make proposals to amend the cooperation agreement between the HFSA and the NDIF
		Participate in on-site HFSA audits on ad-hoc basis
		Upgrade the Payout system to align it with the changed legal environment (fast payout)
		Testing Payout IT on live data
		Testing payout channels
	Communicate efficiently, increase awareness of deposit insurance services, achieving a minimum of 60-percent awareness in the short term	Organise a national campaign coordinated with the professional management of partner institutions to boost confidence
		Develop annual and medium-term communication strategies, with special respect to more emphatic representation of financial consumer protection
		Participate in and join the activity of initiatives and organisations aimed at improving financial culture
		Use innovative communication channels (social media)
		Discuss the following with the heads of partner and member institutions in a consultation forum: - joint tasks arising from the confidence building campaign, - study the results of mystery shopping at banks, - formulate and implement in practice recommendations for customer information in bank branches
		Develop applications for smartphone users
		Meet regularly with members of the Scientific Consultative Forum for Deposit Insurance, scientific background support in individual professional issues in the form of a project

Strategic objectives	Strategic tasks	Action plan for 2012
I. Prevent crises in member institutions and retain the ability of efficient indemnification	*Communicate efficiently, increase awareness of deposit insurance services, achieving a minimum of 60-percent awareness in the short term*	Upgrade and update the content of the E-learning application developed to train front-office bank administrators, and raise awareness of member institutions' HR departments thereof
		Organise media conferences in the countryside
		Conclude bilateral agreements with the deposit insurance institutions of the neighbouring countries to support indemnification
		Initiate cooperation, exchange of information and a standing forum with the communication managers of EU institutions of deposit insurance
II. Ensure safe, still profitable management of the Fund's assets	*Implement safe asset management that eliminates risks as much as possible*	In this market environment, which is expected to remain volatile, centralise asset management and its control mechanisms
		Strict benchmark monitoring in portfolio management to cushion the volatility of portfolio performance
		Develop a financial crisis plan for a large bank insolvency
		Using our representation in the SB of Hitelintézeti Felszámoló Nonprofit Kft, gain direct insight into the process of liquidation
		Conclude broad standby agreements with agent banks
III. Maximise recovery of the expenses of deposit insurance	*Reinforce institutional preparedness and ability to respond*	Based on the self-assessment in line with the standards of international deposit insurance (IADI-BCBS Deposit Insurance Core Principles) completed in 2011, compliance with the standards, and initiation of amendment to the legislation if necessary
		Develop and adopt electronic premium return (July 2012)
		Set up internal incentives to improve efficiency
		Streamline deployment of operating software, acquire new security backup software
		Enhance internal risk analysis and incorporate its control in the process
		Exchange of European and international experience, adoption of novelties

Strategic objectives	Strategic tasks	Action plan for 2012
III. Improve operating efficiency and security	*Set up an operating environment that generates customer satisfaction, increase corporate social responsibility*	In case of indemnification, adopt subsequent measurement of customer satisfaction
		Organise deposit insurance forums for the public
		Corporate presence at the Sziget Festival
		Prepare front office administrators of member institutions
		Organise a scientific conference on deposit insurance (second half of 2012)
	In case of crisis, test harmonised cooperation of the institutions constituting a safety net to the system of financial intermediary system	Administer crisis simulation practice developed by the World Bank in order to test harmonised cooperation of the NDIF, HFSA and the responses given case of crisis situations

Budapest, 5 March 2012

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