



RESOLUTION
FUND
HUNGARY



RESOLUTIONFUND ANNUAL REPORT

2017

FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

A Szanálási Alap Igazgatótanácsának

Az éves beszámolóról készült jelentés

Vélemény

Elvégeztük a Szanálási Alap („az Alap”) 2017. évi éves beszámolójának könyvvizsgálatát, amely éves beszámoló a 2017. december 31-i fordulónapra készített mérlegből – melyben az eszközök és források egyező végösszege 87.527.115 eFt, a tárgyévi eredmény 9.473.730 eFt (nyereség) -, és az ugyanezen időponttal végződő üzleti évre vonatkozó eredménykimutatásból, valamint a számviteli politika jelentős elemeinek összefoglalását is tartalmazó kiegészítő mellékletből áll.

Véleményünk szerint a mellékelt éves beszámoló megbízható és valós képet ad az Alap 2017. december 31-én fennálló vagyoni és pénzügyi helyzetéről, valamint az ezen időponttal végződő üzleti évre vonatkozó jövedelmi helyzetéről a Magyarországon hatályos, a számvitelről szóló 2000. évi C. törvénnyel összhangban (a továbbiakban: „számviteli törvény”).

A vélemény alapja

Könyvvizsgálatunkat a Magyar Nemzeti Könyvvizsgálói Standardokkal összhangban és a könyvvizsgálatra vonatkozó – Magyarországon hatályos – törvények és egyéb jogszabályok alapján hajtottuk végre. Ezen standardok értelmében fennálló felelősségünk bővebb leírását jelentésünk „A könyvvizsgáló éves beszámoló könyvvizsgálatáért való felelőssége” szakasza tartalmazza.

Függetlenek vagyunk az Alaptól a vonatkozó, Magyarországon hatályos jogszabályokban és a Magyar Könyvvizsgálói Kamara „A könyvvizsgálói hivatás magatartási (etikai) szabályairól és a fegyelmi eljárásról szóló szabályzata”-ban, valamint az ezekben nem rendezett kérdések tekintetében a Nemzetközi Etikai Standardok Testülete által kiadott „Könyvvizsgálók Etikai Kódexe”-ben (az IESBA Kódex-ben) foglaltak szerint, és megfelelünk az ugyanezen normákban szereplő további etikai előírásoknak is.

Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálói bizonyíték elegendő és megfelelő alapot nyújt véleményünkhöz.

Egyéb kérdések

A Szanálási Alap 2016. december 31-ével végződő évre vonatkozó éves beszámolóját másik könyvvizsgáló ellenőrizte, aki erre az éves beszámolóra vonatkozóan 2017. május 07-én minősítés nélküli véleményt bocsátott ki.

Egyéb információk: Az üzleti jelentés

Az egyéb információk a Szanálási Alap 2017. évi üzleti jelentéséből állnak. A vezetés felelős az üzleti jelentésnek a számviteli törvény, illetve egyéb más jogszabály vonatkozó előírásaival összhangban történő elkészítéséért. A független könyvvizsgálói jelentésünk „Vélemény” szakaszában az éves beszámolóra adott

véleményünk nem vonatkozik az üzleti jelentésre.

Az éves beszámoló általunk végzett könyvvizsgálatával kapcsolatban a mi felelősségünk az üzleti jelentés átolvasása és ennek során annak mérlegelése, hogy az üzleti jelentés lényegesen ellentmond-e az éves beszámolóknak vagy a könyvvizsgálat során szerzett ismereteinknek, vagy egyébként úgy tűnik-e, hogy az lényeges hibás állítást tartalmaz. Ha az elvégzett munkánk alapján arra a következtetésre jutunk, hogy az egyéb információk lényeges hibás állítást tartalmaznak, kötelességünk erről és a hibás állítás jellegéről jelentést tenni.

A számviteli törvény alapján a mi felelősségünk továbbá annak megítélése, hogy az üzleti jelentés a számviteli törvény, illetve, egyéb más jogszabály vonatkozó előírásaival összhangban van-e, és erről, valamint az üzleti jelentés és az éves beszámoló összhangjáról vélemény nyilvánítása.

E felelősségünk teljesítése során az üzleti jelentéssel kapcsolatos véleményünk kialakításánál „A betétbiztosítási alapok és intézményvédelmi alapok, valamint a befektető-védelmi alap éves beszámoló készítése és könyvvezetési kötelezettségének sajátosságairól „szóló 214/2000. (XII. 11.) Korm. rendelet 29/F §. (2) bekezdését, mint az üzleti jelentésre vonatkozó további követelményeket előíró egyéb más jogszabályt vettük figyelembe.

Véleményünk szerint a Szanálási Alap 2017. évi üzleti jelentése minden lényeges vonatkozásban, összhangban van a Szanálási Alap 2017. évi éves beszámolójával és a számviteli törvény, valamint az előzőekben felsorolt egyéb más jogszabály vonatkozó előírásaival.

Az üzleti jelentésben más jellegű lényeges ellentmondás vagy lényeges hibás állítás sem jutott a tudomásunkra, így e tekintetben nincs jelentenivalónk.

A vezetés és az irányítással megbízott személyek felelőssége az éves beszámolóért

A vezetés felelős az éves beszámolóknak a számviteli törvénnyel összhangban történő és a valós bemutatás követelményének megfelelő elkészítéséért, valamint az olyan belső kontrollért, amelyet a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állítástól mentes éves beszámoló elkészítése.

Az éves beszámoló elkészítése során a vezetés felelős azért, hogy felmérje az Alapnak a vállalkozás folytatására való képességét és az adott helyzetnek megfelelően köztegye a vállalkozás folytatásával kapcsolatos információkat, valamint a vezetés felel a vállalkozás folytatásának elvén alapuló éves beszámoló összeállításáért. A vezetésnek a vállalkozás folytatásának elvéből kell kiindulnia, ha ennek az elvnek az érvényesülését eltérő rendelkezés nem akadályozza, illetve a vállalkozási tevékenység folytatásának ellentmondó tényező, körülmény nem áll fenn.

Az irányítással megbízott személyek felelősek az Alap pénzügyi beszámolási folyamatának felügyeletéért.

A könyvvizsgáló éves beszámoló könyvvizsgálatáért való felelőssége

A könyvvizsgálat során célunk kellő bizonyosságot szerezni arról, hogy az éves beszámoló egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint az, hogy ennek alapján a véleményünket tartalmazó független könyvvizsgálói jelentést bocsássunk ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Magyar Nemzeti Könyvvizsgálói Standardokkal összhangban elvégzett könyvvizsgálat mindig feltárja az egyébként létező lényeges hibás állítást. A hibás állítások eredhetnek csalásból vagy hibából, és lényegesnek minősülnek, ha ésszerű lehet az a várakozás, hogy ezek önmagukban vagy együttesen befolyásolhatják a felhasználók adott éves beszámoló alapján meghozott gazdasági döntéseit.

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KÖNYVVIZSGÁLAT, ADÓ- ÉS SZÁMVITELI TANÁCSADÁS, KÖNYVELÉS, BÉRSZÁMFEJTÉS

A Magyar Nemzeti Könyvvizsgálói Standardok szerinti könyvvizsgálat egésze során szakmai megítélést alkalmazunk, és szakmai szkepticizmust tartunk fenn.

Továbbá:

- Azonosítjuk és felmérjük az éves beszámoló akár csalásból, akár hibából eredő lényeges hibás állításainak a kockázatait, kialakítjuk és végrehajtjuk az ezen kockázatok kezelésére alkalmas könyvvizsgálói eljárásokat, valamint elegendő és megfelelő könyvvizsgálói bizonyítékot szerzünk a véleményünk megalapozásához. A csalásból eredő lényeges hibás állítás fel nem tárásának a kockázata nagyobb, mint a hibából eredő, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását.
- Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálói eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy az Alap belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.
- Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló éves beszámoló összeállítása, valamint a megszerzett könyvvizsgálói bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel az Alap vállalkozás folytatására való képességét illetően. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívni a figyelmet az éves beszámolóban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősíteniük kell véleményünket. Következtetéseink a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálói bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy az Alap nem tudja a vállalkozást folytatni.
- Értékeljük az éves beszámoló átfogó bemutatását, felépítését és tartalmát, beleértve a kiegészítő mellékletben tett közzétételeket, valamint értékeljük azt is, hogy az éves beszámolóban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.
- Az irányítással megbízott személyek tudomására hozzuk - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve az Alap által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is, ha voltak ilyenek.

Budapest, 2018. május 18.

Philippe Michalak Budzan
Partner

Dóczy Istvánné
Kamarai tag könyvvizsgáló
Nyilvántartási szám: 007016

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2017 ANNUAL REPORT OF THE RESOLUTION FUND BALANCE SHEET AND INCOME STATEMENT

Balance Sheet of the Resolution Fund as of 31 December 2017
Statistical code: 18618389-6619-919-01

BALANCE SHEET version „A“ - ASSETS					
No.		Description	Baseline year 31.12.2016	Impact of audit	Year under review 31.12.2017
1	A	FIXED ASSETS	61 924 867	0	53 407 071
2	I.	INTANGIBLE ASSETS	0	0	0
3	I.1	Capitalised value of owners' contribution/restructuring	0		0
4	I.2	Rights representing pecuniary values	0		0
5	I.3	Intellectual property rights	0		0
6	I.4	Advances for intangible assets	0		0
7	I.5	Revaluation of intangible assets	0		0
8	II.	TANGIBLE ASSETS	0	0	0
9	II.1	Real estate and related rights representing pecuniary value	0		0
10	II.2	Machinery, equipment and vehicles	0		0
11	II.3	Assets under construction	0		0
12	II.4	Advances for assets under construction	0		0
13	II.5	Revaluation of tangible assets	0		0
14	III.	FINANCIAL INVESTMENTS	61 924 867		53 407 071
15	B	CURRENT ASSETS	23 390 392	0	33 447 137
16	I	STOCKS	0	0	0
17	I.1	Raw materials	0		0
18	I.2	Commercial goods	0		0
19	I.3	Mediated services	0		0
20	I.4	Advances for stocks	0		0
21	II.	RECEIVABLES	7 490 079	0	7 380 988
22	II.1	Receivables from member institutions	7 490 079	0	7 344 155
23	II.1.a	Receivables from fees	50		288
24	II.1.b	Receivables from lending	7 490 029		7 343 867
25	II.1.c	Other receivables from institutions	0		0
26	II.2	Other receivables	0		36 833
27	III.	SECURITIES	13 958 143	0	25 912 227
28	III.1	Government securities	13 958 143		25 912 227
29	III.2	Other securities	0		0
30	IV.	LIQUID ASSETS	1 942 170	0	153 922
31	IV.1	Cash and cheques	0		0
32	IV.2	Bank deposits	1 942 170		153 922
33	C	PREPAYMENTS AND ACCRUED INCOME	388 251		672 907
34		TOTAL ASSETS	85 703 510	0	87 527 115

Figures are in thousand HUF

Balance Sheet of the Resolution Fund as of 31 December 2017
Statistical code: 18618389-6619-919-01

BALANCE SHEET version „A“ – LIABILITIES				
No.		Description	Baseline year	Year under review
			31.12.2016	31.12.2017
35	D.	EQUITY	17 289 063	26 762 793
36	I.	REGISTERED CAPITAL	429 024	429 024
37	II.	CAPITAL RESERVES	8 821 552	16 860 039
38	III.	VALUATION RESERVES	0	0
39	IV.	PROFIT / LOSS FOR THE YEAR	8 038 487	9 473 730
40	E.	PROVISIONS	0	0
41	F.	LIABILITIES	68 213 910	60 527 538
42	I.	LONG-TERM LIABILITIES	60 630 093	52 948 521
43	I.1	Liabilities to the general government	0	0
44	I.2	Liabilities from bond issuance	0	0
45	I.3	Other long-term liabilities	60 630 093	52 948 521
46	II.	SHORT-TERM LIABILITIES	7 583 817	7 579 017
47	II.1	Liabilities from resolution activities	0	0
48	II.1.a)	Liabilities from redemption of assumed guarantee	0	0
49	II.1.b)	Liabilities from payable indemnification	0	0
50	II.1.c)	Other liabilities from resolution related expenditures	0	0
51	II.2	Liabilities to institutions	0	0
52	II.3	Short-term borrowings	7 578 762	7 564 074
53	II.4	Other short-term liabilities	5 055	14 943
54	G.	ACRUALS AND DEFERRED INCOME	200 537	236 784
55		TOTAL LIABILITIES	85 703 510	87 527 115

Figures are in thousand HUF

Profit and Loss Statement of the Resolution Fund for the business year starting on
1 January and ending on 31 December 2017
Statistical code: 18618389-6619-919-01

PROFIT AND LOSS STATEMENT (TOTAL-COST METHOD) version „A“				
No.		Description	Baseline year	Year under review
			31.12.2016	31.12.2017
1	I.	Revenues from resolution	7 396 686	8 711 622
2	II.	Other revenues	666 572	297 228
3	III.	Revenues from financial transactions	3 586 897	3 288 832
4	IV.	Expenditures on resolution	0	0
5	V.	Other expenditures	0	0
6	VI.	Expenditures on financial transactions	3 368 113	2 588 618
7	01	Expenditures on materials	206 339	194 269
8	02	Payroll and related expenditures	37 216	41 065
9	03	Depreciation	0	0
10	VII.	Operating expenses (01+02+03)	243 555	235 334
11	A.	PROFIT/LOSS FOR THE YEAR (I+II+III-IV-V-VI-VII)	8 038 487	9 473 730

Figures are in thousand HUF

CASH - FLOW STATEMENT						
Description		Baseline year 31.12.2016	Impact of audit	Year under review 31.12.2017	Change	
					HUF'000	%
1	Profit / loss for the year	±	8 038 487	9 473 730	1 435 243	17,85%
2	Depreciation charged	+	0	0	0	0,00%
3	Impairment charged and reversed	±			0	0,00%
4	Balance of provisions set up and used	±	0	0	0	0,00%
5	Profit/loss of sale of fixed assets	±			0	0,00%
6	Change of trade accounts payable	±	-35 385	-9 815	25 570	-72,26%
7	Change of other short-term liabilities	±	-9 180	19 703	28 883	314,63%
8	Change of accruals and deferred income	±	-58 033	36 247	94 280	-162,46%
9	Change of receivables from member institutions	±	146 550	-238	-146 788	100,16%
10	Change of current assets (excluding trade accounts receivable and liquid assets)	±	-10 389 638	-11 990 917	-1 601 279	-15,41%
11	Change of prepayments and accrued income	±	-197 431	-284 656	-87 225	-44,18%
I.	TOTAL OPERATING CASH FLOW		-2 504 630	0	-2 755 946	10,03%
12	Procurement of fixed assets	-	0		0	0,00%
13	Sale of fixed assets	+	0	0	0	0,00%
II.	TOTAL INVESTMENT CASH FLOW		0	0	0	0,00%
14	Accession fees received (other capital income)		3 052	0	-3 052	100,00%
15	Revenues from share issuance (other capital income)	+	0	0	0	0,00%
16	Revenues from the issuance of bonds and credit securities	+			0	0,00%
17	Borrowing	+			0	0,00%
18	Repayment, redemption of long-term loans and deposits	+	29 594 179	8 517 796	-21 076 383	71,22%
19	Liquid assets received for good	-			0	0,00%
20	Share withdrawal (other decrease of capital)	-			0	0,00%
21	Repayment of bonds and credit securities	-			0	0,00%
22	Loan instalments and repayment in full	-	-29 550 873	-7 696 260	21 854 613	73,96%
23	Long-term lending and bank deposits	-	-231 728	146 162	377 890	163,07%
24	Liquid assets transferred for good	-			0	0,00%
25	Change in liabilities to founders / other long-term liabilities	+			0	0,00%
III.	TOTAL FINANCIAL CASH FLOW		-185 370	967 698	1 156 120	-623,68%
IV.	CHANGE IN LIQUID ASSETS		-2 690 000	-1 788 248	904 803	-33,64%



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RESOLUTION FUND NOTES TO THE 2017 ANNUAL REPORT

1. GENERAL INFORMATION

1.1. INTRODUCTION OF THE RESOLUTION FUND

Name of the institution:	Szanálási Alap (Resolution Fund) (hereinafter: the "Fund")
Seat:	1027 Budapest Csalogány u. 9-11.
Website:	www.szanalasialap.hu
Method of foundation:	by operation of law (Pursuant to Act XXXVII of 2014 on the Further Development of the System of Institutions Strengthening the Security of Certain Participants of the Financial Intermediary System; hereinafter the Resolution Act) Date of
Foundation:	21 July 2014
Form of organization:	919 Other fund
Statistical code:	18618389-6619-919-01
Tax ID:	18618389-2-41
Account holding banks of the Fund:	Central Bank of Hungary (hereinafter: "MNB"), MKB Bank and CIB Bank
Custodian bank of the Fund (Since 3 February 2015):	KELER Központi Értéktár Zrt. (KELER Central Clearing House and Repository Ltd.; hereinafter "KELER")
Asset manager of the Fund:	Államadósság Kezelő Központ (Government Debt Management Agency, hereinafter "ÁKK")
Chairwoman of the Board of Directors:	Ágnes Hornung, Secretary of State of the Ministry for National Economy
Members of the Board of Directors:	Dr. László Windisch, deputy governor of MNB Krisztina Láhm Mrs. Földényi, director of the Resolution Directorate of MNB Dr. András Fekete-Győr, managing director of the National Deposit Insurance Fund of Hungary (hereinafter "NDIF") until 31 December 2017, Dr. András Kómár since 1 January 2018.
Auditor of the Fund:	MAZARS Könyvszakértő és Tanácsadó Kft. (1123 Budapest, Nagyenyed utca 8-14.)
Licence number:	002220
Name of the person performing the audit:	Mrs. Istvánné Dóczy, auditor, member of the Hungarian Chamber of Auditors
Licence number:	007016
Accountant:	Dr. Ilona Erdős Mrs. Mihályi, Chief Accountant of NDIF
Registration number:	121985
This report was drafted at:	The seat of the Fund: 1027 Budapest, Csalogány u. 9-11, Hungary

1.2. ESTABLISHMENT AND FISCAL OBLIGATIONS OF THE FUND

The Fund was established pursuant to the power of the law, upon the entry into force of the Resolution Act.

Pursuant to Section 16 in Annex 5 to Act LXXXI of 1996, the Fund is not a subject of corporate tax. Further, pursuant to Paragraph 5 in Section 3 of Act C of 1990 on Local Taxes, the scope of said act shall not extend to the Fund and pursuant to Point r) in Section 5 of Act XCIII, the Fund shall enjoy full exemption from duties.

The registered capital of the Fund is the combined amount of accession fees paid by member institutions.

1.3. MEMBER INSTITUTIONS OF THE FUND

As of 31 December 2017, the Fund had 62 member institutions, including 26 banks, 10 specialized credit institutions, 13 cooperative credit institutions and 13 investment firms.

The names of the Fund's member institutions and the membership fees paid in 2017 are set out in Annex 4, while the full list of member institutions is set out in Annex 5.

The number of the Fund's member institutions did not change between the balance sheet cut-off date and preparation date (28 February 2018).

1.4. THE FUND'S ACTIVITIES AND TASKS

The key rules pertaining to the Fund's operation are set out in the Resolution Act, in Government Decree no. 214/2000 (XII.11) on the Peculiarities of the reporting and bookkeeping obligations of insurance funds, institution protection funds and the investor protection fund (hereinafter: the "Government Decree") and in the Fund's rules.

The role of the Fund is to cover financing needs directly linked to resolution as specified in the Resolution Act, using amounts paid up by member institutions.

The Fund's assets can be used for the following purposes:

- a) to guarantee the assets and liabilities of the institution (or the subsidiaries of the institution) under resolution, that of the bridge institution or the asset management vehicle;
- b) to provide loans to the institution (or the subsidiaries of the institution) under resolution, the bridge institution or the asset management vehicle;
- c) to purchase the assets of the institution being under resolution;
- d) to provide capital contribution to the bridge institution or the asset management vehicle;
- e) to provide contribution to the institution under resolution for the purpose specified in applicable laws;
- f) to compensate NDIF pursuant to Section 143(5) of the Resolution Act;
- g) to pay compensation to owners or creditors pursuant to Section 98 of the Resolution Act;
- h) to ensure fiscal neutrality as per Section 128 of the Resolution Act;
- i) any combination of actions listed in points a) through h) above;
- j) expenses directly related to the Fund's operation.

When employing the sale of business tool, the Fund can be used for measures listed above in points a) through d) also in respect of the recipient.

1.5. THE GOVERNING BODY AND SUPERVISION OF THE FUND

1.5.1. THE BOARD OF DIRECTORS

Pursuant to Section 132(1) of the Resolution Act, the Fund is governed by a Board comprising four directors.

The members of the Board are as follows:

- an individual designated by the Minister charged with the regulation of financial, capital and insurance markets;
- two individuals designated by the Governor of MNB, one of whom is the Vice Governor of MNB supervising the task specified in Section 4(8) of the Act on MNB, while the other is the Vice Governor of MNB supervising the task specified in Section 4(9) of the Act on MNB, or other senior officials performing these tasks, and
- the Managing Director of the NDIF.

1.5.2. SUPERVISION OF THE FUND

The State Audit Office of Hungary is charged with the financial and accounting supervision of the Fund.

2. KEY ATTRIBUTES OF THE FUND'S ACCOUNTING POLICY

2.1. THE LEGAL BASIS OF BOOKKEEPING

The Fund shall keep its books in accordance with Act C of 2000 on Accounting (hereinafter: the "Accounting Act") and the Government Decree.

2.2. DECISIONS RELATED TO THE REPORTING OBLIGATIONS

The Fund developed its accounting policy based on the principles and valuation requirements set out in the Accounting Act, tailoring it to best suit the Fund's characteristic features and circumstances of operation. The accounting policy specifies the means and methods of complying with the relevant law.

Regarding reporting obligations, the accounting policy gives preference to reports showing actual assets, finances and income position. In compliance with the intended purpose of the Accounting Act, it requires information provision for rendering a reliable and authentic picture, and specifies the underlying principles, rules and requirements.

Pursuant to the Accounting Act, the Fund belongs to the category of "other organizations". These organizations are subject to special bookkeeping and annual reporting obligations that are regulated in the Accounting Act and the Government Decree.

a) Form of reporting

Report prepared by the Fund in compliance with the values specified in the Accounting Act: Annual report (hereinafter "the Report"), structured as specified in the Government Decree.

b) Dates related to reporting

The balance sheet date shall be December 31; the business year is identical to the calendar year.

c) Preparation of the report, authorized signatory

Language of report: Hungarian

Person authorized to sign the report: Chairman of the Board of Directors

d) Method of bookkeeping

The Fund employs double entry book-keeping of the assets it manages, uses or owns, and of the related liabilities and business transactions to ensure that changes in assets and liabilities are presented authentically, on an ongoing basis, transparently and in a closed system. Pursuant to the Accounting Act, the Report must also include those business events that relate to the subject year but become known between the balance sheet date and the date of balance sheet preparation. Such events include those that relate to the subject year, change the value of assets and liabilities as of December 31, and the Fund becomes aware of them before the compilation of the annual report. The scope of the profit and loss statement must comply with the provisions of the Government Decree (profit and loss statement using the total-cost method). The Fund records operating costs (account group 5), expenditures (account group 8) and revenues (account group 9) in its books in accordance with the structure set out in the chart of accounts.



e) *Enforcing accounting principles*

The Fund enforces the following accounting principles: going concern basis, principle of full disclosure, principle of authenticity, principle of consistency, principle of continuity, principle of matching, principle of prudence, principle of gross accounting, principle of discrete valuation, principle of accrual/deferral, principle of substance over form, principle of materiality and the principle of cost-benefit comparison.

f) *Approval of the report*

The Board of the Fund shall approve the Report and the auditor's report by May 30 of the year following the subject year and shall submit both to the State Audit Office of Hungary.

g) *Ensuring comparability*

The Resolution Fund was established on 21 July 2014. The comparability of items presented in the 2017 Annual Report is ensured by items in the 2016 balance sheet.

h) The threshold set by the Fund for identifying items with extraordinary impact on profits is 5% of revenues in the business year.

2.3. CONSIDERATIONS FOR THE CLASSIFICATION OF ASSETS AND LIABILITIES

1) *Considerations for the classification of assets*

In accordance with the provisions of the Accounting Act, assets that serve the activities of the Fund for a period exceeding one year are presented as fixed assets, while assets that serve the Fund's activities for less than a year (including government securities held for trading) are accounted for as current assets.

Assets are classified individually when they are put into use, and classification is reviewed upon the preparation of the balance sheet.

2) *Considerations for the classification of liabilities*

Pursuant to the provisions of the Accounting Act and the Government Decree, own liabilities of the Fund comprise amounts derived from the retained earnings of the current year, while external liabilities include the sum of funds, services or other liabilities with maturity dates over or within one year, received from external organisations (credit institutions).

2.3.1. VALUATION OF ASSETS

Fixed assets and current assets are shown in the balance sheet at acquisition (production) cost. In the balance sheet, the gross value of intangible and tangible assets must be reduced by depreciation charged to the individual asset items while the value of financial investments must be reduced by impairment recognized on them. In the case of intangible assets, tangible assets and financial investments, the Fund does not use the fair valuation method, i.e. it does not apply any adjustments. Items comprised by the historic (acquisition) cost of assets must be reflected in the invoiced or charged amounts when they arise, i.e. upon the occurrence of the underlying business event (at the latest when the asset is put into use).

Stock (inventories) must be shown in the books at acquisition cost; in the balance sheet prepared at the end of the year this value can be reduced with the amount of recognised impairment provided certain conditions specified in the valuation regulations are met. Stocks also include assets transferred to the Fund as collateral for the guarantees undertaken by the Fund if the Fund intends to sell them instead of using them for its own activities. Assets so transferred to the Fund must be included in the books at the value specified in the asset distribution proposal.

Receivables are shown in the balance sheet at approved and recognized value. Receivables cannot

be depreciated. Doubtful receivables are subject to impairment charging as described in the accounting policy. Uncollectable debts must be accounted for as losses among other expenditures.

Where justified, the Fund charges impairment on doubtful debts and expected losses (receivable fees, customer receivables, advances paid, other receivables) outstanding as of the balance sheet date. Impairment charging is mandatory when it is foreseeable and assumable that the receivable concerned will not be collected or not the full current net value will be collected. The amount of impairment is set based on the individual valuation of overdue receivables as of the balance sheet date, taking into consideration overdue and doubtful receivables and advances paid. If the full receivable amount is settled by the balance sheet preparation date, or it was settled with a promissory note, and the promissory note has not yet expired, no impairment can be charged.

The Fund charges impairment on receivables from unpaid fees outstanding as of the balance sheet date based on a case-by-case valuation.

Securities are shown in the balance sheet at book value, less the amount of impairment chargeable as per the Accounting Act. Regardless of whether they are classified as current assets or as financial investments, debt securities with a maturity exceeding one year must be shown at acquisition cost or at current book value that already reflects charged and reversed impairment amounts.

The Fund's *liquid assets* are shown at net book taken from account statements and cash inventories. *Foreign exchange* futures are not considered hedge transactions by the Fund and therefore the rules pertaining to hedges accounting set out in the Accounting Act are not applied.

If the foreign exchange future is not closed by the balance sheet date, the calculated loss on the future as of said date are shown under the expenses of financial transactions, offsetting accruals.

Prepayments

Prepayments are asset items that adjust revenues and expenditures of the balance sheet year as per the accounting principle of matching.

In the financial statements, prepayments include the amounts deriving from the following events:

- revenues that relate to the balance sheet year but fall due only after the balance sheet date,
- expenses and expenditures that can be charged to the period after the balance sheet date el,
- amounts deriving from additional obligations.

2.3.2. VALUATION OF LIABILITIES

Equity is shown at book value in the Fund's balance sheet.

Provisions must be shown at book value as well.

Provisions must be set up for contingent liabilities in case they are known or likely to arise in the business year following the balance sheet date, if they derive from a past or ongoing transaction and if no other coverage is allocated to them in the balance sheet. Items that belong here include e.g. known or budgeted expenditures on sureties, options, guarantees, obligations related to ongoing lawsuits, etc.

Provisions may be set up for anticipated expenses that will occur in the future.

Payables are shown in the balance sheet at the value taken from the invoice or contract and acknowledged by the Fund.

Accruals

Accruals are liability items that adjust the revenues and expenditures of the balance sheet year, as per the accounting principle of matching.

In the financial statements, accruals include the amounts deriving from the following events:

- revenues that are received before the balance sheet date relate to the following year,
- expenses and expenditures chargeable to the balance sheet year but occurring only after the balance sheet date,
- liabilities that become known between the last day of the balance sheet year and the balance sheet preparation date, chargeable to the year closed,
- the not-yet-used portion of subsidies received for offsetting expenses and expenditures,
- deferred revenues charged as revenues,
- exchange rate losses on foreign exchange futures as of the balance sheet date.

2.3.3. SPECIFIC VALUATION METHODS USED FOR PREPARING THE REPORT

Valuation of specific asset groups:

- accumulated interest comprised in the acquisition cost of interest bearing securities shown under current assets must be accounted for as a revenue-decreasing item upon acquisition.
- no impairment is charged on government securities in the Fund's portfolio, as their repayment is guaranteed by the government.

Valuation of specific groups of liabilities:

- the Fund's retained earnings from the previous year (or years) is transferred to capital reserves within equity, shown at net book value.
- liabilities to member institutions are imported into the balance sheet based on account statements.

Assets and liabilities not specified above are valued in accordance with the general provisions of the Accounting Act.

2.4. METHODS OF CHARGING DEPRECIATION, CHARGING AND REVERSING IMPAIRMENT

Methods of charging depreciation

The Fund applies the following methods for charging depreciation:

- scheduled depreciation is charged based on the capitalized value of intangible and tangible assets;
- for each item separately, from the date of capitalization, with straight-line scheduled depreciation;
- depreciation for items with an acquisition or production cost below *HUF 100,000* is accounted for in a lump sum when the asset is put into use.

Charging and reversing impairment

The Fund charges depreciation if:

- the current book value of an asset permanently and significantly (i.e. by rate specified per asset in the valuation rules),
- if the asset became obsolete owing to change in business activities or has been damaged;
- if a favourable turn occurs in the above, impairment can be reversed after revaluation but only up to the asset's current value.

3. NOTES AND EXPLANATION TO UNIQUE BALANCE SHEET ITEMS

3.1. ASSETS

The Fund's balance sheet total equalled HUF 87,527,115,000 as at the end of 2017, exceeding the baseline figure by HUF 1,823,605,000.

This change was caused by the following factors:

- Financial investments went down by HUF 8,517,796,000 owing to the repayment of a loan granted earlier to MSZVK Magyar Szanálási Vagyonkezelő Zrt. (Hungarian Resolution Asset Management Plc., hereinafter: **MSZVK Zrt.**),
- As a consequence of loan repayment, short term receivables also decreased by HUF 109,091,000.
- Membership fees received through the year were invested, thus the value of securities held grew by HUF 11,954,084,000.
- The reason behind the decrease of liquid assets is that the amounts on the Fund's current account held at the MNB were invested.

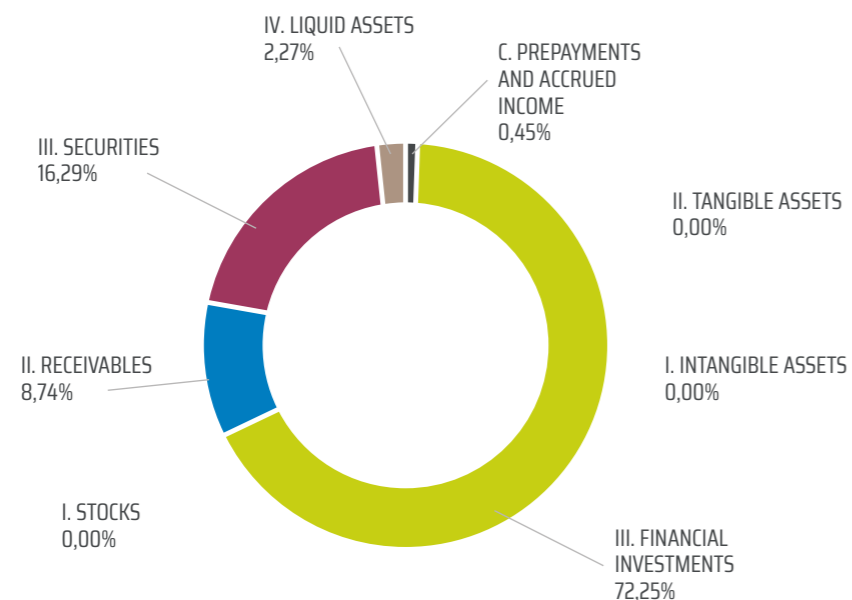
Table 1: Composition and value of assets

Description	Baseline year	Year under review	Distribution		Change	
	31.12.2016	31.12.2017	%	%	HUF'000	%
			31.12.2016	31.12.2017		Base=100
A. FIXED ASSETS	61 924 867	53 407 071	72,25	61,02	-8 517 796	86,24
I. INTANGIBLE ASSETS	0	0	0,00	0,00	0	0,00
II. TANGIBLE ASSETS	0	0	0,00	0,00	0	0,00
III. FINANCIAL INVESTMENTS	61 924 867	53 407 071	72,25	61,02	-8 517 796	86,24
B. CURRENT ASSETS	23 390 392	33 447 137	27,29	38,21	10 056 745	143,00
I. STOCKS	0	0	0,00	0,00	0	0,00
II. RECEIVABLES	7 490 079	7 380 988	8,74	8,43	-109 091	98,54
III. SECURITIES	13 958 143	25 912 227	16,29	29,60	11 954 084	185,64
IV. LIQUID ASSETS	1 942 170	153 922	2,27	0,18	-1 788 248	7,93
C. PREPAYMENTS AND ACCRUED INCOME	388 251	672 907	0,45	0,77	284 656	173,32
TOTAL ASSETS	85 703 510	87 527 115	100,00	100,00	1 823 605	102,13

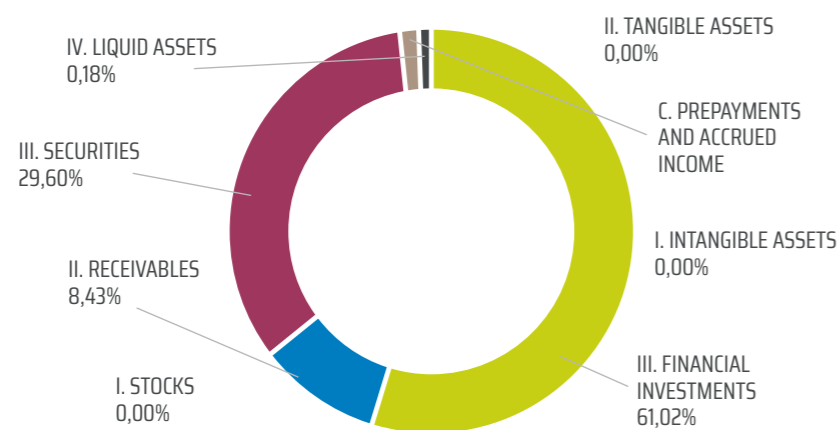
Figures are in thousand HUF

Chart 1: Breakdown of assets as of 31.12.2016 and 31.12.2017

Breakdown of assets, 31.12.2016



Breakdown of assets, 31.12.2017



Source: Resolution Fund

A key component of the Fund's Assets is the sum of loans granted to MSZVK Zrt., comprising a long-term loan and a short-term loan falling due in 2018, with a combined total of HUF 58,750,938,000. Another key component is securities, with a total value of HUF 25,912,227,000.

3.1.1. FIXED ASSETS

The book value of Fixed assets equalled HUF 53,407,071,000 including MSZVK Zrt. Shares of HUF 2,000,000,000 and the HUF 51,407,070,000 long-term loan provided to MSZVK Zrt. The Fund had neither intangible nor tangible assets in 2017.

Table 2: Financial investments

Fixed assets	31.12.2016	31.12.2017	Change
MSZVK Zrt. ordinary shares	2 000 000	2 000 000	0
LONG-TERM LOAN			0
Loan provided to MSZVK Zrt	59 924 867	51 407 071	-8 517 796
HUF	14 441 127	18 332 424	3 891 297
EUR	29 632 027	22 326 820	-7 305 207
CHF	15 851 713	10 747 827	-5 103 886
TOTAL	61 924 867	53 407 071	-8 517 796

Source: Resolution Fund

Figures are in thousand HUF

LOANS GRANTED TO MSZVK ZRT.

By resolution No. 28/2015. (IX. 22.), the Fund's Board of Directors approved the establishment of MSZVK Zrt. by the Fund.

The founder (and sole shareholder) of MSZVK Zrt. is the Fund. Pursuant to Paragraph 5 in Section 53 of the Resolution Act, after the establishment of MSZVK Zrt., owners' rights over it shall be exercised by the MNB, acting in its resolution capacity.

MSZVK Zrt. was established with an equity of HUF 200,000,000 and capital reserves of HUF 1,800,000,000. This amount provided funding for the initial period and sufficient cover to ensure that the equity of MSZVK Zrt. does not decrease below its registered capital following the company's establishment in 2015.

The Fund fully (100%) paid up the issue value of series "A" shares subscribed upon establishment (i.e. 10 ordinary shares with a nominal value of HUF 20,000,000 each, totalling to HUF 200,000,000) by way of transferring HUF 2 000 000 000 to MSZVK Zrt.'s bank account.

On 17 December 2015, the Fund and MSZVK Zrt. entered into a loan contract whereby the Fund granted loans of HUF 45,500,000,000 and EUR 166,900,000 to MSZVK Zrt. on a 10-year term, with repayment due as specified in the loan contract (HUF 44,552,943,000 of the HUF loan was drawn.)

The Fund took out loans denominated in HUF and EUR from a banking consortium led by K&H Bank Zrt. under the joint and several guarantee of the state of Hungary. The purpose of borrowing was to grant a financing loan to MSZVK Zrt., a company established by the Fund. MSZVK Zrt. took over the non-performing assets denominated in HUF, EUR and CHF from MKB Bank Zrt. Acting in its resolution capacity, the MNB separated and selected these assets as transferable to the resolution asset manager. MSZVK Zrt. repays the loan to the Fund in HUF, EUR and CHF.

To provide coverage for the HUF and EUR loans taken out from the consortium and for the open foreign exchange positions stemming from the HUF, EUR and CHF loans granted to MSZVK Zrt., the Fund concluded spot foreign exchange transactions under a frame contract and non-deliverable forward foreign exchange transactions with a maturity of one month for the HUF-EUR, HUF-CHF and EUR-CHF foreign exchange pairs.

Effective 17 December 2016, pursuant to an agreement between MKB Bank Zrt. and the Resolution Fund, maximum 3-month future currency deals can be concluded for the above currency pairs, replacing similar transactions formerly concluded with the MNB.

As collateral securing the loans granted to MSZVK Zrt., the Fund received share packages of HUF 102 million and HUF 55 million of Szanálási Követeléskezelő Zrt. (Resolution Receivables Management Plc.) and Resideál Zrt., respectively. Both companies are owned 100% by MSZVK Zrt.

Table 3: Loans provided by the Fund

Date of contract	Amount disbursed in original currency	Maturity date	Outstanding debt in original currency as of 31.12.2017	Outstanding debt in HUF as of 31.12.2017*
2015.12.12	39 406 324 381 HUF	2025.december	20 951 340 999 HUF	20 951 340 999 HUF
2015.12.12	119 092 127,83 EUR	2025.december	82 273 702,23 EUR	25 516 366 010 HUF
2015.12.12	69 392 824,60 CHF	2025.december	46 309 873,25 CHF	12 283 230 781 HUF
TOTAL				58 750 937 790 HUF

*MNB exchange rates on 31.12.2017: 310.14 HUF/EUR, 265.24 HUF/CHF

Source: Resolution Fund

A HUF 20 billion portion of the long-term loans granted to MSZVK Zrt. was repaid on 22 September 2016, ahead of the due date. No early repayment was made in 2017.

Under financial investments, the loan granted to MSZVK Zrt. decreased by HUF 8,517,796,000 (by a total of HUF 8,663,958,000 with the short-term loan) while the loan taken out from the consortium shrank by HUF 7,696,260,000 owing to repayments in 2017. The value of both the loan provided and the loan taken out was affected by the revaluation effective 31.12.2017 (MNB exchange rates). This revaluation generated an exchange rate loss of HUF 1,191,711,000 on the foreign exchange loan granted to MSZVK Zrt. and exchange rate gains of HUF 117,498,000 on the foreign exchange loan taken out from the consortium.



Table 4: Items increasing and decreasing in 2017 the amount of the long-term loan provided by the Resolution Fund to MSZVK Zrt.

Long term loan provided to MSZVK Zrt.	Loan increasing items	Loan decreasing items
LONG-TERM LOAN, EUR		
= conversion of EUR 13,000,000.00 to HUF		4 067 050
= exchange rate gain on conversion	23 790	
= exchange rate loss arising from revaluating the EUR loan at MNB's exchange rate on balance sheet date		72 401
= transfer of the EUR 10,284,212.76 instalment of the EUR loan due in 2018 to short-term liabilities		3 189 546
LONG-TERM LOAN, CHF		
= change of loan composition: conversion of the CHF 8,462,640.29 loan to HUF		2 443 164
= exchange rate loss on conversion		6 008
= exchange rate loss on year-end revaluation of loan		1 119 310
= transfer of the loan instalment due in 2018 to short-term loans		1 535 404
LONG-TERM LOAN, HUF		
= change of loan composition: conversion of the CHF 8,462,640.29 loan to HUF	2 443 164	
= transfer of EUR 13,000,000.00 to HUF	4 067 050	
= transfer of the loan instalment due in 2018 to short-term loans		2 618 917
TOTAL	6 534 004	15 051 800
BALANCE OF ITEMS INCREASING AND DECREASING THE LONG-TERM LOAN AMOUNT	-8 517 796	

Source: Resolution Fund

Figures are in thousand HUF

3.1.2. CURRENT ASSETS

As at the balance sheet date, the Fund's current assets comprised the following items: HUF 153,922,000 on the current account held at the MNB; book value (net acquisition cost) of securities equalling HUF 25,912,227,000 and short-term receivables of HUF 7,380,988,000 (including HUF 7,343,867,000 of the instalment due in 2018 of the loan granted to MSZVK Zrt., HUF 228,000 of fees receivable from institutions under final settlement reported as creditor's receivables plus other receivables of HUF 36,833,000 like VAT recovered in 2018).

The Fund's custodian is KELER Central Clearing House and Depository Ltd., acting in the capacity of custodian pursuant to Section 335/A of Act CXX of 2001.

The Fund did not possess stocks as of the balance sheet date.

3.1.2.1. RECEIVABLES

Receivables include short-term liabilities. The largest item here is the instalment of the MSZVK Zrt. loan due in the year under review.

As at the end of 2017, receivables from member institutions equalled to HUF 288,000 comprising overdue membership fees from GLOBALINVEST Zrt., Central Credit Befektetési Zrt., Hungaria Értékpapír Zrt., QUAESTOR Értékpapírkereskedelmi és Befektetési Zrt, a Strategon Értékpapír Zrt and Solar Capital Markets Zrt. Solar Capital Markets Zrt. paid up their overdue fees in January 2018 while the MNB revoked the investment service licence of the other member institutions listed above. In case receivables from overdue membership fees are not settled in 2018 either, they will be subject to impairment charging. Overdue membership fees from institutions under final settlement or liquidation have been reported as receivables to creditors.

The request for recovering HUF 36,833,000 of VAT submitted via self-revision was settled financially in January 2018.

Table 5: Short-term receivables

Description	31.12.2016	31.12.2017	Change
Fees receivable from member institutions	50	288	238
Loans provided	7 490 029	7 343 867	-146 162
Other receivables (recoverable VAT)	0	36 833	36 833
TOTAL	7 490 079	7 380 988	-109 091

Source: Resolution Fund

Figures are in thousand HUF

The value of short-term loans provided to MSZVK Zrt. went down by HUF 146,162,000 owing to repayments due in 2017.

Table 6: Breakdown of long-term loan instalments falling due in the coming years

Description	31.12.2016	31.12.2017	Change
Instalment of long-term HUF loan falling due in the following year	2 040 732	2 618 917	578 185
Instalment of long-term EUR loan falling due in the following year	3 704 003	3 189 546	-514 457
Instalment of long-term CHF loan falling due in the following year	1 745 294	1 535 404	-209 890
TOTAL	7 490 029	7 343 867	-146 162

Source: Resolution Fund

Figures are in thousand HUF

3.1.2.2. SECURITIES

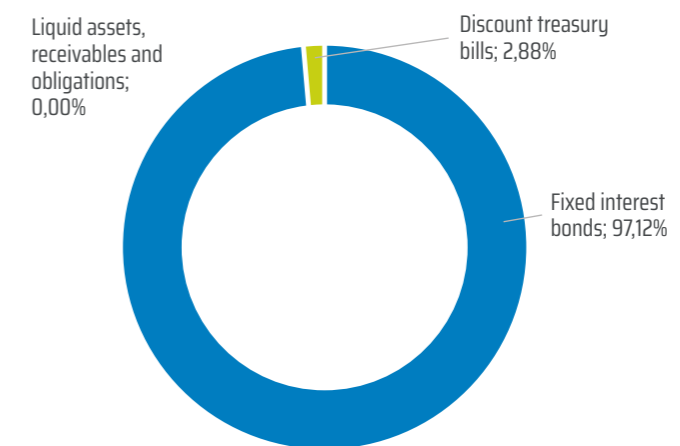
As of 31 December 2017, securities in the Resolution Fund's balance sheet included HUF 25,912,227,000 of government securities and HUF 26,000 of liquid assets on a cash account held with KELER. Government bonds made up 97.12% of the securities portfolio while discount treasury bills represented 2.88%.

Table 7: Breakdown of securities

Value date	Fixed interest bonds	Discount treasury bills	Liquid assets, receivables and obligations	Total value of portfolio
OPENING VALUE (01.01.2017)	13 479 510	478 633	77	13 958 220
Distribution	96,57%	3,43%	0,00%	100,00%
CLOSING VALUE (31.12.2017)	25 165 459	746 768	26	25 912 253
Distribution	97,12%	2,88%	0,00%	100,00%

Source: Resolution Fund Figures are at net acquisition cost (current book value) in thousands HUF

Chart 2: Breakdown of securities as of



Source: Resolution Fund

Table 8: Market value, acquisition cost and face value of securities

Description	2017			
	Acquisition cost	Face value	Market value	Audited value
Hungarian Government Bonds	25 165 459	22 473 400	25 958 677	25 165 459
Discount Treasury Bill	746 768	746 950	746 957	746 768
TOTAL	25 912 227	23 220 350	26 705 634	25 912 227

Source: Resolution Fund

Figures are in thousand HUF

3.1.2.3. LIQUID ASSETS

As at the balance sheet date of 31.12.2017, liquid assets included HUF 148,430,000 held on the MNB current account (this amount equals the related figure in the corresponding account statement), HUF 5,461,000 on the current account held at CIB Bank for petty payments to suppliers, HUF 5,000 on the technical account at MKB Ft and the HUF 26,000 balance of the securities account held at KELER.

3.1.3. PREPAYMENTS AND ACCRUED INCOME

Prepayments are shown in the balance sheet at book value and are itemized in the table below. In both 2016 and 2017, accumulated interest on securities in the portfolio was a significant amount, and so was cost reimbursement by MSZVK Zrt. (invoiced in early 2018).

Table 9: Changes in prepayments and accrued income

Prepayments and accrued income	31.12.2016	31.12.2017
Accumulated interest on securities held	204 394	348 105
Time proportionate yield of discount treasury bills	0	124
Interest on loan provided	33 183	26 988
MSZVK Zrt. cost reimbursement	144 211	294 763
Profit on forward foreign exchange transactions	3 659	0
Liability insurance	2 783	2 783
Domain hosting (szanalasialap.hu)	0	2
Netlock signature encryption	0	121
Adónet subscription	21	21
TOTAL	388 251	672 907

Source: Resolution Fund

Figures are in thousand HUF

3.2. LIABILITIES

Within liabilities, Equity equalled HUF 26,762,793,000 and closing value of the loan taken out from the consortium amounted to HUF 60,512,595,000 upon the year-end.

Payables decreased by HUF 7,686,372,000. Most of this change derived from the repayment of the consortium loan taken out by the Resolution Fund (HUF 7,696,260,000) while a smaller portion originated in the increase of payables to creditors (HUF +9,888,000).

Profit/loss for the year increased the Fund's equity by HUF 9,473,730,000.

Table 10: Changes in the composition and value of liabilities

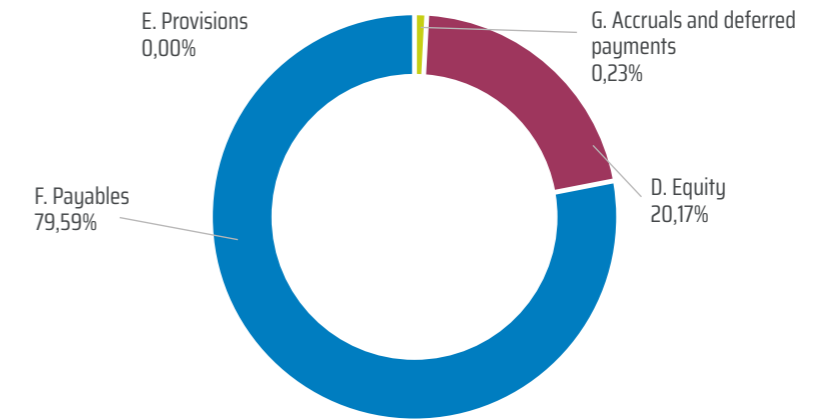
Description	Baseline year	Year under review	Distribution		Change	
			%	%	HUF'000	%
	31.12.2016	31.12.2017	31.12.2016	31.12.2017		Base=100
D. Equity	17 289 063	26 762 793	20,17	30,58	9 473 730	154,80
E. Provisions	0	0	0,00	0,00	0	0,00
F. Payables	68 213 910	60 527 538	79,59	69,15	-7 686 372	88,73
G. Accruals and deferred payments	200 537	236 784	0,23	0,27	36 247	118,07
TOTAL LIABILITIES	85 703 510	87 527 115	100,00	100,00	1 823 605	102,13

Source: Resolution Fund

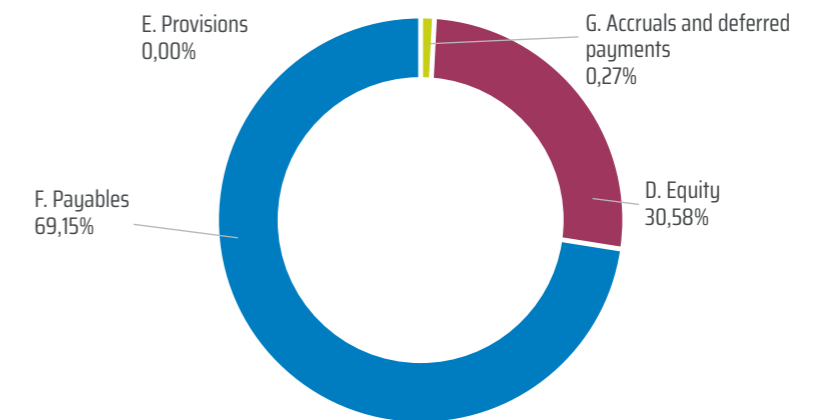
Figures are in thousand HUF

Chart 3: Breakdown of liabilities as of 31.12.2016 and 31.12.2017

31.12.2016



31.12.2017



Source: Resolution Fund

3.2.1. EQUITY

The Fund's equity went up by HUF 9,473,730,000 between 31 December 2016 and 31 December 2017.

Table 11: Changes in the breakdown and value of equity

Description	Baseline year	Year under review	Distribution		Change	
			%	%		%
	31.12.2016	31.12.2017	31.12.2016	31.12.2017		Base=100
I. REGISTERED CAPITAL	429 024	429 024	2,48	1,60	0	100,00
II. CAPITAL RESERVE	8 821 552	16 860 039	51,02	63,00	8 038 487	191,12
III. VALUATION RESERVE	0	0	0,00	0,00	0	0,00
IV. PROFIT/LOSS FOR THE YEAR	8 038 487	9 473 730	46,49	35,40	1 435 243	117,85
D. SAJÁT TŐKE	17 289 063	26 762 793	100,00	100,00	9 473 730	154,80

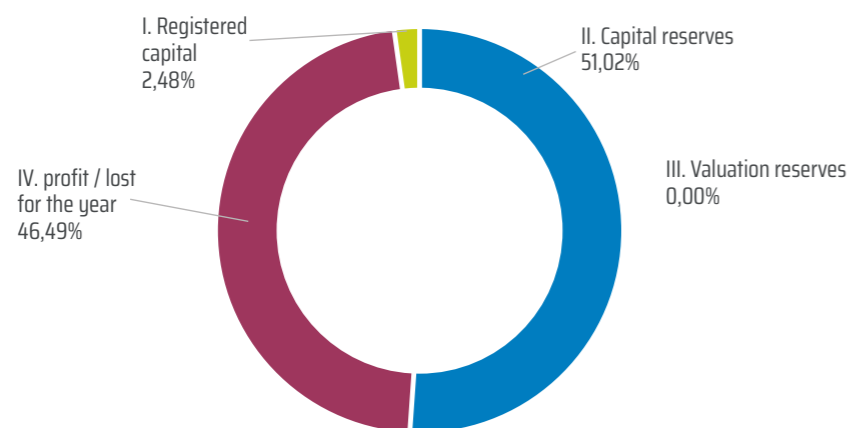
Source: Resolution Fund

Figures are in thousand HUF

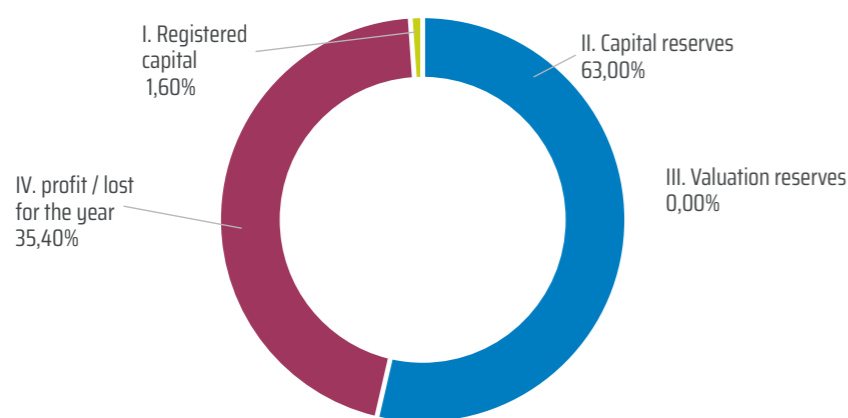
¹ See section on loans provided to MSZVK Zrt. in Section 3.1.1 Fixed assets above.

Chart 4: Breakdown of Equity as at 31.12.2016 and 31.12.2017

Distribution of Equity, 2016



Distribution of Equity, 2017



Source: Resolution Fund

REGISTERED CAPITAL

Registered capital comprises accession fees paid up by member institutions. Pursuant to Section 137 of the Resolution Act, each institution joining the Fund is required to pay a one-off accession fee.

In 2017, no institution joined the Fund.

The Fund's registered capital equalled HUF 429,024,000 as of 31 December 2017.

PROFIT/LOSS FOR THE YEAR

Profit/loss for the year amounted to HUF 9,473,730,000 as of 31 December 2017. Pursuant to the Government Decree, the full amount of the Fund's net profits must be accounted for as an increase of capital reserves in the year following the one under review.

3.2.2. PROVISIONS

In 2017, the Fund did not set up any provisions as it was not aware of any expected liabilities or future expenditures that would have called for that measure. The consortium loan taken out by the Fund is paid back from repayments on the loan granted to MSZVK Zrt.

3.2.3. PAYABLES

LONG-TERM LIABILITIES

The book value of the Fund's long-term liabilities equalled HUF 52,948,521,000. This amount comprises the consortium loan taken out for 10 years. Repayments and interest payments take place along the schedule set out in the annex to the loan contract.

Table 12: Long-term liabilities by foreign currency

Description	Baseline (2016.12.31)	Actual (2017.12.31)	Actual/Baseline %
From long-term HUF loan	19 102 703	16 714 865	87,5
From long-term EUR loan	41 527 390	36 233 656	87,3
TOTAL	60 630 093	52 948 521	87,3

Source: Resolution Fund

Figures are in thousand HUF

The amount of the loan taken out is HUF 45,500,000,000 plus EUR 166,900,000. The purpose of borrowing was to grant a loan to MSZVK Zrt. (by the Fund and pursuant to Point b) in Paragraph 3 of Section 126 of the Resolution Act) so that it can acquire certain assets of MKB Bank Zrt., an institution under resolution, in accordance with the decision made by the MNB, the entity acting in resolution capacity.

SHORT-TERM LIABILITIES

As of 31.12.2017, the value of short term borrowings equalled HUF 7,564,074,000.

Table 13: Breakdown of instalments falling due in the coming years

Description	Baseline (2016.12.31)	Actual (2017.12.31)	Actual/Baseline %
Repayment on long-term HUF loan falling due in the following year	2 387 838	2 387 838	100,0
Repayment on long-term EUR loan falling due in the following year	5 190 924	5 176 236	99,7
TOTAL	7 578 762	7 564 074	99,8

Source: Resolution Fund

Figures are in thousand HUF

OTHER SHORT-TERM liabilities amounted to HUF 14,943,000 as of 31 December 2017.

Table 14: Breakdown of other short-term liabilities

Description	31.12.2016	31.12.2017
Domestic trade accounts payable	3 615	13 431
Tax liability	367	421
Contribution liability	1 073	1 091
TOTAL	5 055	14 943

Source: Resolution Fund

Figures are in thousand HUF

Payables to domestic trade accounts, taxes and liabilities to the central government are shown at book value, with amounts identical to that on trade account invoices and in the Fund's returns. Within payables outstanding as at the balance sheet date, **trade account payables** equalled HUF 13,431,000 comprising the following key items:

Asset management fees of HUF 2,373,000 invoiced by AKK for Q4 2017, HUF 53,000 to Magyar Posta Zrt., HUF 76,000 of hosting fee to Xtremedia Kft, an invoice of HUF 10,713,000 for expenditures cross-charged by the NDIF plus office rents and operation fees paid to the Directorate General for Public Procurement and Supply equalling HUF 216,000.

Tax and contribution liabilities to the central government amounted to HUF 1,512,000 as at the year end, comprising personal income tax, contributions and social contribution tax payable on compensation to personnel. These payables were settled by the respective deadlines before the drafting of the balance sheet.

3.2.4. ACCRUALS AND DEFERRED PAYMENTS

As of 31 December 2017, the Fund's accruals equalled HUF 236,784,000. Accruals include expenditure items that are chargeable to 2017 even though their financial settlement took place in 2018, plus losses on the valuation of forward deals upon the balance sheet date.

Table 15: Breakdown of accruals and deferred payments

Description	Amount
Deferred income subsequently received and credited	
Fee from QUAESTOR Bank transferred in Q1 2018	78
Total	78
Accrued expenses and expenditures	
Auditing fee for 2017 (70%)	1 956
Guarantor fee on consortium loan for 2017	121 025
Agent fee of K&H Bank for 2017 (31,750 EUR)	9 847
Total	132 828
Accrued interest payable	
Interest payable on consortium HUF loan until 31.12.2017	7 853
Interest payable on consortium EUR loan until 31.12.2017	20 130
Total	27 983
Exchange rate losses on forward foreign exchange transactions	
Forward transactions: EUR/HUF exchange rate loss (valuation on 31.12.2017)	31 933
Forward transactions: EUR/CHF exchange rate loss (valuation on 31.12.2017)	43 962
Total	75 895
TOTAL ACCRUALS AND DEFERRED INCOME	236 784

Source: Resolution Fund

Figures are in thousand HUF

4. NOTES TO UNIQUE ITEMS IN THE PROFIT AND LOSS STATEMENT

4.1. REVENUES IN THE PROFIT AND LOSS STATEMENT

Regular, annual fees received from member institutions was a significant revenue source for the Fund. These fees were received by the payment deadline.

Fee revenues from resolution activities consisted of fees set by the MNB (acting in resolution capacity) for 2017, effective 12 April 2017. These fees amounted to *HUF 8,711,622,000* in total.

The deadline for member institutions to pay up Q1 2017 fees was January 15. These fee advances were set by the MNB, acting in its resolution capacity, based on 2016 fees (*HUF 1,848,938,000*). As with Q1 fees, members were notified of and paid up fee advances for Q2 as well (*HUF 1,848,780,000*).

Since applicable legal regulations changed in the meantime, membership fees for Q2 (*HUF 5,013,904,000*) were paid by 15 December 2017.



Table 16: Revenues

Description	Baseline year	Year under review	Distribution		Change	
	31.12.2016	31.12.2017	%	%	HUF'000	%
			31.12.2016	31.12.2017		Base=100
Revenues related to resolution activities	7 396 686	8 711 622	63,49	70,84	1 314 936	117,78
Other revenues	666 572	297 228	5,72	2,42	-369 344	44,59
Revenues from financial transactions	3 586 897	3 288 832	30,79	26,74	-298 065	91,69
TOTAL	11 650 155	12 297 682	100,00	100,00	647 527	105,56

Source: Resolution Fund

Figures are in thousand HUF

Revenues from financial transactions amounted to HUF 3,288,832,000 comprising the book value of proceeds from financial investments, loan interest received and exchange rate gains (see breakdown in Table 17 below).

Thus, this revenue category included interest of HUF 1,110,455,000 received in 2017 on the loan provided to MSZVK Zrt., exchange rate gains of HUF 767,437,000 realized on government bonds, HUF 1,295,276,000 realized on forward foreign exchange transactions, HUF 115,659,000 realized on securities, loans and borrowings, plus HUF 5,000 as interest on bank account balances.

Exchange rate gains realized on the consortium loan and on the loan granted to MSZVK Zrt. amounted to HUF 52,769,000 as follows:

- The foreign exchange loan to MSZVK Zrt. is held on foreign currency accounts at the MNB. When invested, these assets must be converted into HUF. The exchange rate gain on conversion was HUF 4,623,000;
- exchange rate gains on the EUR loan, equalling HUF 18,818,000;
- HUF 23,790,000 generated by the changed loan composition; and
- exchange rate gain of HUF 5,538,000 on the repayment of the EUR loan granted to MSZVK Zrt.

Revenues from financial transactions include accumulated interests on the portfolio as of 31.12.2017 (HUF 348,105,000), deferred interest for the 10 days between 22 and 31 December 2017 on the loan granted to MSZVK Zrt. (HUF 26,988,000) and different interest on discount treasury bills (HUF 125,000). We have shown these amounts in the related statements (Profit and Loss Statement, financial revenues).

Other revenues in the Profit and Loss Statement include amounts cross-charged to MSZVK Zrt. that were originally paid by the Resolution Fund and accounted for as expenditures: 2017 fee for the government guarantee (HUF 121,025,000), a K&H Bank's agent fee (HUF 10,138,000), expenditures of HUF 163,600,000 deriving from exchange rate differences on hedging transactions plus default interest of HUF 361,000 and payable VAT generated by cross-charging upon expense adjustments (HUF 2,104,000).

Table 17: Breakdown of revenues from financial transactions

Description	Baseline year	Year under review	Change	
	31.12.2016	31.12.2017	HUF'000	Actual / Baseline %
Interest revenues from loan agreements HUF	879 873	295 105	-584 768	33,54
Interest revenues from loan agreements EUR	637 744	560 781	-76 963	87,93
Interest revenues from loan agreements CHF	338 608	254 569	-84 039	75,18
Interest received on MNB bank accounts	30 967	4	-30 962	0,01
Gains on Hungarian Government Bonds	356 810	767 437	410 627	215,08
Exchange rate gains	4 037	4 624	587	114,53
Exchange rate gains on futures transactions	1 067 328	1 295 276	227 948	121,36
Exchange rate gain on MSZVK loan	21 076	18 818	-2 258	89,29
Exchange rate gain on consortium loan	40 849	29 328	-11 521	71,80
Exchange rate gains on Hungarian government securities	117 426	62 890	-54 536	53,56
Exchange rate gains on revaluation of MSZVK loan and consortium loan	92 181	0	-92 181	0,00
TOTAL	3 586 898	3 288 832	-298 065	91,7

Source: Resolution Fund

Figures are in thousand HUF

4.2. COSTS AND EXPENDITURES OF THE FUND

In 2017, total expenditures of the Resolution Fund equalled HUF 2,823,952,000 comprising

- Expenditures on financial transactions of HUF 2,588,618,000 and
- Operating expenses of HUF 235,334,000.

Expenditures on financial transactions (see breakdown in Table 19 below) decreased by HUF 779,495,000 on a year-on-year basis in 2017 owing to the following components:

- Interest paid on the consortium decreased by HUF 772,390,000 thanks to repayment;
- Negative interest on foreign exchange accounts went down by HUF 204,000;
- In relation to the loan granted to MSZVK Zrt.,
 - exchange rate losses arising from forward foreign exchange deals were lower by HUF 1,231,989,000 than in 2016;
 - exchange rate losses stemming from loan repayment and year-end revaluation exceeded the previous year's figure by HUF 1,142,934,000 and
 - exchange rate losses on Hungarian government securities increased by HUF 82,154,000 compared to 2016.

Table 18: Expenditures

Description	Baseline	Actual	Change %
	31.12.2016	31.12.2017	Actual / Baseline
Expenditures related to resolution	0	0	0,0
Other expenditures	0	0	0,0
Expenditures of financial transactions	3 368 113	2 588 618	76,9
Expenditures on materials	206 339	194 269	94,2
Payroll and related expenditures	37 216	41 065	110,3
Depreciation	0	0	0,0
Operating expenses (01+02+03)	243 555	235 334	96,6
TOTAL EXPENDITURES	3 611 668	2 823 952	78,2

Source: Resolution Fund

Figures are in thousand HUF

Expenditures on financial transactions represent a significant part of expenditures.

Table 19: Breakdown of expenditures on financial transactions

Description	Baseline	Actual	Change %	
	31.12.2016	31.12.2017	HUF'000	Actual / Baseline
Negative interest paid on HUF account	0	38	38	N/A
Interest expenses related to loan contracts HUF	1 018 203	343 612	-674 591	33,7
Interest expenses related to loan contracts EUR	887 821	789 985	-97 836	89,0
Interest paid on foreign currency account EUR	224	89	-135	39,6
Interest paid on foreign currency account CHF	204	135	-69	66,0
Exchange rate losses	11 323	16 126	4 803	142,4
Exchange rate losses on futures transactions	1 362 299	130 309	-1 231 990	9,6
Exchange rate losses on MSZVK loan	37 754	101 672	63 918	269,3
Exchange rate losses on Hungarian government bonds	50 285	132 440	82 155	263,4
Exchange rate losses on revaluing MSZVK loan and consortium loan	0	1 074 213	1 074 213	N/A
TOTAL	3 368 113	2 588 618	-779 495	76,9

Source: Resolution Fund

Figures are in thousand HUF

4.3. OPERATING EXPENSES BUDGETED FOR 2017

Operating costs actually incurred and charged amounted to HUF 235,334,000 in 2017. Out of this amount, Fund expenditures incurred in relation to the operation of MSZVK Zrt. equalled HUF 130,872,000. These expenditures were repaid by MSZVK in 2017.

We compared the Resolution Fund's actual costs to the 2017 plan. In summary, regularly incurred costs of operation (HUF 104,463,000) equalled 96% of the figure budgeted for 2017.

Pursuant to the cooperation agreement between the National Deposit Insurance Fund and the Resolution Fund, expenses already incurred and specified in the agreement were invoiced for 2017 as well.

1. Personnel expenses

Personnel-related expenses (HUF 41,065,000) include compensations to personnel and the related contribution payments. The 2017 budget was fulfilled 100%.

2. Labour costs relating to the operation of the Resolution Fund

Labour costs related to operation (HUF 35,353,000) was accounted for as specified in the cooperation agreement between the NDIF and the Resolution Fund. Actuals equalled 94% of the expenses budgeted for the year.

3. Remuneration of the auditor and internal controller

Costs if internal auditing exceeded the budgeted amount because the change of the internal auditor incurred additional invoiced expenses for 4.5 months (period of notice and task handover). Pursuant to the contract with Dialog Plusz Audit Kft., these expenses were invoiced (HUF 1,114,000) and the underlying work was completed. Therefore, this amount is shown under the Resolution Fund's operating expenses for 2017.

Further, this item includes the auditing fee (BDO HUF 254,000) of the submission outlining the performance of the Fund's portfolio and year-to-date expenditures and revenues in the first half of 2017, plus the audit fee for 2017 (HUF 2,794,000 also including the audit fee of submissions in the second half of the year).

Internal controlling and auditor fees totalled to HUF 4,162,000.

4. Office equipment, infrastructure expenses, IT expenses

The time-proportionate total (HUF 20,092,000) of this expense group equals 86% of the budgeted figure.

Key cost items:

- forms, printed publications, technical books, official gazette, subscription fees of industry periodicals (HUF 253,000) also include cross-charged stationery and envelope costs;
- at the time of budgeting, we expected that the Resolution Fund will sign an office rental agreement with the Directorate General for Public Procurement and Supply. Payable rent and a lump sum for building operation expenses were budgeted accordingly. However, a new cooperation agreement was signed by the Resolution Fund and the NDIF on 9 February 2017. The new contract does not call for the invoicing of 10% of office rent and building operation costs. The rental agreement effective 1 January 2017 was signed on 31 August 2017. The related invoices were issued and settled (HUF 2,592,000);
- mailing costs (HUF 646,000) includes the monthly fee invoiced by Magyar Posta Zrt. (Hungarian Post) pursuant to the related contract;
- telephone expenses (HUF 119,000) equal 10% of the related NDIF cost invoiced to the Fund and the same with printing and photocopying costs (HUF 102,000). Both budgeted items were fulfilled at 100%;
- website hosting fee (HUF 458,000) was at 100% of the budgeted figure;
- communication costs (HUF 846,000) exceeded the budgeted amount by 6%. This expenditure included the cost of patenting the Resolution Fund logo (Hungarian/English, HUF 150,000) and the amount paid to Tartalomgyár Kft. for editing and the Resolution Fund's Annual Report for 2016 (HUF 676,000);
- legal service fees (HUF 2,702,000) include the fee paid to GMFT Law Offices for providing a legal

opinion on the Resolution Fund's public procurement status and on the employment of an internal controller;

- translation expenses (HUF 208,000) comprise the fee for translating the Fund's 2016 Annual Report into English;

- bank charges and portfolio management fees (HUF 11,995,000), of which portfolio management fees (HUF 11,086,000) exceeded the budgeted amount by 15%. Partly because the daily net asset value was higher than planned owing to the 5.88% yield, and partly because transaction fees were higher than planned due to alignment to CMAX. Bank charges (HUF 909,000) remained below the budgeted figure.

5. Other operating expenses

In this cost group, only liability insurance premium (HUF 3,790,000) was accounted for based on the related invoice.

The Fund does not have an own work organisation. Operational tasks are performed by the NDIF organization separately from their own tasks, under the supervision of the NDIF managing director.

The related fees invoiced by NDIF were charged to the cost of materials.

Table 20 outlines the deviation of actual costs from the budgeted figures.

Table 20: Regularly incurred costs of operation

Description	Regularly incurred costs of operation, 2017 plan	Regularly incurred costs of operation, 2017 actuals	2017 forecast/2017 plan %
1) Personnel expenses: remuneration of Board members	41 113 512	41 065 200	99,9
2) Labour costs relating to the operation of the Resolution Fund	37 763 128	35 352 585	93,6
3) Remuneration of the auditor and internal controller	1 500 000	4 162 425	277,5
4) Office equipment, infrastructure expenses, IT expenses	23 502 453	20 092 439	85,5
5) Other costs of operation	5 090 000	3 790 000	74,5
Total regularly incurred costs of operation	108 969 093	104 462 649	95,9
Itemized breakdown of cost group defined in Section 4			
a) Office equipment	80 000	48 904	61,1
b) forms, printed publications, technical books, official gazette, subscription fees of industry periodicals	156 000	253 399	162,4
c) IT materials	100 000	36 162	36,2
d) office, warehouse, room and other rents and operating expenses	2 481 110	2 592 432	104,5
e) document storage	0	0	0,0
f) mailing costs, courier service fees	650 000	646 162	99,4
g) taxi expenses	20 000	0	0,0
h) telephone expenses	180 000	119 370	66,3
i) printing and photocopying expenses	100 000	102 245	102,2
j) website maintenance	460 000	457 962	99,6
k) other communication expenses	800 000	845 560	105,7
l) legal services, other expert fees (KPMG)	5 000 000	2 701 851	54,0
m) translation	200 000	207 963	104,0
n) program expert services (Netlock)	80 000	85 349	106,7
o) program upgrade fees	0	0	0,0
p) bank charges, portfolio management fees,	10 565 343	11 995 080	113,5
= of which bank charges relating to the currency account	300 000	264 000	88,0

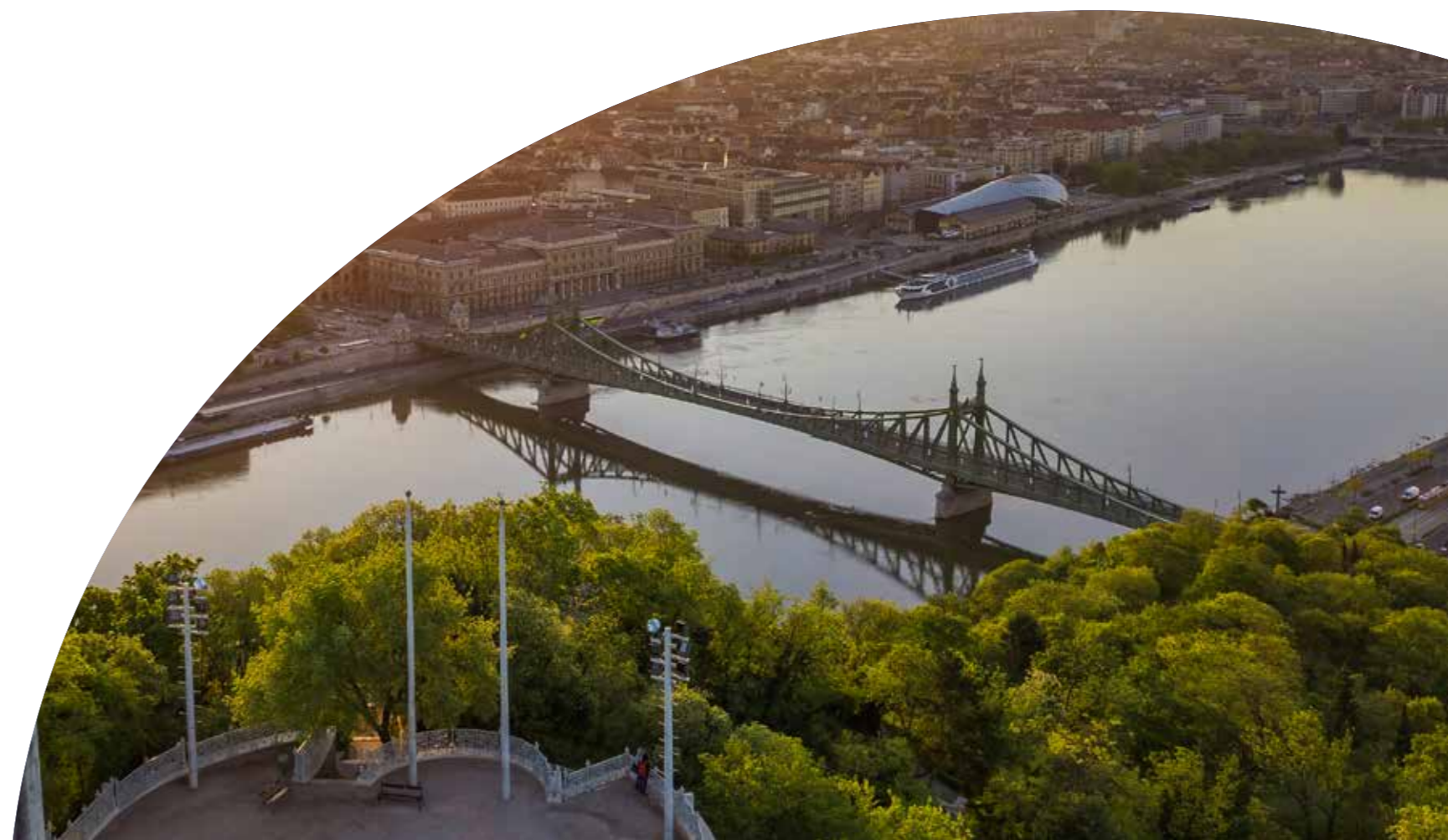
= bank charges of HUF account	635 149	645 278	101,6
= portfolio management fees	9 630 194	11 085 802	115,1
q) duties, transaction levies, administrative fees	2 500 000	0	0,0
r) property insurance premium	0	0	0,0
s) computer insurance	0	0	0,0
t) entertainment costs	100 000	0	0,0
u) other materials and service expenses	30 000	0	0,0
Total expenses of operation listed in Section 4)	23 502 453	20 092 439	85,5
Itemized breakdown of cost group defined in Section 5			
a) costs of conferences in Hungary/abroad	300 000	0	0,0
b) travel expenses	1 000 000	0	0,0
c) membership fees in professional organizations	0	0	0,0
d) liability insurance of Board members	3 790 000	3 790 000	100,0
e) cost of patenting the Resolution Fund logo	0	0	0,0
Total expenses of operation listed in Section 5)	5 090 000	3 790 000	74,5

Source: Resolution Fund

Figures are in HUF

18 May 2018, Budapest

Ágnes Hornung
Chairwoman of the Board, Resolution Fund





2017 BUSINESS REPORT RESOLUTION FUND

1. BUSINESS REPORT

1.1. OBJECTIVES FOR THE FUTURE AND SIGNIFICANT EVENTS IN 2017

One significant event in 2017 was the collection of quarterly fee advances and the distribution of notifications for 2017 fees, along with the charging of fee differences.

A key objective for the future is to ensure, in accordance with the requirement set out in Paragraph (2) in Section 148 of the Resolution Act, that the value of the Fund's assets reaches at least 1% of the indemnification limit of total insured deposits of licenced credit institutions in Hungary latest by 31 December 2024.

1.2. MATERIAL EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

A material event after the balance sheet cut-off date was repayment of instalments and interests for the consortium loan. The number of the Fund's member institutions did not decrease until the balance sheet preparation date and no institution joined the fund in that period.

1.3. FINANCIAL POSITION OF THE FUND

As of 31.12.2017, the Resolution Fund's balance sheet total equalled HUF 87,527,115,000 an amount HUF 1,823,605,000 higher than in the previous year. The two main components of the change were the growth of the securities portfolio owing to the investment of fee revenues and the decrease of receivables after repayments of the loan granted to MSZVK Zrt.

Table 1: The Fund's Assets and Liabilities

Description	Amount 31.12.2016	Amount 31.12.2017	Change HUF'000	31.12.2017 / 31.12.2016 %	Distribution % 31.12.2017
Fixed assets	61 924 867	53 407 071	- 8 517 796	86,2	61,0
Including:					
= Equity participations	2 000 000	2 000 000		100,0	3,7
= Long-term loans	59 924 867	51 407 071	- 8 517 796	85,8	96,3
Current assets	23 390 392	33 447 137	10 056 745	143,0	38,2
Including:					
= Stocks	0	0	0	0,0	0,0
= Fees receivable from member institutions	50	288	238	576,0	0,0
= Short-term loan (falls due in 2018)	7 490 029	7 343 867	- 146 162	98,0	22,0
= Other receivables		36 833	36 833		0,1
= Securities	13 958 143	25 912 227	11 954 084	185,6	77,5
= Liquid assets	1 942 170	153 922	- 1 788 248	7,9	0,5
Prepayments and accrued income	388 251	672 907	284 656	173,3	0,8
TOTAL ASSETS	85 703 510	87 527 115	1 823 605	102,1	100,0
Equity	17 289 063	26 762 793	9 473 730	154,8	30,6
Payables	68 213 910	60 527 538	- 7 686 372	88,7	69,2
Including:					
= Loans taken out	68 208 855	60 512 596	- 7 696 259	88,7	100,0
Accruals and deferred income	200 537	236 784	36 247	118,1	0,3
TOTAL LIABILITIES	85 703 510	87 527 115	1 823 605	102,1	100,0

Source: Resolution Fund

Figures are in thousand HUF

In January – December 2017, the gross yield of the portfolio managed by the Fund was HUF 1,138,456,000. Accumulated interest amounted to HUF 348,105,000 and was accounted for upon the balance sheet date. It is shown in the Profit and Loss Statement under accrued income, thus it is comprised by the profit / loss figure for 2017.

The Fund shows securities in its books at net acquisition cost. Market valuation was not used, and the portfolio was not transferred upon the year end, thus valuation differences do not appear in the profit / loss figure for the current year. The yield reported by the asset manager also includes valuation differences (HUF 445,301,000).

Table 2: Asset value and yields of the Fund's portfolio

Description	Asset manager (ÁKK)			
Value date of closing asset value	2017.03.31	2017.06.30	2017.09.30	2017.12.31
Closing asset value	15 090 530	20 216 974	21 471 484	26 713 922
Value date of benchmark asset value	2016.12.31	2016.12.31	2016.12.31	2016.12.31
Benchmark asset value	14 175 112	14 175 112	14 175 112	14 175 112
Average daily capital weighted by duration of actual asset management	16 603 022	17 537 171	18 471 138	19 413 764
Yield	15 363	341 752	796 188	1 138 456
Nominal gross yield (calendar month) %	0,17	1,88	4,24	5,88
Benchmark (for actual duration of asset management) %	0,17	1,88	4,23	5,88
Current gross additional yield %	0,00	0,00	0,01	0,00

Source: Resolution Fund

Figures are in thousand HUF

Average value of tied-up capital was HUF 19,413,764,000 in 2017 while expenditures on asset and deposit management equalled HUF 11,086,000. Costs per average tied-up capital equalled 0.06% while the costs per yield ratio was 0.97%.

Table 3: Profit / loss on portfolio management by ÁKK for the Fund and asset management expenses

Description	Asset manager (ÁKK)
Daily average asset value	19 413 764
Gross yield, HUF	1 138 456
Gross yield %	5,88
Reference yield %	5,88
Net yield, HUF	1 127 370
Net yield %	5,82
Portfolio management fees	8 731
Deposit management fee	550
KELER fee	1 805
Total fees	11 086
Fees in % of yield	0,97
Fees / average tied-up capital %	0,06

Source: Resolution Fund

Figures are in thousand HUF

1.4. INDICATORS OF FINANCIAL AND INCOME POSITION

Resolution Fund	Baseline year 31.12.2016	Current year 31.12.2017
Share of fixed assets =		
<i>Fixed assets x 100</i> <i>Total assets</i>	72,25%	61,02%
Share of current assets =		
<i>Current assets + prepayments x 100</i> <i>Total assets</i>	27,75%	38,98%
Equity ratio =		
<i>Equity</i> <i>Balance sheet total</i>	20,17%	30,58%
Balance sheet profit/loss to equity ratio=		
<i>Profit/loss for the year x 100</i> <i>Equity</i>	46,49%	35,40%
Share of liabilities =		
<i>Liabilities x 100</i> <i>Balance sheet total</i>	79,59%	69,15%
Coverage of fixed assets =		
<i>Equity x 100</i> <i>Fixed assets</i>	28%	50%
Current assets to equity ratio =		
<i>Current assets x 100</i> <i>Equity</i>	91,43%	96,66%
Liquidity ratio =		
<i>Current assets x 100</i> <i>Short-term liabilities</i>	308,43%	441,31%
Return on assets =		
<i>Pre-tax profit/loss x 100</i> <i>Total assets</i>	9,38%	10,82%

1.5. BUDGETED OPERATING EXPENSES OF THE FUND FOR 2018

BACKGROUND

In resolution no. 9/2014 (VII. 28.), the Resolution Fund's Board of Directors approved the accounting guidelines for the Fund's operating expenses.

OPERATING EXPENSES

The figures of the 2018 budget are set out in Annex 1.

D) PERSONNEL EXPENSES: REMUNERATION OF BOARD MEMBERS

(plan: HUF 43,536,000)

The statutory minimum wage that serves as a basis for remuneration was already known at the time of business planning. Therefore, budgeted compensation for the Resolution Fund's Board members for 2018 was calculated with the 8.2% increase reflected in the minimum wage figure.

2) LABOUR COSTS RELATING TO THE OPERATION OF THE RESOLUTION FUND

(plan: HUF 36,526,000)

include the salaries and related contributions of NDIF employees engaged in Resolution Fund matters (8 employees) budgeted for 2018, calculated as a percentage laid out in the NDIF – Resolution Fund cooperation agreement. The percentages of cross-chargeable wages costs are the same as in 2017.

The 2018 budget also includes VAT chargeable on certain labour costs.

3) REMUNERATION OF THE AUDITOR

(plan: HUF: 2,794,000)

comprises the audit fee as per the contract signed with the auditor, MAZARS Könyvvizsgáló Kft.

4) OFFICE EQUIPMENT, INFRASTRUCTURE EXPENSES, IT EXPENSES

(plan: HUF 24,806,000)

are itemized in Annex 1.

With these items, rents and building operation fees were budgeted as set out in the contract concluded with the Directorate General for Public Procurement and Supply.

Office equipment, forms, photocopying and IT materials and telephone costs were budgeted at 10% of corresponding NDIF expense budget for 2018, as specified in the cooperation agreement.

Budgeted mailing and courier service costs are nearly identical to the related 2017 amounts.

Telephone expenses include 10% of NDIF costs cross-chargeable as per the agreement.

Website maintenance includes the current monthly fees as per the contract. This fee is almost identical to the 2017 figure.

In terms of communication expenses, 38% of the planned 2017 figure is budgeted for 2018.

Budgeted legal services and expert fees comprise legal consultation fees pertaining to resolution and public procurement.

Translation represents the fee for translating the annual report into English.

The amount budgeted for bank charges and portfolio management fees also includes asset and deposit management fees along with KELER transaction charges.

The budgeted figure for asset management expenses is calculated with the percentage fee as per the contract with ÁKK Zrt. The estimated average market value of the tied-up capital is HUF 21 billion.

The amount allocated to deposit management fees is the contractual amount.

We budgeted KELER transaction fees with a view to actual 2017 expenditures, increased by estimated transaction fees deriving from the growth of assets.

5) OTHER OPERATING EXPENSES

(plan: HUF 5,090,000)

Budgeted other operating expenses include international travel and hotel expenses, plus conference fees.

Premium payments on the liability insurance of Board members were budgeted with the respective amounts set out in the signed contract.

6) EXPENSES RELATED TO THE FOUNDATION OF MSZVK ZRT

We budgeted for interest payments on the *HUF 45.5 billion* and the *EUR 166.9 million* loan separately in HUF as shown in Annex 2 below, and the same with annual agent fees. Financial expenditure on foreign exchange futures (*HUF 80,000,000*) is set off by the corresponding exchange rate gains (*HUF 1,000,000,000*). Both figures are estimates with a considerable degree of uncertainty as their actual value will depend highly on exchange rate fluctuations on money markets.

7) EXPENSES RELATED TO MSZVK ZRT.

The following expenses related to borrowing are cross-charged to MSZVK Zrt., resulting in revenues for the Resolution Fund:

- = agent fee,
 - = fee of government guarantee,
 - = costs incurred in relation to forward foreign exchange transactions and the consortium loan.
- Interest payments on the consortium loan are reimbursed from interest received on the loan granted to MSZVK Zrt.
- Budgeted revenues for 2018 include agent fees of EUR 31,750 (HUF 9938,000) payable annually and revenues of HUF 105,962,000 deriving from cross-charging the government guarantee fee.

INFORMATIVE DATA

Revenues and expenditures under INFORMATIVE DATA set out in Annex 2 and 3 were budgeted as follows:

- Fee revenues are planned with a conservative estimate since actual fees are set by 1 May 2018 by the MNB, acting in resolution capacity;
- Interest received (shown under revenues on financial transactions) was budgeted based on analytic records but the exchange rate impacts are estimates only;
- Interest paid (shown under expenditures on financial transactions) was also budgeted with a view to analytic records, but with estimated currency exchange rates;
- planned gains and expenditures on foreign exchange futures were estimated as well, as they are affected by the fluctuations of market exchange rates;
- exchange rate gains and losses realized on government securities were estimated conservatively based on yield figures received from the ÁKK.

1.6. FULFILMENT OF BOARD RESOLUTIONS

In 2017, the Resolution Fund's Board of Directors passed 34 resolutions. 28 of these resolutions were made at board sessions while 6 were passed off-session.

Board resolutions related to mandatory requirements set out in the Resolution Act and to matters concerning the Fund's organization and operation. Some of the key topics were as follows:

- consents to the appointment of permanent deputies of Board members;
- approval of the Fund's accounting rules (accounting policy, system of accounts, rules of valuation and rules of cash management) and fee payment rules;
- approval of the Fund's Annual Report for 2016;
- approval of the Fund's internal audit reports;
- selection of the auditor for auditing the Fund's Annual Report for 2017;
- resolutions related to the review of MSZVK Zrt.'s Q4 2016, Q1 2017 and Q2 2017 reports;

- approval of the Fund's 2018 budget;
- acknowledgment of quarterly reports on the Fund's financial position and portfolio management results;
- approval of the Board's 2018 work plan and the internal auditor's amended work plan for 2017 and regular work plan for 2018.

18 May 2018, Budapest

Hornung Ágnes
A Szanálási Alap igazgatótanácsának elnöke

Annex I: Regularly incurred costs of operation

Description	Regularly incurred costs of operation, 2017 plan	Regularly incurred costs of operation, 2017 actual	Regularly incurred costs of operation, 2018 plan	2017 actual /2017 plan %	2018 plan / 2017 plan %
1) Personnel expenses: remuneration of Board members	41 113 512	41 065 200	43 536 240	99,9	105,9
2) Labour costs relating to the operation of the Resolution Fund	37 763 128	35 352 585	36 526 116	93,6	96,7
3) Remuneration of the auditor and internal controller	1 500 000	4 162 425	2 794 000	277,5	186,3
4) Office equipment, infrastructure expenses, IT expenses	23 502 453	20 092 439	24 805 860	85,5	105,5
5) Other costs of operation	5 090 000	3 790 000	5 090 000	74,5	100,0
Total regularly incurred costs of operation	108 969 093	104 462 649	112 752 216	95,9	103,5
Itemized breakdown of cost group defined in Section 4					
a) Office equipment	80 000	48 904	116 400	61,1	145,5
b) forms, printed publications, technical books, official gazette, subscription fees of industry periodicals	156 000	253 399	300 000	162,4	192,3
c) IT materials	100 000	36 162	75 000	36,2	75,0
d) office, warehouse, room and other rents and operating expenses	2 481 110	2 592 432	2 729 060	104,5	110,0
e) document storage	0	0	0	0	N/A
f) mailing costs, courier service fees	650 000	646 162	650 000	99,4	100,0
g) taxi expenses	20 000	0	20 000	0,0	100,0
h) telephone expenses	180 000	119 370	195 400	66,3	108,6
i) printing and photocopying expenses	100 000	102 245	110 000	102,2	110,0
j) website maintenance	460 000	457 962	480 000	99,6	104,3
k) other communication expenses	800 000	845 560	300 000	105,7	37,5
l) legal services, other expert fees (KPMG)	5 000 000	2 701 851	6 000 000	54,0	120,0
m) translation	200 000	207 963	210 000	104,0	105,0

n) program expert services (Netlock)	80 000	85 349	150 000	106,7	187,5
o) program upgrade fees	0	0	0	0	N/A
p) bank charges, portfolio management fees,	10 565 343	11 995 080	12 950 000	113,5	122,6
= of which bank charges relating to the currency account	300 000	264 000	300 000	88,0	100,0
= bank charges of HUF account	635 149	645 278	650 000	101,6	102,3
= portfolio management fees	9 630 194	11 085 802	12 000 000	115,1	124,6
q) duties, transaction levies, administrative fees	2 500 000	0	500 000	0,0	20,0
r) property insurance premium	0	0	0	0	N/A
s) computer insurance	0	0	0	0	N/A
t) entertainment costs	100 000	0	0	0	N/A
u) other materials and service expenses	30 000	0	20 000	0,0	66,7
Total expenses of operation listed in Section 4)	23 502 453	20 092 439	24 805 860	85,5	105,5
Itemized breakdown of cost group defined in Section 5					
a) costs of conferences in Hungary/abroad	300 000	0	300 000	0,0	100,0
b) travel expenses	1 000 000	0	1 000 000	0,0	100,0
c) membership fees in professional organizations	0	0	0	0	N/A
d) liability insurance of Board members	3 790 000	3 790 000	3 790 000	100,0	100,0
e) cost of patenting the Resolution Fund logo	0	0	0	0,0	N/A
Total expenses of operation listed in Section 5)	5 090 000	3 790 000	5 090 000	74,5	100,0

Source: Resolution Fund

Figures are in HUF

Annex 2: Informative data on expenses incurred at the Resolution Fund in relation to the operation of MSZVK Zrt.

Description	2017 plan	Regularly incurred costs, 2017 actual	Planned expenses, 2018	2017 actual/2017 plan %	2018 plan/2017 plan %
Expenses incurred in relation to the foundation and operation of MSZVK:					
= Agent fee as per the K&H agent contract	9 842 500	9 846 945	9 937 750	100,0	101,0
= K&H loan commitment charge	0	0	0	0,0	N/A
= Interest on HUF 45.5 BN and EUR 166.9 M loan	1 380 629 864	1 133 857 451	997 297 333	82,1	72,2
= Government guarantee fee	121 821 064	121 025 191	105 962 467	99,3	87,0
Total expenses related to MSZVK's operation	1 512 293 428	1 264 729 587	1 113 197 550	83,6	73,6

Source: Resolution Fund

Figures are in HUF

Annex 3: Informative data on the financial transaction revenues and expenditures of the Resolution Fund

Description	2017 plan	Regularly incurred costs, 2017 actual	Planned expenses, 2018	2017 actual/2017 plan %	2018 plan/2017 plan %
Revenues					
Fee revenues	7 400 000 000	8 711 621 998	8 500 000 000	117,7	114,9
Revenues from financial transactions	2 767 983 700	3 288 831 326	2 769 796 086	118,8	100,1
Other revenues (default interest, tax adjustment for previous year)	100 000	361 276	500 000	361,3	500,0
Reimbursement of expenses related to the resolution of MKB	121 821 064	287 020 044	105 962 467	235,6	87,0
Reimbursement of agent fee related to the MKB resolution loan	9 842 500	9 846 945	9 937 750	100,0	101,0
Total revenues	10 299 747 264	12 297 681 589	11 386 196 303	119,4	110,5
Breakdown of revenues					
Fee revenues	7 400 000 000	8 711 621 998	8 500 000 000	117,7	114,9
Other revenues	121 921 064	297 228 265	116 400 217	243,8	95,5
Revenues from financial transactions	2 767 983 700	3 288 831 326	2 769 796 086	118,8	100,1
Interest received on current account balance	1 652 462	4 469	1 000 000	0,3	60,5
Interest received - MSZVK loan, HUF	362 425 766	295 104 848	238 376 436	81,4	65,8
Interest received - MSZVK loan, EUR	548 759 778	560 780 781	483 254 970	102,2	88,1
Interest received - MSZVK loan, CHF	290 213 848	254 569 095	212 164 680	87,7	73,1
Exchange rate difference of loan instalments paid	34 508 646	52 769 345	35 000 000	152,9	101,4
Exchange rate gains on future transactions	1 035 139 909	1 295 276 096	1 000 000 000	125,1	96,6
Exchange rate gains on government securities	495 283 291	830 326 692	800 000 000	167,6	161,5
Breakdown of expenditures	2017 plan	2017 expenditure	2018 planned expenditure	2017 forecast / 2017 plan %	2018 plan / 2017 plan %
Regularly incurred expenses of operation	108 969 093	104 462 649	112 752 216	95,9	103,5
Other expenses (government guarantee + MSZVK costs + round-up)	102 786 443	130 872 165	115 900 217	127,3	112,8
Expenditures on financial transactions					
Interest paid - Consortium, HUF	583 070 203	343 649 917	297 789 910	58,9	51,1
Interest paid - Consortium, EUR	797 559 661	789 984 324	699 507 423	99,1	87,7
Negative interest paid owing to foreign exchange accounts	240 000	223 210	100 000	93,0	41,7
Exchange rate losses upon loan repayment	4 741 904	1 192 010 887	100 000 000	25 137,8	2108,9
Exchange rate losses on future transactions	907 362 747	130 309 528	80 000 000	14,4	8,8
Losses on government securities	46 000 000	132 439 859	180 000 000	287,9	391,3
Total expenditures on financial transactions	2 338 974 515	2 588 617 725	1 357 397 333	110,7	58,0

Source: Resolution Fund

Figures are in HUF

Annex 4: Annual fees paid to the Resolution Fund in 2017

No.	Institution	Annual fees paid in 2017
1	AEGON Magyarország Lakástakarékpénztár Zrt.	308
2	Bank of China (Hungária) Hitelintézet Zrt.	615
3	BUDAPEST Hitel- és Fejlesztési Bank Zrt.	295 616
4	CEE Active Asset Management Zrt.	200
5	CIB Bank Zrt.	616 102
6	CODEX Értéktár Zrt.	308
7	Commerzbank Zrt.	138 244
8	CONCORDE Értékpapír Zrt.	615
9	DUNA TAKARÉK BANK Zrt.	615
10	eBrókerház Befektetési Szolgáltató Zrt.	200
11	EQUILOR Befektetési Zrt.	308
12	ERSTE BANK HUNGARY Zrt.	567 213
13	Erste Befektetési Zrt.	8 000
14	ERSTE Jelzálogbank Zrt.**	463
15	ERSTE Lakás-takarékpénztár Zrt.	308
16	Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt.	42 168
17	Geo Professional Portfolio Zrt.***	200
18	GRÁNIT Bank Zrt.	69 797
19	HOLD Alapforgalmazó Zrt.	200
20	K&H Jelzálogbank Zrt.**	385
21	KDB Bank Európa Zrt.	118 877
22	KELER Központi Értéktár Zrt.	60 173
23	Kereskedelmi és Hitelbank Zrt.	1 060 711
24	MagNet Magyar Közösségi Bank Zrt.	2 154
25	Magyar Cetelem Bank Zrt.	15 385
26	Merkantil Váltó és Vagyonbefektető Bank Zrt.	113 669
27	MKB Bank Zrt.	955 416
28	NHB Növekedési Hitel Bank Zrt.	615
29	OTP Bank Nyrt.	1 888 042
30	OTP Jelzálogbank Zrt.	186 902
31	OTP Lakástakarékpénztár Zrt.	4 616
32	PLÁNINVEST Bróker Zrt.***	200
33	Polgári Bank Zrt.	308
34	Porsche Bank Hungaria Zrt.	615
35	QUANTIS Alpha Befektetési Zrt.	308
36	Raiffeisen Bank Zrt.	721 127
37	Random Capital Broker Zrt.	308
38	Sberbank Magyarország Zrt.	140 706
39	Solar Capital Markets Értékpapír Kereskedelmi Zrt.***	308
40	SOPRON BANK BURGENLAND Zrt.	615
41	SPB Befektetési Zrt.	308
42	STRATEGON Értékpapír Zrt.***	200
43	SZHISZ (consolidated – 20 member institutions)*	510 683
44	UniCredit Bank Hungary Zrt.	1 176 438
45	UniCredit Jelzálogbank Zrt.	11 073
	TOTAL	8 711 622

* including the FHB Group

** new institution, fee increased proportionately to ratio of days spent with supervision in 2016

*** licence of institutions revoked or suspended effective 31.12.2017

Annex 5: Member institutions of the Resolution Fund in 2017

I. BANKS:

1. Bank of China (Hungária) Zrt.
2. Budapest Bank Zrt.
3. CIB Bank Zrt.
4. Commerzbank Zrt.
5. DUNA TAKARÉK BANK Zrt.
6. ERSTE BANK HUNGARY Zrt.
7. FHB Bank Zrt.
8. GRÁNIT Bank Zrt.
9. KDB Bank Európa Zrt.
10. K&H Bank Zrt.
11. Kinizsi Bank Zrt.
12. MagNet Bank Zrt.
13. Magyar Cetelem Zrt.
14. Merkantil Bank Zrt.
15. MKB Bank Zrt.
16. Mohácsi Takarékbank Zrt.
17. NHB Növekedési Hitel Bank Zrt.
18. OTP Bank Nyrt.
19. Pannon Takarékbank Zrt.
20. Polgári Bank Zrt.
21. Porsche Bank Zrt.
22. Raiffeisen Bank Zrt.
23. Sberbank Magyarország Zrt.
24. SOPRON BANK Zrt.
25. Takarékbank Zrt.
26. UniCredit Bank Zrt.

II. SPECIALIZED CREDITS INSTITUTIONS

1. AEGON Lakástakarék Zrt.
2. ERSTE Jelzálogbank Zrt.
3. ERSTE Lakástakarék Zrt.
4. FHB Jelzálogbank Nyrt.
5. Fundamenta-Lakáskassza Zrt.
6. KELER Zrt.
7. K&H Jelzálogbank Zrt.
8. OTP Jelzálogbank Zrt.
9. OTP Lakástakarék Zrt.
10. UniCredit Jelzálogbank Zrt.

III. CREDIT COOPERATIVES

1. 3A Takarékszövetkezet
2. B3 TAKARÉK Takarékszövetkezet
3. Békés Takarékszövetkezet
4. Bóly és Vidéke Takarékszövetkezet
5. CENTRÁL TAKARÉK Takarékszövetkezet
6. Dél TAKARÉK Szövetkezet
7. Fókusz Takarékszövetkezet
8. Hungária Takarékszövetkezet
9. KORONA TAKARÉK Takarékszövetkezet
10. M7 Takarékszövetkezet
11. Nyugat Takarékszövetkezet
12. Pátria Takarékszövetkezet
13. TISZÁNTÚLI TAKARÉK Takarékszövetkezet

IV. INVESTMENT ENTERPRISES

1. CEE Active Asset Management Zrt.
2. CODEX Tőzsdeügynökség Zrt.
3. CONCORDE Értékpapír Zrt.
4. eBrókerház Zrt.
5. EQUILOR Zrt.
6. Erste Befektetési Zrt.
7. HOLD Alapforgalmazó Zrt.
8. Magyar Posta Befektetési Zrt.
9. QUANTIS Alpha Zrt.
10. Random Capital Zrt.
11. SINUS-FAIR Corporate Zrt.
12. SPB Zrt.
13. Vertis Zrt.

