



ANNUAL REPORT 2019



**National Deposit
Insurance Fund
of Hungary**

SAFE DEPOSIT ASSURED REFUND.



CONTENTS

1.	SCOPE OF THE FUND	4
2.	GOVERNING BODY AND SUPERVISION OF THE FUND	4
	THE BOARD OF DIRECTORS	4
	NUMBER OF MEMBER INSTITUTIONS	5
3.	DEPOSITS INSURED BY THE NDIF AND THE DEVELOPMENT OF THE POTENTIAL COMPENSATION OBLIGATION	5
4.	FEE INCOME OF THE FUND AND COVERAGE RATIO	11
	FEE INCOME OF THE FUND 12	
	CONNECTION FEE	12
	REGULAR FEES	12
	INCREASED FEE, EXTRAORDINARY FEE	14
5.	BALANCE SHEET	14
	INTANGIBLE ASSETS	14
	FIXED ASSETS	15
	LONG-TERM FINANCIAL ASSETS	17
	INVENTORIES	17
	RECEIVABLES, IMPAIRMENT AND REVERSED IMPAIRMENT	17
	DEVELOPMENT OF THE PAYMENT OF STATE-GUARANTEED DEPOSITS BY THE NDIF BETWEEN 1993-2019.	22
	SECURITIES (SHORT-TERM)	23
	CASH AND CASH EQUIVALENTS	24
	ACCRUALS AND DEFERRED INCOME	24
	EQUITY	25
	PROVISIONS	26
	LONG-TERM LIABILITIES	27
	RIGHTS AND OBLIGATIONS WITH A MATURITY OF MORE THAN 5 YEARS	27
	SHORT-TERM LIABILITIES	27
	DEPOSITS AWAITING PAYMENT	29
	ACCRUALS AND DEFERRED INCOME	31
6.	DEVELOPMENT OF PROPERTY, FINANCIAL AND INCOME STATUS	32
	DETAILS OF INCOME FROM DEPOSIT INSURANCE	32
	OTHER REVENUES	33
	DEPOSIT INSURANCE EXPENSES	33
	OPERATING COSTS, EXPENSES	34
	RESULT OF FINANCIAL OPERATIONS	36
	PERSONNEL AND PAYROLL MANAGEMENT	37
	PRESENTATION OF THE SECURITIES PORTFOLIO AND EVALUATION OF THE WORK OF ASSET MANAGERS	39
	SUMMARY EVALUATION OF THE DEVELOPMENT OF THE RESULT	43
7.	EXPLANATIONS FOR MORE SIGNIFICANT DISCREPANCIES BETWEEN THE 2019 BUDGET PLAN AND ACTUAL DATA	46
	DEVELOPMENT OF FEE INCOME FROM MEMBER INSTITUTIONS	46
	OTHER INCOME AND EXPENSES ARISING FROM DEPOSIT INSURANCE	46
	OTHER INCOME AND EXPENSES	46
	REVENUE AND EXPENDITURE ON FINANCIAL OPERATIONS	47
	MATERIAL EXPENSES	48
	PERSONNEL EXPENSES	51
	DEPRECIATION EXPENSES	52
8.	BALANCE SHEET REPORT	54
9.	EVENTS RELATED TO LIQUIDATIONS IN PROGRESS IN 2019	57
	SALE OF PART OF CLAIMS IN LIQUIDATION PROCEEDINGS	57
	PROCEDURES NOT INVOLVED IN SALE	58
	HEVES AND VIDÉKE SAVINGS COOPERATIVE "IN LIQ."	58
	GENERAL TRANSPORT CREDIT COOPERATIVE "IN LIQ."	59
	"JÓGAZDA" COOPERATIVE SAVINGS BANK "IN LIQ."	59
10.	INSTITUTIONAL OBJECTIVES	64
	APPENDIX TO BE LISTED ON CONTENTS	66

1

SCOPE OF THE FUND

The main task of the NDIF is to convey the decision of the supervisory body based on the Credit Institutions Act pursuant to Section 33 (1) of the Credit Institutions Act or Section 17 / T (5) of Act CXXXV of 2013 on the integration of cooperative credit institutions and amendment of certain economic legislation or in the case of liquidation on the day following the date of publication of the court's order ordering the liquidation (hereinafter: the starting date of the compensator) it starts the payouts and within fifteen working days the payment of the compensation to the depositors shall be completed, except for the amount of blocked deposits, deposits subject to probate proceedings, custodial deposits requiring further action, and deposits for which the claimant cannot be notified or clearly identified.

Pursuant to Section 132 (7) of Act XXXVII of 2014 on the further development of the institutional system strengthening the security of certain participants in the financial intermediation system, the operational tasks of the Resolution Fund are also performed by the NDIF's work organization under the direction of the NDIF's Executive Director.

Pursuant to Section 223 (11) of Act CXX of 2001 on the Capital Market (hereinafter: Tpt), the Investor Protection Fund (hereinafter: BEVA) and Section 7 of Act CCXIV of 2015 on certain claims settlement measures taken to strengthen the stability of the capital market Pursuant to paragraph 4, BEVA and the Claims Settlement Fund did not have an independent work organization in 2019, the operational tasks of the Funds were performed separately by the work organization of the NDIF under the direction of the Deputy Executive Director of the NDIF. Pursuant to Act CXVIII of 2019 on Amendments to Certain Legislation Concerning the Financial Intermediation System and Public Finances and Economic Stability, the performance of tasks ceased on 1 January 2020 and the BEVA work organization was transferred to BEVA by employer succession on that date.





2

GOVERNING BODY AND SUPERVISION OF THE FUND

THE BOARD OF DIRECTORS

The governing body of the Fund is the Board of Directors, of which the members are:

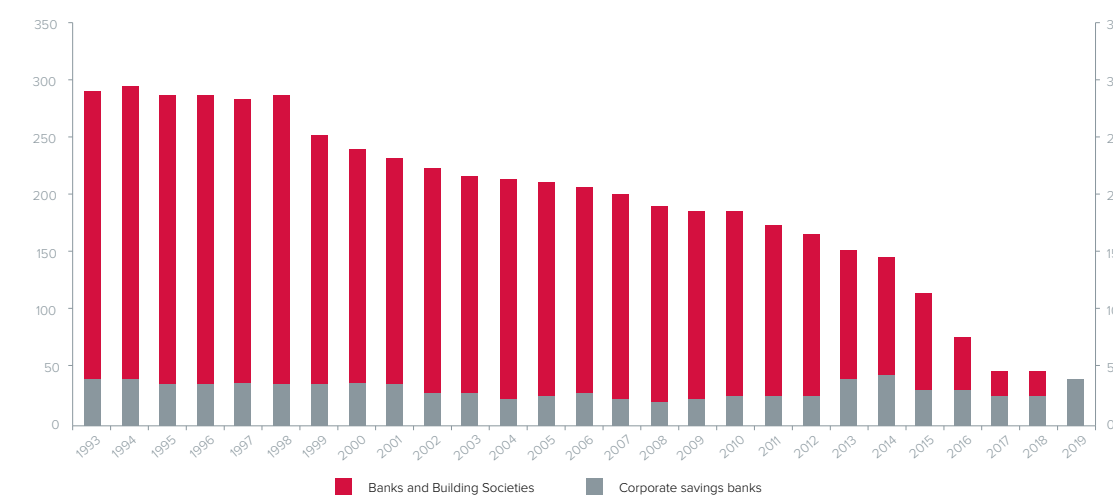
1. State Secretary for Finance, Ministry of Finance (PM),
2. Vice President of the Magyar Nemzeti Bank (MNB) responsible for the supervision of financial institutions and consumer protection,
3. Director of the Resolution Directorate of the MNB,
4. Secretary General of the Hungarian Banking Association (MBSZ),
5. the director of the legal, mortgage and retail banking department of the Hungarian Banking Association (MBSZ),
6. a person nominated by the Cooperative Credit Institutions Integration Organization (SZHISZ),
7. the Executive Director of the Fund.

It elects a chairman and a vice-chairman from among the members of the Board of Directors each year. In 2019, the presidency was performed by dr. László Windisch (until October 1, 2019), then from October 2, 2019 Dr. Levente Kovács, Secretary General of the Hungarian Banking Association (MBSZ).

NUMBER OF MEMBER INSTITUTIONS

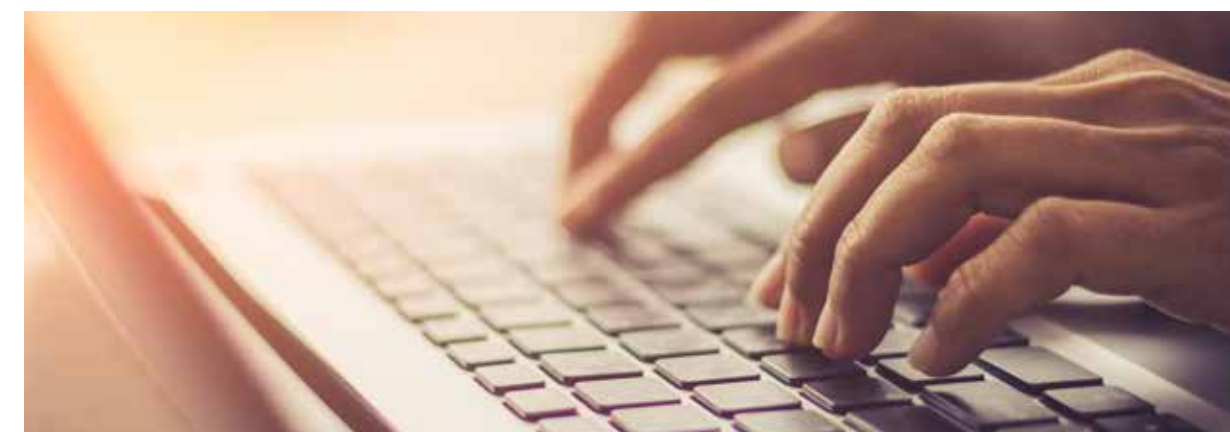
At the end of 2019, the Fund had 28 credit institutions, including 27 banks and specialized credit institutions (including 4 building societies) and 1 savings cooperative (Chart 1). The number of member institutions has been steadily declining in recent years, mainly due to the merger of savings cooperatives, and by the beginning of 2020 the last cooperative credit institution was closed down and the license of a housing savings fund was revoked at the member institution's request.

DEVELOPMENT OF THE NUMBER OF NDIF MEMBER INSTITUTIONS BETWEEN 1993-2019



Source: NDIF

FIGURE 1





3

DEPOSITS INSURED BY THE NDIF AND THE DEVELOPMENT OF THE POTENTIAL COM-PENSATION OBLIGATION

At the beginning of 2019, the stock of deposits provided by the NDIF amounted to HUF 17,288,206,303 thousand, which means an increase of HUF 2,171,579,288 thousand (13.9%) compared to the previous year. The stock of receivables arising from the placement of de-posit with a state guarantee (standing) is gradually dec-reasing, at the beginning of 2019 it decreased to HUF 24,288,602 thousand, by 8.8% compared to the stock a year earlier (Table 1).

STOCK INSURED BY THE NDIF AS WELL AS THE STATE GUARANTEED STOCK CHANGE 2018-2019 (BEGINNING OF THE YEAR)

DEPOSIT PORTFOLIO	2018	2019	VARIATION (YEAR/YEAR)
Portfolio insured by OBA	15.616.627.015	17.788.206.303	13,9%
Portfolio guaranteed by the state*	26.630.712	24.288.602	-8,8%

* Without Eximbank Zrt
Note: several member institutions have submitted amendments to the previous year's data services, due to which the da-ta of previous years may differ from the data displayed in the reports of previous years
Source: NDIF

TABLE 1

(data: HUF thousand and in %)

Deposits account for an increasing share of the portfolio provided by the NDIF (99.8% at the beginning of 2019). The securities, with the exception of the amount that has not yet expired or been redeemed, are no longer insured by the NDIF after 3 July 2015, so their share is steadily declining, as is the accrued interest rate due to declining deposit rates in recent years (Table 2).

BREAKDOWN OF THE PORTFOLIO PROVIDED BY THE NDIF 2014-2019 (BEGINNING OF THE YEAR)

START OF THE YEAR	INSURED DEPOSIT	INSURED SECURITIES	INSURED INTEREST	TOTAL
2014	11.438.042.956	értékpapír	Biztosított kamat	ÖSSZESEN
2015	11.773.432.040	530.303.751	55.083.409	12.358.819.200
2016	12.766.926.011	374.864.176	33.453.775	13.175.243.962
2017	14.025.825.023	168.956.355	20.861.410	14.215.642.788
2018	15.534.764.226	69.109.726	12.753.063	15.616.627.015
2019	17.746.980.616	29.758.198	11.467.489	17.788.206.303

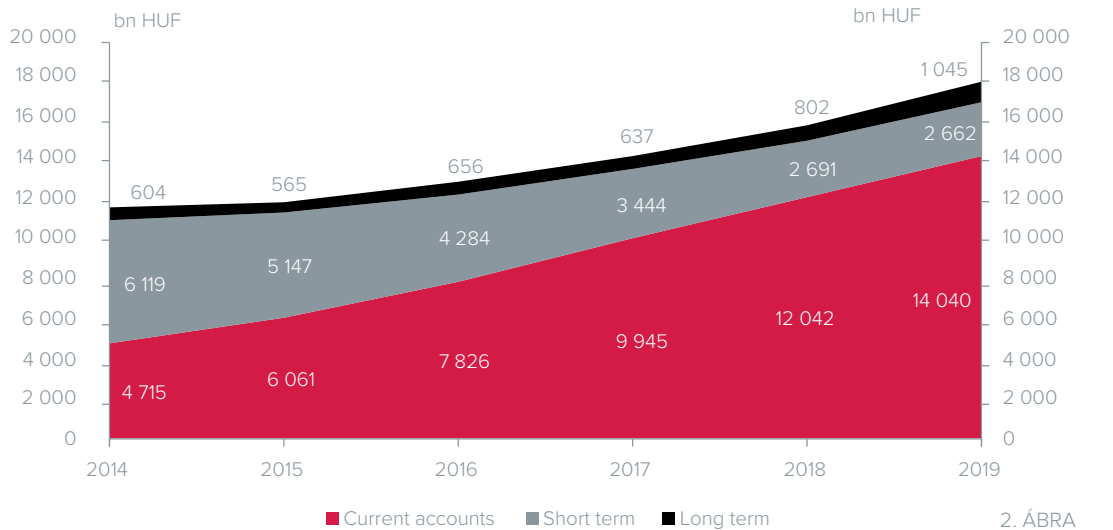
Note: several member institutions have submitted amendments to the previous year's data services, due to which the data of previous years may differ from the data displayed in the reports of previous years
Source: NDIF

TABLE 2

(data: HUF thousand and in %)

Also due to the declining interest rate environment, the share of demand deposits within insured deposits inc-reased significantly at the expense of the share of short-term (within one year) deposits, while the volume and share of long-term deposits have already in-creased in the last 2 years (Chart 2).

MATURITY BREAKDOWN OF INSURED DEPOSITS 2014-2019 (BEGINNING OF THE YEAR)



Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

1 Based on the annual data submitted by the member institutions to the NDIF.
2 In addition to deposits, the NDIF is considered a deposit by the credit institution on 1 January 2003 and 2015, until the maturity or redemption of the depository receipts and bonds issued between 3 July.

The portfolio insured by the NDIF denominated in foreign currency has been around 20% of the total insured portfolio in recent years (Chart 3).

THE INSURED STOCK DENOMINATED IN FOREIGN CURRENCY AND ITS PROPORTION OF THE TOTAL INSURED WITHIN THE STOCK 2014-2019 (BEGINNING OF THE YEAR)

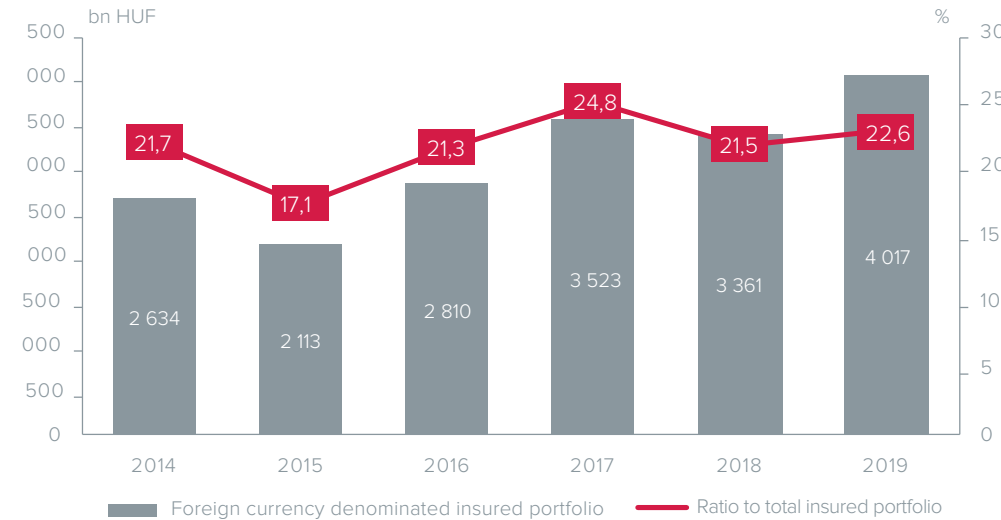


FIGURE 3

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

Currently, two member institutions have foreign branches, as a result of which the stock of deposits placed at foreign branches and provided by the NDIF has multiplied (at the beginning of 2019, HUF 78,396,575 thousand). Nevertheless, their holdings of both total and foreign currency insured deposits remain only a fraction (Chart 4).

INSURED STOCK PLACED AT FOREIGN BRANCHES OF HUNGARIAN CREDIT INSTITUTIONS AND ITS PROPORTION WITHIN THE FOREIGN CURRENCY INSURED STOCK 2014-2019 (BEGINNING OF THE YEAR)

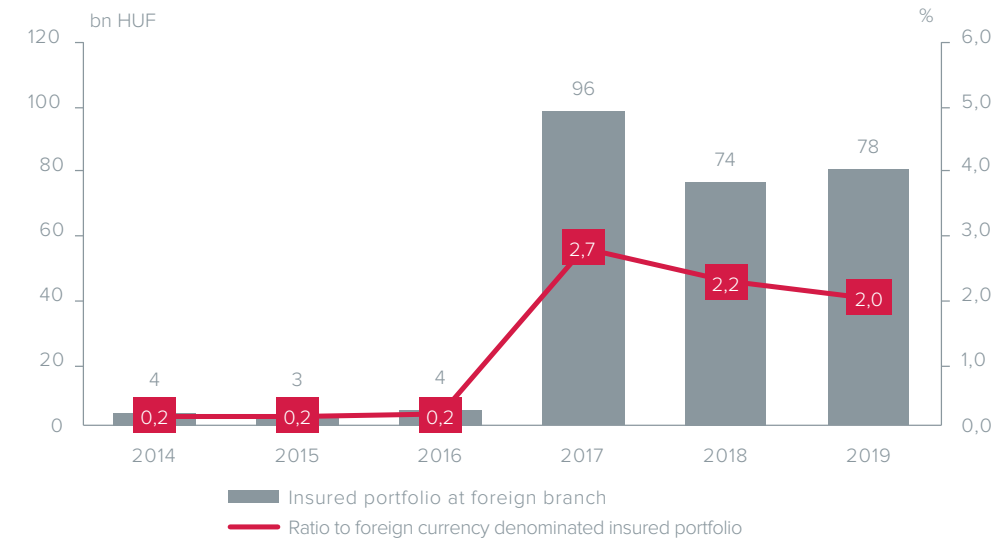


FIGURE 4

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

The average size of deposits per insured customer (per credit institution) was HUF 1,702 thousand at the beginning of 2019, which has been steadily increasing since 2016 despite the increase in the number of insured depositors since 2017 (Chart 5).

NUMBER OF INSURED DEPOSITORS AND AVERAGE SIZE OF THE INSURED CUSTOMER'S DEPOSIT 2014-2019 (BEGINNING OF THE YEAR)

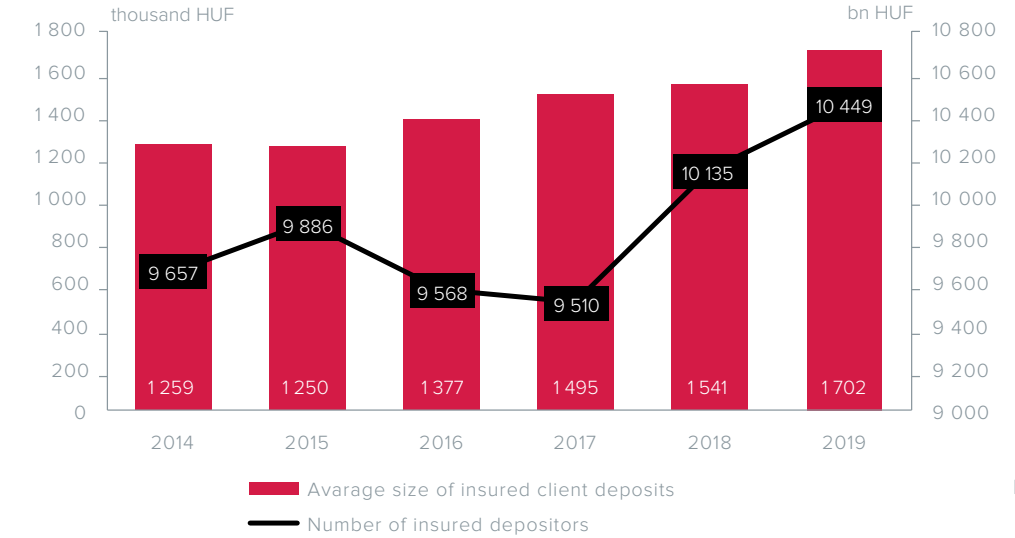


FIGURE 5

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

This is due to the fact that the growth rate of the insured portfolio far exceeded the growth rate of the number of insured depositors (in 2018 the former was 13.9%, the latter 3.1%). The potential compensation obligation of the NDIF also increased, ie (per customer and credit institution) the aggregate stock of the insured deposits not exceeding the compensation limit. The potential compensation obligation was HUF 10,542,225,452 thousand at the beginning of 2019, which is HUF 1,152,180,610 thousand (12.3%) more than a year earlier. Within the insured portfolio, the share of deposits subject to compensation was continuously decreasing, at the beginning of 2019 it was 59.3%. (Figure 6)

DEPOSITS SUBJECT TO COMPENSATION AND THE PART EXCEEDING THE COMPENSATION AMOUNT LIMIT 2014-2019 (BEGINNING OF THE YEAR)

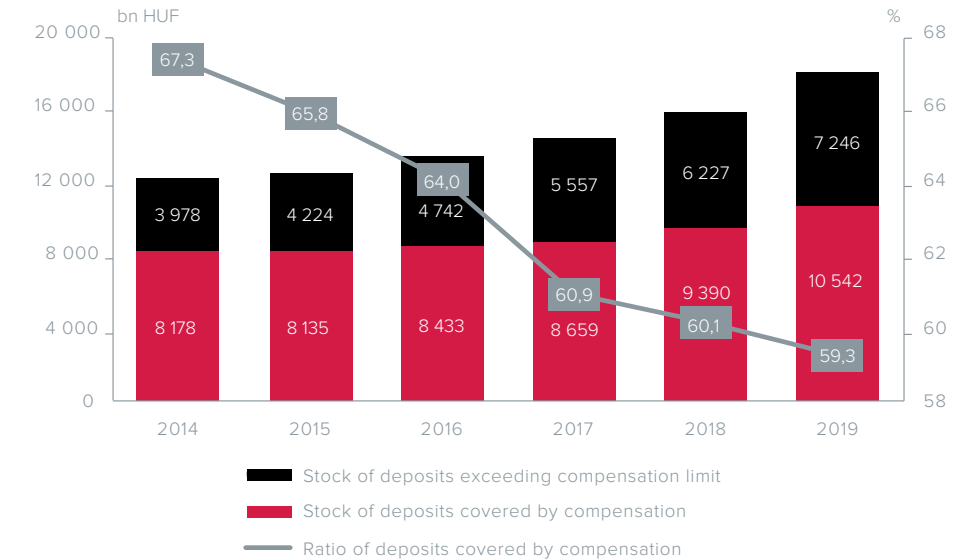


FIGURE 6

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

At the beginning of 2019, out of 10,449,208 insured depositors, 10,390,239 customers (99.4%) had a deposit amount not exceeding the compensation limit, ie in their case their entire deposit portfolio would have been the payout obligation of the NDIF during compensation (Chart 7).

DISTRIBUTION OF INSURED DEPOSITORS TO CUSTOMERS WITH DEPOSITS NOT EXCEEDING AND EXCEEDING THE COMPENSATION AMOUNT LIMIT (EARLY 2019)

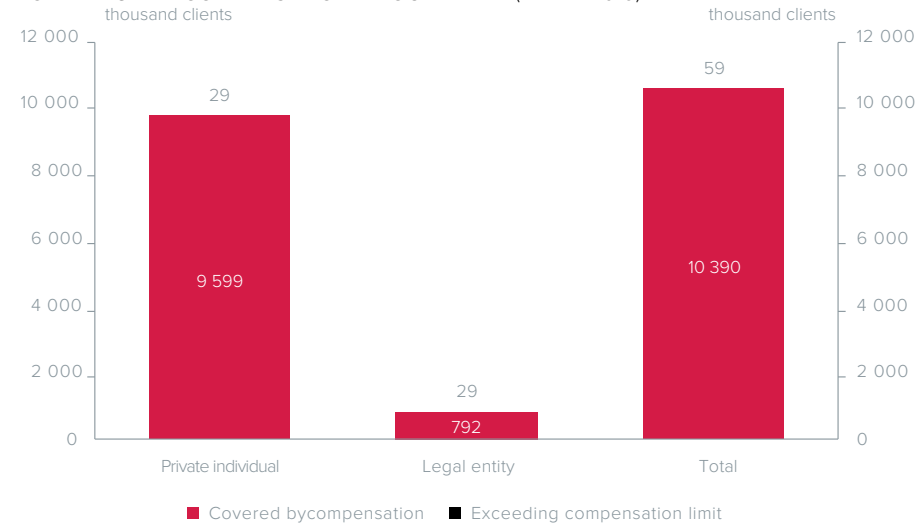


FIGURE 7

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

While a significant proportion of insured depositors (9,628,183 customers, 92.1% of all insured depositors) are natural persons, insured deposit amounts are distributed almost equally between natural and legal persons. In terms of deposit amounts, 59.3% of the insured deposit portfolio was subject to the compensation limit, which means that depositors with a deposit amount in excess of 0.6% of all insured customers have a significant amount of deposits above the compensation limit (total 40.7% of the insured stock). In addition, 91.5% of insured deposits placed by natural persons were subject to the payout obligation of the NDIF (Chart 8).

BREAKDOWN OF INSURED DEPOSITS INTO DEPOSITS NOT EXCEEDING AND EXCEEDING THE COMPENSATION LIMIT (EARLY 2019)

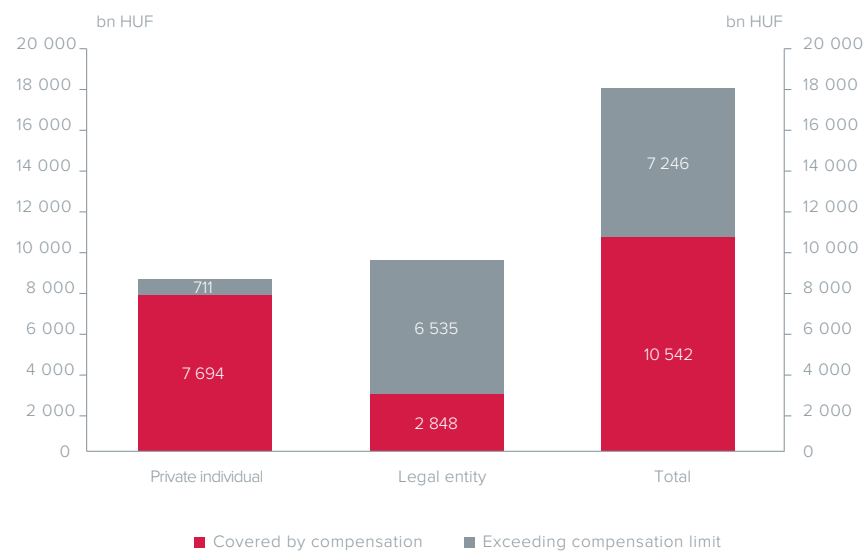


FIGURE 8

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF

Both natural persons and legal entities play a role in the increase in the potential NDIF compensation obligation since 2016, but the share of the latter increased significantly until 2018, and then seems to stagnate

at 27.0% in early 2019. (figure 9).

DISTRIBUTION OF THE DEPOSIT PORTFOLIO SUBJECT TO POTENTIAL PAYOUT OBLIGATION BETWEEN NATURAL AND LEGAL PERSONS IN 2014-2019 (BEGINNING OF THE YEAR)

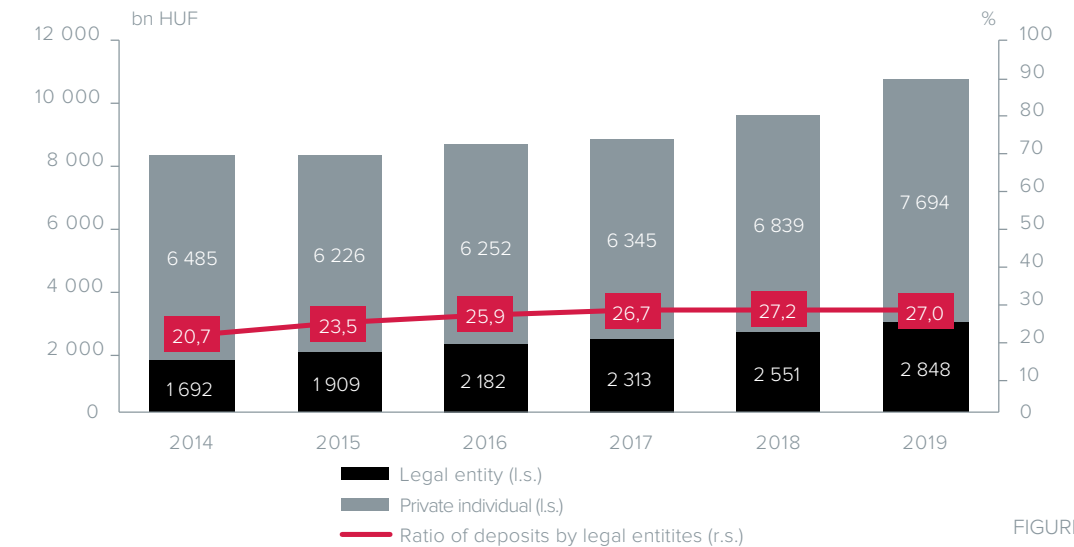
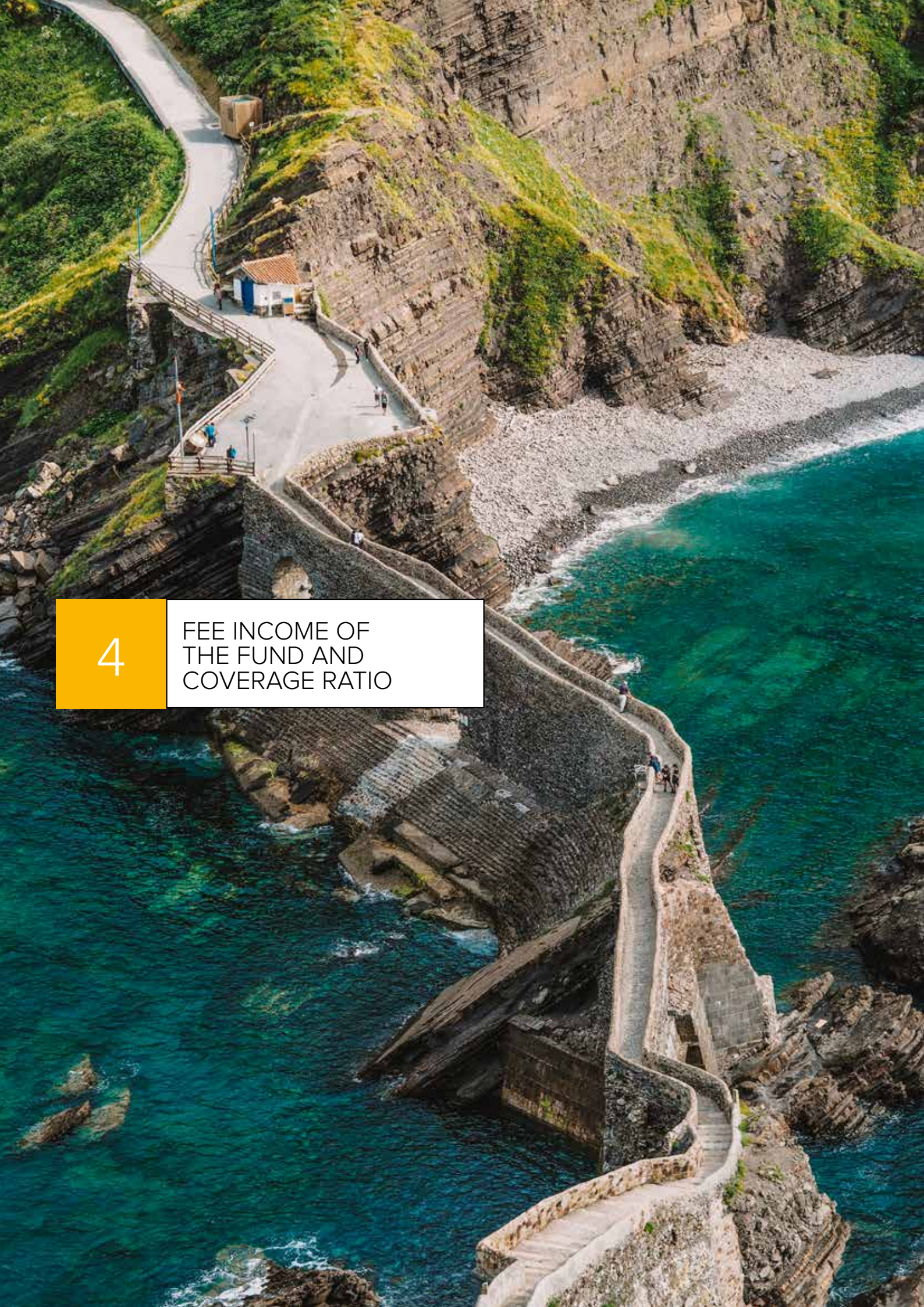


FIGURE 9

Note: several member institutions have submitted amendments to their data for the previous year, due to which the data of previous years may differ from the data displayed in the reports of previous years.
Source: NDIF





4

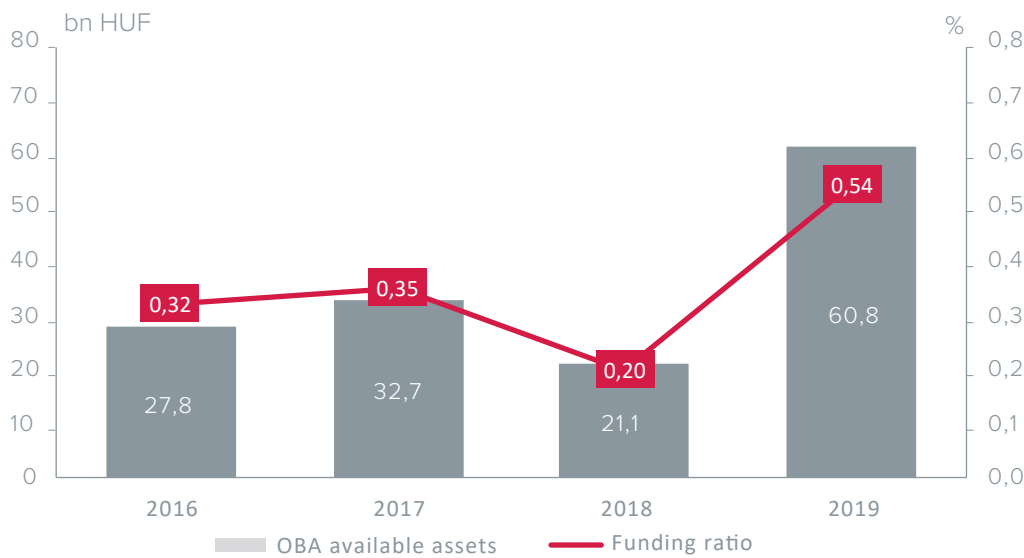
FEE INCOME OF THE FUND AND COVERAGE RATIO



Coverage is the internationally accepted indicator of the wealth position and “replenish-ment” of deposit insurance institutions, which is the quotient of the assets available for payout and the aggregate potential payout obligation. In accordance with uniform regula-tions in the European Union, the target level of the NDIF’s assets has been set at a mini-mum achievable value of 0.8 per cent (Section 234 / A (1) of the Credit Institutions Act), which must be achieved by 3 July 2024.

In the numerator of the indicator, the government securities available to the NDIF, which can be liquidated if necessary, are included in the gross market value, and the balance of the NDIF’s account with the MNB is also taken into account. The denominator of the indi-cator is the aggregate potential payout obligation according to the annual data reports of the member institutions based on audited data, based on the preliminary, unaudited data the member institutions submitted for 2019. Following the prepayment of the bond issued to compensate the DRB Group’s depositors in 2017 and then in 2018 (partial redemption of bonds), in June 2019 the NDIF finally repaid its debt, and by the end of 2019 the replen-ishmen ratio increased to 0.54% (Chart 10). Besides the fee income, the income from liqui-dation proceeds and the purchase price from the sale of receivables from liqui-dation pro-ceedings contributed greatly to this.

THE AVAILABLE ASSETS AND COVERAGE RATIO OF THE NDIF 2016-2019 (END OF THE YEAR)



Source: NDIF

FIGURE 10

(adatok: Ft-ban és ezer Ft-ban)

FEE INCOME OF THE FUND

The NDIF's own sources of income are the one-time connection fee, regular and extraordinary payments made by the member institutions (Section 232 (1) a) and b) of the Credit Institutions Act).

CONNECTION FEE

Credit institutions that have been authorized to collect deposits are required to pay a one-time connection fee to the Fund upon becoming a member institution. The joining fee is an amount equal to 0.5 percent of the subscribed capital of the member institution. In 2019, there were no new joining members.

REGULAR FEES

One of the most important revenues of the Fund comes from regular fees, the amount of which must be set so as to ensure that the target asset level set in the 0.8% coverage ratio is reached by 3 July 2024. The regular fee to be paid by the member institutions is based on the potential compensation obligation in the case of the given member institution, the upper limit is 0.3 percent of the fee fund. The annual fee is paid by the member institutions to the NDIF in quarterly installments.

The annual fee is paid by the member institutions to the NDIF in quarterly installments. The method of calculating the risk-based variable fee is contained in MNB Decree 19/2016 (V.25.) on the detailed rules for determining the risk-based variable fee to be paid by the members of the National Deposit Insurance Fund and the FDI Payment Regulations for 2018, which are in line with the European Parliament and Council Article 13 (2) of Directive 2014/49 / EU on Deposit Guarantee Schemes and EBA / GL / 2015/10 on Guidelines for the calculation of payments to the European Banking Authority for Deposit Guarantee Schemes.

In 2019, the NDIF introduced a new fee payment period in the fee regulations, which is different from the calendar year, but still includes one year, which runs from 1 October to 30 September of the following year. This is due to the fact that, after receiving the audited data, the regular fees will be established and in the future the ex-post adjustment and settlement of the fees imposed during the previous quarters will cease. This also makes the development of fees more predictable for member institutions. The NDIF has set a transition period for the transition to the new fee payment period for the first three quarters of 2019, during which member institutions paid a fee advance on a quarterly basis based on their previous (as of 31 December 2017) fee base and aggregate risk weight (ARW). The following values were used in the calculation of premium advances:

- Contribution amount (D): 0.175 %
- Correction factor (μ): 133 %
- Basic fee rate: 20 %

During the period, the Board of Directors of the NDIF kept the value of the countercyclical index (AI) at 0%, so the contribution rate (CR) was 0.175%.

The NDIF established the fees between 1 October 2019 and 30 September 2020 on the basis of data as of 31 December 2018, and projected the same fee for the transitional period from 1 January to 30 September 2019, in proportion to the three quarters, with which the advance payments made during the period were accounted for. In retrospective for the transitional period from 1 January to 30 September 2019 and for the calculation of the fee for the fee payment period from 1 October 2019 to 30 September 2020, the following values were used:

- Unadjusted contribution rate (D): 0.095 %
- Correction factor (μ): 123 %
- Basic fee rate: 20 %

The Board of Directors of the NDIF did not change the value of the countercyclical ratio (AI) (0%) in the last quarter of 2019, so the contribution ratio (CR) was 0.095%.

The reduction in revenues from the sale of NDIF's liquidation receivables and the reduction in the uncertainty about the amount and timing of liquidation proceeds allowed for a large reduction in member fees, which resulted in a significant overpayment of most member institutions due to advances already paid. For the first three quarters of 2019, the member institutions paid HUF 13,145,619 thousand, but due to the revised fee payment parameters, the fee payable for this period was HUF 7,346,416 thousand, the difference of which will be included in the member companies' fees for the next quarter until the overpayment does not cease. As a result of the above, the member institutions paid HUF 13,149,456 thousand in the calendar year 2019, while a regular fee of HUF 9,795,566 thousand fell for this period, so at the end of 2019 the overpayment against the active members was HUF 3,353,889 thousand. (without overpayment from Por-

sche Bank which returned their operating license in 2020 and the "in. liq." of NHB Bank). The regular fees for 2019 as well as the change compared to 2018 are shown in Table 3.

CHANGE IN THE REGULAR FEE PAID BY MEMBER INSTITUTIONS 2018-2019³
The Fund sent a notification (settlement) to the member institutions about the balance on 31.12.2019, the mem-

FEE	2018	2019
Fee paid for the current period	15.539.489	13.149.456
Fee set for the current period		9.795.566
Amount of overpayment		3.353.889

Source: NDIF

TABLE 3

(data: HUF thousand and in %)

ber institutions confirmed the amounts of the overpayment. The NDIF classifies each member institution into four risk categories based on their risk indicators, to which different levels of aggregate risk weights (ARW) are assigned. During the transitional period from 1 January to 30 September 2019 and the fee payment period from 1 October 2019 to 30 September 2020, the number of member institutions belonging to each category, the potential compensation obligation arising in their case (based on data as of 31 December 2018), and the regular fee they set for 2019 is shown in Table 4.

NUMBER OF MEMBER INSTITUTIONS IN EACH RISK CATEGORY,
POTENTIAL COMPENSATION OBLIGATION BY INSTITUTION AND FEE TO BE PAID BY THEM (2019)

AGGREGATED RISK WEIGHT (ARW)	NUMBER OF MEMBER INSTITUTIONS*	% OF TOTAL	POTENTIAL INDEMNIFICATION OBLIGATION **	% OF TOTAL	REGULAR FEES SET FOR 2019	% OF TOTAL	RATIO OF FEE TO OBLIGATION
75%	31	73,8%	7.949.943.723	75,2%	6.847.000	69,9%	0,086%
100%	11	26,2%	2.617.354.126	24,8%	2.948.566	30,1%	0,113%
125%	0	0,0%	0	0,0%	0	0,0%	
150%	0	0,0%	0	0,0%	0	0,0%	
Összesen	42	100,0%	10.567.297.849	100,0%	9.795.566	100,0%	0,093%

* Instead of the 45 member institutions at the beginning of the year, a total of 42 are listed, as B3 Takarékszövetkezet and Pannon Bank Zrt. Merged with Takarékbank Zrt. And their deposit portfolio appears with it, and Eximbank Zrt. has no insured deposit volumes, thus ARW was not assigned.

** The deviation from chapter 1.2.3 is justified by the fact that due to the revocation of the licenses of Kinizsi Bank Zrt. and NHB Növekedési Hitel Bank Zrt for the first half of 2019 no OBA Annual Data Report has been sent, on which the detailed presentation of deposit stocks is based.

Source: NDIF

TABLE 4

(data: HUF thousand and in %)

Increased fee, extraordinary fee

During 2019, the NDIF did not prescribe an increased fee or an extraordinary fee payment obligation.

INTANGIBLE ASSETS

The cost of intangible assets is recognized over the years specified below, based on their estimated useful lives:

- the write-off of the cost of the rights representing assets over 6 years,
- for intellectual products were defined in 3 years.

Contrary to the above, in the case of the Compensation Payment System (CPS/KIR) activated in 2014, the Fund determined the expected period of use at the time of acquisition as 10 years, therefore it will be written off within 10 years from the date of acquisition or capitalization.

A significant portion of intangible assets consists of software purchased by the Fund. The purchase value of these assets is recorded at cost. Individual assessment was used for each instrument. For the software, the Fund does not apply a residual value, their depreciation is calculated on a straight-line basis from the date of activation, on a daily pro rata basis, starting from the gross value.

Low-value intangible assets were immediately depreciated in one amount by the Fund, while intellectual property was depreciated at a rate of 33%.

The acquisition value of intangible assets increased by HUF 25,266 thousand in 2019. Acquisitions and developments during the period:

- DokNet Enterprise license extension (HUF 533 thousand),
- MNB ERA form modification (HUF 2,820 thousand),
- Development of NDIF data provision through ERA (HUF 533 thousand),
- Intranet introduction: development of the user interface based on SharePoint (HUF 1,372 thousand),
- Payments System (EMS 3) improvements based on the action plans arising from the internal audit and the expert expectations delegated by the members of the Board of Directors, as well as in order to improve the internal work processes (HUF 20,008 thousand).

CHANGES IN INTANGIBLE ASSETS DURING THE YEAR

Definition	Gross value	Depreciation	Book value
01.01.2019 Opening	239 179	160 145	79 034
Increases in the current year (capitalisation)	25 266	0	25 266
Sales in the current year	0	0	0
Scrapping in the current year	0	0	0
Depreciation in the current year	0	16 814	-16 814
31.12.2019 closing	264 445	176 959	87 486

Source: NDIF

(data: HUF thousand and in %)

TABLE 5

FIXED ASSETS

The Fund includes property and equipment required for operation, renovations in the leased building, computer and administrative equipment, and office equipment in the fixed assets. As with intangible assets, we apply individual valuation to each asset. Depreciation of assets is calculated on a straight-line basis over the gross value from the date of activation, on a day-to-day basis. At the time of commissioning, low-value tangible assets were booked as a depreciation in a single amount. The depreciation rates recorded in the accounting policy for each asset group are as follows:

- 1) Real estates
 - a) 2.0% of the long-life structure
 - b) 3.0% of the medium-lived structure
 - c) 6.0% of short-lived structure
- 2) Buildings (other structures) 2.0%
- 3) Investment in foreign (leased) real estate 6.0%
- 4) Equipment, facilities, vehicles
 - a) Computer and administrative equipment 33.0%
 - b) Furniture and technical equipment 14.5%

The Fund's property, plant and equipment includes a significant share of computer equipment, the net value of which was HUF 15,669 thousand at 31 December 2019, depreciated, and furniture and administrative equipment, the net value of which was depreciated value at 31 December 2019 was HUF 1,975 and 1,041 thousand, as well as technical equipment, the net value of which, calculated by depreciation, was HUF 287 thousand.

COMPOSITION OF TANGIBLE ASSETS

Definition	2018.12.31	2019.12.31	Variation	
	HUF thousand	HUF thousand	HUF thousand	%
Real estate and related rights and titles	3 008	2 765	-243	-8,1
- building, part of a building	3 008	2 765	-243	-8,1
Equipment, fittings and vehicles	23 579	18 972	-4 607	-19,5
- technical administration equipment	1 278	1 041	-237	-18,5
- technical equipment	361	287	-74	-20,5
- IT equipment	19 646	15 669	-3 977	-20,2
- furniture	2 294	1 975	-319	-13,9
Capital investments	228	0	-228	-100,0
Total:	26 815	21 737	-5 078	-18,9

Source: NDIF

TABLE 6

(data: at net value, in HUF thousand and %)

There were no unfinished investments at the end of 2019.

PRESENTATION OF KEY STOCK CHANGES

Item / HUF th	opening	increase	decrease	restatements +/-	closing
GROSS VALUE	106 556	9 560	767	0	115 349
Real estate and related rights and titles	8 755	0	0	0	8 755
Equipment, fittings and vehicles	97 573	9 560	539	0	106 594
Assets in construction	228	0	228	0	0
DEPRECIATION	79 741	14 410	539	0	93 612
Real estate and related rights and titles	5 747	243	0	0	5 990
Equipment, fittings and vehicles	73 994	14 167	539	0	87 622
NET VALUE	26 815	-4 850	228	0	21 737
Real estate and related rights and titles	3 008	-243	0	0	2 765
Equipment, fittings and vehicles	23 579	-4 607	0	0	18 972
Assets in construction	228	0	228	0	0

Source: NDIF

TABLE 7

(data: HUF thousand and in %)

Only planned depreciation was booked as depreciation on Assets.

TANGIBLE ASSETS - INDICATORS

Definition	2019		
	31.12.2018	31.12.2019	Variation
	(%)	(%)	(%)
Ratio of tangible assets within financial investments:	25,33	0,07	-25,26
Ratio of tangible assets within total assets	0,03	0,03	-
Degree of wear and tear:	74,83	81,16	6,32

Source: NDIF

TABLE 8

(data in %)

LONG-TERM FINANCIAL ASSETS

In 2019 also, the Fund invested its assets in Hungarian government securities and discount treasury bills. In 2018, the investment was held in the portfolio following the composition of the CMAX index (hereinafter: CMAX Portfolio) with the participation of ÁKK as a portfolio manager and KELER Central Securities Depository (KELER) as a custodian, and the securities were shown under current assets (securities). Following the amendment of its Investment Regulations on 19 February 2019, the Fund also purchases Hungarian government bonds and discount treasury bills for maturity, which is managed in a securities account kept with the Hungarian State Treasury (MÁK) (hereinafter: Individual Portfolio). In the Individual Portfolio, securities with a maturity of more than one year existing at the end of the year are included in non-current financial assets, and securities maturing within a year are included in current assets.

The value of non-current financial assets at the end of the year was HUF 29,978,219 thousand, which is the book value of government securities classified as non-current financial assets. Government bonds (included in the Individual Portfolio) registered as non-current assets have not been owned by the Fund for at least one year at the balance sheet date and their net, interest-free market and book value loss-difference (valuation difference) did not exceed the significant amount (10%) stated in the Fund's accounting policy at the balance sheet date and therefore no impairment was booked. The Fund has otherwise used the methodology described at securities for impairment.

INVENTORIES

The Fund's inventories include unused communication materials in the amount of HUF 43 thousand, which have been reclassified as materials.

RECEIVABLES, IMPAIRMENT AND REVERSED IMPAIRMENT

Receivables include the Fund's fee receivables from member institutions, receivables transferred to the Fund, receivables from credit institutions and other receivables. The Fund assesses receivables individually, the impairment was recognized on an individual basis. The ratio of receivables in the balance sheet to assets decreased significantly.

RECEIVABLES - INDICATORS

Definition	31/12/2018	31/12/2019
Share of Receivables (Receivables/Balance Sheet Total)	73,00	22,63
Ratio of Receivables (Receivables/Current assets)	73,21	36,77

Source: NDIF

TABLE 9

(data in %)

Unlike in previous years, a significant part of receivables on 31 December 2019 was not deposit insurance expenses appearing as creditors' receivables, but other receivables, including the unpaid purchase price of receivables sales (HUF 13,561,279 thousand trade receivables). This is due to the fact that in 2019 the NDIF sold its own receivables in the liquidation proceedings of 11 domestic credit institutions, as a result of which the receivables arising from compensation (reduced by impairment) decreased significantly by HUF 55,187,672 thousand. (At the same time, the receivables increased by the HUF 3,760,144 thousand receivable from NHB Bank "in liquidation arising from compensation). The remainder of the purchase price was paid by the buyer in 2020 by the balance sheet date. The first installment of the purchase price paid by the buyer and the HUF 46,109,591,144 thousand received from the amounts transferred by the liquidators by 31.12.2019 was booked as the trade receivable shown under other receivables in the purchase price of the receivables sale, and a further HUF 1,472,660 thousand reduced the unliquidated receivables.

COMPOSITION OF RECEIVABLES AS OF 31.12.2019

Definition	2018	2019	Variation	
	HUF thousand	HUF thousand	HUF thousand	%
Receivables from member institutions	55 438 852	3 596 282	-51 842 570	-93,5
= fee receivables from member institutions	186 171	225	-185 946	-1,0
= impairment on fee receivables from member institutions	-25 462	-225	25 237	-1,0
= receivables assigned in relation to the payment of deposits	208 593 457	12 243 436	-196 350 021	-94,1
= impairment on receivables assigned in relation to the payment of deposits	-153 332 203	-8 647 356	144 684 847	-94,4
= auxiliary expenses incurred in relation to the payment of deposit	960 606	87 390	-873 216	-90,9
= impairment on auxiliary expenses incurred in relation to the payment of deposits	-943 717	-87 188	856 529	-90,8
Other receivables from credit institutions	311	920	609	195,8
= receivables from credit institutions (Takarékbank)	311	920	609	195,8
= impairment on receivables from credit institutions	0	0	0	N/A
= from the redemption of guarantees and obligations with recourse	0	0	0	N/A
= impairment due to the redemption of guarantees and obligations with recourse	0	0	0	N/A
Other receivables:	2 180 544	14 354 878	12 174 334	558,3
- Receivables from the supply of goods and services	0	0	0	N/A
- Advances paid	0	35 147	35 147	N/A
- restated tax liability	231	828	597	258,4
- other receivables	2 180 313	14 318 903	12 138 590	556,7
= receivable from the liquidator in relation to compensation not yet paid	2 179 766	743 178	-1 436 588	-65,9
= domestic trade receivables	0	13 561 279	13 561 279	N/A
= receivables from domestic customers, employees	260	227	0	0,0
= replenishment of the stamping machine	173	207	34	19,7
= receivables from litigation	114	0	-114	-100,0
= security deposit for lease	0	14 012	14 012	N/A
Total:	57 619 707	17 952 080	-39 667 627	-68,8

Source: NDIF

TABLE 10

(data: in HUF thousand and in %)

Receivables from member institutions decreased by HUF 51,842,570 thousand compared to the base period, as follows.

- Among the fee receivables from the member institution (HUF 225 thousand), the Fund shows a 100%, impaired membership fee receivable from “Jógazda” Cooperative Sav-ings Bank “in liq.”. Fee receivables from members decreased by HUF 185,946 thousand (a member institution paid its fee arrears in the fourth quarter of 2018 in 2019, and a membership fee receivable of HUF 25,237 thousand and its impairment were also de-recognised).
- Receivables transferred as a result of the deposit payment (HUF 12,243,436 thousand) together with the sale of receivables, receipts and new receivables (NHB Bank and DDB Dél-Dunántúli Takaré Bank „fa” (DDB Bank “in liq.”) compensation payout) de-created by HUF 196,350,021 thousand (which HUF 1,472,660 thousand was received and booked as return).
- Impairment of receivables transferred as a result of deposit payments decreased by HUF 144,684,847 thousand, of which the deferred impairment (decrease) was HUF 144,803,766 thousand and the booked impairment (increase) was HUF 118,919 thousand.
- Additional costs related to the compensation of deposits (HUF 87,390 thousand) de-created by HUF 873,216 thousand, of which the amount deducted due to the sale (de-crease) was HUF 898,583 thousand, the new reported cost (increase) was HUF 25,367 thousand. There were further additional costs on sold receivables, related dis-bursments (liabilities) expected to be fulfilled later. (In the case of credit institutions affected by sold receivables, NDIF also declares and presents as receivables from liqui-dators the additional costs arising from payouts made after the sale.)
- Impairment of ancillary costs decreased by HUF 856,529 thousand, of which the def-ered impairment (decrease) was HUF 814,475 thousand, booked impairment (increase) was HUF 42,054 thousand.

THE AMOUNT OF NDIF CLAIMS ARISING FROM THE COMPENSATION PAYMENT PER MEMBER INSTITU-TION AS OF 31 DECEMBER 2019

Credit institution	Amount of compensation paid on deposits not protected by state guarantee	Amount of costs relating to the compensation paid on deposits not protected by state guarantee	Recourse obligation	Accumulated return	Closing receivable reduced by NDIF return without impairment	Accumulated impairment opening	Accumulated impairment closing	Closing book value of compensation paid on deposits not protected by state guarantee
Heves és Vidéke Tksz. "f.a."	262 127		0	176 878	85 249	0	85 249	0
Heves és Vidéke Tksz. "f.a." auxiliary expenses		16 690	0	0	16 690	0	16 690	
Általános Közlekedési Hitelszövetkezet "f.a."	3 184 701		0	713 615	2 471 086	2 471 085	2 471 086	0
Általános Közlekedési Hitelszövetkezet "f.a." auxiliary expenses		12 119	0	0	12 119	12 119	12 119	
"Jógazda" Szövetkezeti Takarékpénztár "f. a."	9 010 177		0	2 341 244	6 668 933	6 057 351	6 091 021	577 911
"Jógazda" Szövetkezeti Takarékpénztár "f.a." auxiliary expenses		33 015	0	0	33 015	33 015	33 015	
NHB Növekedési és Hitelbank "f.a."	3 018 108		0	0	3 018 108	0	0	3 018 108
NHB Növekedési és Hitelbank "f.a." auxiliary expenses		25 010	0	0	25 010	0	25 010	
SOLD Receivables								
Soltvadkert és Vidéke Takarékszövetkezet "f.a."	0		0	0	0	27 091 989	0	0
Soltvadkert és Vidéke Takarékszövetkezet "f.a." auxiliary expenses		0	0	0	0	99 989	0	
Körmend és Vidéke Takarékszövetkezet "f.a."	0		0	0	0	12 478 566	0	0
Körmend és Vidéke Takarékszövetkezet "f.a." auxiliary expenses		0	0	0	0	87 617	0	
Orgovány és Vidéke Takarékszövetkezet "f.a."	0		0	0	0	17 931 310	-0	0
Orgovány és Vidéke Takarékszövetkezet "f.a." auxiliary expenses		33	0	0	33	185 541	33	
Alba Takarékszövetkezet "f.a."	0		0	0	0	1 942 087	0	0
Alba Takarékszövetkezet "f.a." auxiliary expenses		63	0	0	63	71 655	63	
Széchenyi Hitelszövetkezet "f.a."	0		0	0	0	4 569 203	0	0
Széchenyi Hitelszövetkezet "f.a." auxiliary expenses "f.a."		17	0	0	17	28 771	17	
Széchenyi Kereskedelmi Bank "f.a."	0		0	0	0	7 008 125	0	0
Széchenyi Kereskedelmi Bank "f.a." auxiliary expenses		51	0	0	51	21 391	51	
Tisza Takarékszövetkezet "f.a."	0		0	0	0	582 666	-0	0
Tisza Takarékszövetkezet "f.a." auxiliary expenses		11	0	0	11	39 901	11	
BRB Buda Regionális Bank "f.a."	0		0	0	0	14 285 621	-0	0
BRB Buda Regionális Bank "f.a." auxiliary expenses		57	0	0	57	77 164	57	
DDB Dél-Dunántúli Takaré Bank "f.a."	15		0	0	0	18 822 541	0	15
DDB Dél-Dunántúli Takaré Bank "f.a." auxiliary expenses		40	0	0	40	91 136	40	
DRB Dél-Dunántúli Regionális Bank "f.a."	0		0	0	0	11 847 340	0	0
DRB Dél-Dunántúli Regionális Bank "f.a." auxiliary expenses		32	0	0	32	78 188	32	
ÉRB Észak-Mo-i Regionális Bank "f.a."	0		0	0	0	28 244 317	0	0
ÉRB Észak-Mo-i Regionális Bank "f.a." auxiliary expenses		50	0	0	50	117 230	50	
Total	15 475 128	87 188	0	3 231 737	12 330 564	154 275 920	8 734 544	3 596 036

Source: NDIF

TABLE 11

(data: Shown in thousand HUF)



The new receivable arising from the payout was HUF 3,018,108 thousand on 31 December 2019 against NHB Bank "in liq." and HUF 15 thousand on DDB Bank "in liq."

The liquidators declare the expected recovery of the deposit insurance expenses, which appear as creditors' receivables, on the basis of which the impairment to be booked is calculated. For receivables (liquidation, winding-up proceedings), we use an individual impairment settlement rate based on the declarations of the liquidators. According to the information provided by the liquidator of NHB Bank on 4 March 2020, the audit of the final liquidation report and its submission to the supreme body was still in progress, so in the absence of a final liquidation closing balance sheet, the liquidation opening balance sheet has not yet been prepared. For the year-end valuation of the claim related to NHB's compensation, the NDIF could not receive information on the expected return from PFSN in the absence of the final balance sheet until the balance sheet date. However, during the preparation of the report, in the days prior to the submission of the report to the Board of Directors (19 May 2020), PFSN provided new information to the NDIF, according to which the expected return is expected to be between 85-100%. In regard to, given that this is a fairly broad range of estimates as a percentage, the full return is not excluded and no further information is available for refining, no impairment was recognized in the 2019 financial statements.

Upon receipt of a future accurate estimate in 2020, it cannot be ruled out that an impairment loss will have to be recognized, the maximum amount of which, based on the currently available forecast, is HUF 452 million, which is 15% of the total exposure.

Impairment booked on receivables towards Heves and Vidéke Savings Cooperative "in liq." And "Jógazda" Cooperative Savings Bank "in liq." reduced receivables by HUF 173,487 thousand.

After the completion of the liquidation in 2019 the liquidator of Heves and Vidéke Savings Cooperative "in liq.", only partially fulfilled its payment obligation to the NDIF for the recovery approved by the court order, therefore the Fund initiated enforcement actions and filed a complaint to recover the additional amount still due to it. As a result of the enforcement, the liquidator made one additional payment at the request of the NDIF, however, no further recovery was received in the enforcement thereafter. A 100% impairment loss was booked for the portion still recognized as a receivable.

The liquidation balance sheet and report submitted by the liquidator of the "Jógazda" Co-operative Savings Bank "in liq." were sent to the creditors by the order of the Metropolitan Court of 13 February 2020. According to the asset distribution proposal, in case of approval, a return of HUF 604,063 thousand will be paid to the NDIF, therefore an impairment loss was recognized on the NDIF's declared or registered receivables in excess, based on the closing balance sheet and the liquidator's statement on the return in accordance with the closing balance sheet.

The General Transport Credit Cooperative "in liq." its liquidation was completed in 2019, HUF 2017,029 thousand of the liquidation was returned to the NDIF in 2019, in line with the expectation at the end of 2018, therefore no impairment was booked or reversed in 2019.

The Fund recognizes among other receivables the receivables arising from the costs related to the payment of compensations. Since the costs related to the payment of compensations transferred to this member institution under liquidation, named in § 219 of the Credit Institutions Act and classified under § 57 (f) of Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings (Cstv) return is not typical, the Fund recognizes 100% impairment on these receivables, which reduces the receivables.

The types of costs related to compensation are included in the compensation regulations of the NDIF. The NDIF reports the creditors' claim against the liquidator arising from the compensation costs in the following breakdown:

- expert fees related to compensation,
- bank charges for making payments by bank transfer,
- The cost of making payments with the NDIF Deposit Insurance Card,
- the cost of payments by postal money order,
- the cost of mandatory and other disclosures prescribed in the Credit Institutions Act,
- the cost of notifying those entitled to compensation,
- customer service and telephone costs, which are charged according to the customer service call list.

The certified costs incurred in connection with the compensation shall be paid and booked by the Fund on the basis of invoices in its name as a claim against the credit institution under liquidation. These items are recognized as an expense in the income statement of the NDIF as the amount of the impairment on receivables.

In the event of a payment to the participating agent banks, the Post Office and OTP, the Fund shall account for the compensation amounts in the same amount as the bank statement as a claim against the member institution on the same day as the transfer, whether or not the aggrieved party has received the amount transferred. In the period between the transfer and the receipt, the NDIF does not show a claim against credit institutions, given that the transferred amounts are already in the possession of the compensated depositors. The amounts of compensation not received or not received by the depositors (due to death, change of address, wrong address, etc.) will be transferred to the NDIF's account by the end of the relevant year at the latest, with itemized settlement.

In the case of an agent bank, depositors have the opportunity to withdraw the amounts transferred for compensation until the date agreed with the agent banks. After the deadline stipulated in the agreements, the NDIF and the agent bank settle and the undrawn deposits are returned to the NDIF. According to the agreement concluded with Takarékbank Zrt.: „If the client does not withdraw the compensation amount within one year from the month following the start date of the compensation procedure, the Trustee shall return the amount to the Client's bank account." The amount of the receivable from Takarékbank Zrt. against credit institutions outstanding on 31 December 2019 was HUF 920 thousand due to the payments in 2019.

The Fund recognizes expected payments under liabilities, the year-end amount of which is the same as the year-end amount of the analytical statements (EMS records), but may differ from the amounts shown under receivables if the receivable has ceased or its value is not 100%. The amount of the receivables of the unpaid but expected to be paid claims reported to the liquidators is shown under other receivables (HUF 743,178 thousand). The amount of these receivables decreased by HUF 1,436,588 thousand, which is due to the decrease in receivables sold, the increase due to the new receivable of NHB Bank (HUF 717,026 thousand), and booked impairment loss on "in liq." of the "Jógazda" Cooperative Savings Bank (HUF 54,567 thousand) receivables. At the end of 2019, the receivables and impairment reported (recorded) based on the expected payments are as follows.

THE AMOUNT OF RECEIVABLES REPORTED ON THE BASIS OF EXPECTED PAYMENTS PER MEMBER INSTITUTION AS OF 31 DECEMBER 2019

Credit institution	Receivable 31.12.2019	Impairment 31.12.2019	Book value of the Receivable 31.12.2019
„Jógazda” Szövetkezeti Takarékpénztár „f.a.”	80 720	54 568	26 152
NHB Bank "f.a."	717 026	0	717 026
Total	797 745	54 568	743 178

Source: NDIF

TABLE 12

Other receivables include an advance of HUF 35,147 thousand for the establishment of an office, a deposit of HUF 14,012 thousand paid for an office lease, a tax receivable of HUF 828 thousand not yet reconciled, a receivable arising from the unlawful collection of compensation HUF 227 thousand and an advance payment of HUF 207 thousand to the Post for a franking machine.

The recoveries of receivables declared and registered on the basis of paid and still expected compensations on the basis of the revenue recognized (received) on the receivables sold, according to the available closing balance sheets and the declarations of the liquidators of the member institutions as of 31.12.2019 are as follows.

RECOVERY OF COMPENSATIONS PAID FOR RECEIVABLES SOLD

Proceeding	Amount of declared Receivables from indemnity 31.12.2018	Declared/ Acknowledged amount of Receivables from additional cost and fee arrears 31.12.2018	Total payoff until the close of transaction 05.06.2019	Purchase price	Declared amount of Receivables from additional costs 31.12.2019	"Return% until 31.12.2019"
Soltvadkert és Vidéke Takarékszövetkezet "f.a."	33 544 896	106 927	4 903 035		0	
Körmend és Vidéke Takarékszövetkezet "f.a."	23 011 382	87 617	2 740 223		0	
Orgovány és Vidéke Takarékszövetkezet "f.a."	47 159 517	203 841	17 343 949		33	
ALBA Takarékszövetkezet "f.a."	7 115 521	71 654	3 904 316		63	
Széchenyi István Hitelszövetkezet "f.a."	8 924 248	28 771	2 145 043		17	
Széchenyi Kereskedelmi Bank Zrt. "f.a."	13 834 088	21 391	2 689 459	59 670 870	52	43,2%
Tisza Takarékszövetkezet "f.a."	8 553 680	39 901	0		11	
BRB BUDA Regionális Bank Zrt. "f.a."	19 369 838	77 164	2 215 349		57	
Dél-Dunántúli Takarékszövetkezet "f.a."	23 478 131	91 136	0		40	
DRB DÉL-DUNÁNTÚLI Regionális Bank Zrt. "f.a."	22 800 854	78 188	6 993 017		32	
ÉRB Észak-magyarországi Regionális Bank Zrt. "f.a."	40 101 593	117 230	4 967 916		50	
Total	247 893 746	923 821	47 902 307	59 670 870	354	43,2%

Source: NDIF

TABLE 13

(data: Shown in thousand HUF)

(data: in HUF thousand and in %)

REIMBURSEMENT OF COMPENSATIONS PAID FOR REGISTERED CLAIMS

Proceeding	Amount of declared Receivables from indemnity 31.12.2019	Declared/ Acknowledged amount of Receivables from additional cost and fee arrears 31.12.2019	Total payoff until 31.12.2019	Amount of remaining Receivables from indemnity 31.12.2019	Remaining amount of Receivables from additional costs and fee arrears	"Return% Until 31.12.1019"	Expected further return	Expected return%*
Heves és Vidéke Takarékszövetkezet "f.a."**	262 127	16 690	176 878	85 249	63,4%		63,4%	
Iparbankház Rt. "f.a."								
Realbank Rt. "f.a."			2019 előtt lezárult eljárás					
Rákóczi Hitelszövetkezet "f.a."								
Általános Közlekedési Hitelszövetkezet "f.a."***	3 184 701	12 119	713 615	0	22,3%	0	22,3%	
"Jógazda" Szövetkezeti Takarékpénztár "f.a."	9 090 896	33 239	2 341 244	6 749 652	25,7%	604 063	32,3%	
NHB Növekedési Hitel Bank Zrt. "f.a."	3 735 136	25 010	0	3 735 136	0,0%	3 735 136	99,3%	
Total	16 272 860	87 058	3 231 737	10 570 037		4 339 199		

Source: NDIF

TABLE 14

(data: in HUF thousand and in %)

DEVELOPMENT OF THE PAYMENT OF STATE-GUARANTEED DEPOSITS BY THE NDIF BETWEEN 1993-2019.

The total compensation payment for deposits protected by the state guarantee, including ancillary costs, was HUF 492,248 thousand, of which HUF 491,918 thousand was transferred by the state to the NDIF. The return of HUF 107,335 thousand from the liquidators of the member institutions to the state was financially settled and transferred to the state.



* Claims as a percentage of total reported claims

** The court approval of the final liquidation balance sheet became final on 31 December 2018 and the company was deleted from the commercial register on 10 January 2019,

but the liquidator has only partially paid the court order by 31 December 2019.

*** The final balance sheet was approved by the court and the company was struck off the register of companies on 31 January 2019, the liquidator has paid the compensation due under the court order.

DEPOSITS PROTECTED BY A STATE GUARANTEE

Definition HUF th	Paid out compensation amounts of deposits secured by a state guarantee	Amount reimbursed by the state	Recovery of the compensation amounts of deposits secured by a state guarantee
Heves és Vidéke Tksz. "f.a."	0	0	
Heves és Vidéke Tksz. "f.a." auxiliary expenses	0	0	
Általános Közlekedési Hitelszövetkezet "f.a."	51 074	51 074	11 526
Általános Közlekedési Hitelszövetkezet "f.a." auxiliary expenses	87	87	
"Jógazda" Szövetkezeti Takarékpénztár "f. a."	44 042	44 042	11 277
"Jógazda" Szövetkezeti Takarékpénztár "f.a." auxiliary expenses	88	88	
Soltvadkert és Vidéke Takarékszövetkezet "f.a."	15 229	15 229	2 636
Soltvadkert és Vidéke Takarékszövetkezet "f.a." auxiliary expenses	202	202	
Körmend és Vidéke Takarékszövetkezet "f.a."	19 984	19 984	2 655
Körmend és Vidéke Takarékszövetkezet "f.a." auxiliary expenses	56	56	
Orgovány és Vidéke Takarékszövetkezet "f.a."	29 152	29 152	10 735
Orgovány és Vidéke Takarékszövetkezet "f.a." auxiliary expenses	453	366	
Alba Takarékszövetkezet "f.a."	7 241	7 241	4 341
Alba Takarékszövetkezet "f.a." auxiliary expenses	513	512	
Széchenyi Hitelszövetkezet "f.a."	0	0	0
Széchenyi Hitelszövetkezet "f.a." auxiliary expenses "f.a."	0	0	
Széchenyi Kereskedelmi Bank "f.a."	0	0	0
Széchenyi Kereskedelmi Bank "f.a." auxiliary expenses	0	0	
Tisza Takarékszövetkezet "f.a."	28 054	28 015	19 784
Tisza Takarékszövetkezet "f.a." auxiliary expenses	188	184	
BRB Buda Regionális Bank "f.a."	158 035	157 997	11 455
BRB Buda Regionális Bank "f.a." auxiliary expenses	716	663	
DDB Dél-Dunántúli Takaré Bank "f.a."	48 578	48 518	7 261
DDB Dél-Dunántúli Takaré Bank "f.a." auxiliary expenses	412	394	
DRB Dél-Dunántúli Regionális Bank "f.a."	14 410	14 410	8 983
DRB Dél-Dunántúli Regionális Bank "f.a." auxiliary expenses	117	117	
ÉRB Észak-Mo-i Regionális Bank "f.a."	73 240	73 249	16 682
ÉRB Észak-Mo-i Regionális Bank "f.a." auxiliary expenses	377	338	
Total:	492 248	491 918	107 335

Source: NDIF

TABLE 15

(data: Shown in thousand HUF

SECURITIES (SHORT-TERM)

The Fund holds the fee collected from member institutions in accordance with the law, in the form of Hungarian government securities, including Hungarian government bonds and discount treasury bills. The basis of the record is the acquisition value, the Fund did not use the possibility of fair valuation in 2018 or during the current year.

COMPOSITION OF THE SECURITIES PORTFOLIO

Value date	Fixed interest bond CMAX	Discount Treasury bill CMAX	Discount Treasury bill Egyedi Portfólió	Securities Total
Opening (01.01.2019)	5 148 594	229 917	0	5 378 511
Breakdown	95,73%	4,27%	0,00%	100,00%
Closing (31.12.2019)	13 640 313	300 679	16 005 673	29 946 665
Breakdown	45,55%	1,00%	53,45%	100,00%

Source: NDIF

TABLE 16

(data: at book value in HUF thousand and%)

Securities recorded under current assets include government bonds and discount treas-ury bills in the CMAX Portfolio and discounted treasury bills in the Individual Portfolio clas-sified as current assets. The closing book value of the securities at the end of the year was HUF 29,946,665 thousand, which is HUF 24,568,154 thousand higher than the opening stock. The increase in the portfolio of securities is due to the investment of liquid as-sets from received membership fees, returns and receivables from the sale of receivables tem-porarily held in account money at the end of 2018 due to the unfavorable yield environ-ment,. No impairment was recognized on the securities, given that the loss-like difference between their net, interest-free market and book value (valuation difference) at the bal-ance sheet date did not exceed a significant amount (10%) set out in the Fund's accounting policy.

SECURITIES - INDICATORS

Definition	31.12.2018	31.12.2019	Variation %
Share of securities in the current assets:	6,83	61,34	54,51
Share of securities within the total assets	6,81	37,75	30,94

Source: NDIF

TABLE 17

(data in %)

CASH AND CASH EQUIVALENTS

The Fund records cash in the MNB's current account, the amount of money reserved for operating expenses and provided for compensation in the aftercare process, the amount for compensation and other separate bank accounts, the amounts in securities settlement accounts and amounts in the petty cash, as follows.

CASH AND CASH EQUIVALENTS ON 31.12.2019

Cash and cash equivalents	"Value on 31.12.2018"	"Value on 31.12.2019"	"Variation (2018=100) %"
HUF cash register	312	161	51,60
Foreign currency cash register EUR	2	3	150,00
Settlement account (MNB)	15 630 964	872 569	5,58
CIB Compensation account	29 263	36	0,12
OTP Compensation account	111	4 642	4 181,98
CIB Card -55700009	700	701	100,14
CIB Base Business Account	43 531	40 128	92,18
CIB Wages sub-account	135	68	50,37
Transfer accounts	10	-	0,00
KELER cash account	96	51	53,13
State Treasury cash account	-	-	N/A
Cash and cash equivalents total	15 705 124	918 359	5,85

Source: NDIF

TABLE 18

shown in thousand HUF

ACCRUALS AND DEFERRED INCOME

On this line the Fund books accrued interest on securities of HUF 362,929 thousand, ex-penses to be devolved which are recognized as income in the amount of HUF 44,065 thousand, and operating expenses of year following the current year in the amount of HUF 12,395 thousand.

DETAILS OF ACCRUALS AND DEFERRED INCOME

Definition	31/12/2018	31/12/2019
Deferred revenues	100 915	406 994
Pro rata deferred interest and return on government securities	64 200	362 929
Costs transferred to BEVA (2019 Q4)	20 952	21 496
Costs transferred to the Claim Settlement Fund (2019 Q4)	8 979	9 213
Amount to be re-invoiced to the Resolution Fund (2019 Q4)	6 639	13 356
Membership fee adjustment for 2019	145	0
Deferred expenses		
Céginfo online	35	1 400
Membership fees	1 224	1 328
Liability insurance	3 078	3 083
Life insurance	220	0
Virtual software support	2 689	5 965
Rent	22	25
Netlock encryption	342	331
Paid training fee for 2019	70	0
Property insurance	15	15
Use of a postal franking machine	26	27
Costs of data room (Intralinks) for 2019	12 424	0
Maintenance	0	221
Total	20 145	12 395
Grand total	121 060	419 389

Source: NDIF

(data: Shown in thousand HUF)

TABLE 19

EQUITY

At the subscribed capital consists of the connection fees paid by the member institutions. No institution joined the Fund in 2019, the subscribed capital did not change. The previous year's profit was transferred to the reserve at book value. The Fund does not apply fair valuation, did not book value adjustments, and has not established a valuation reserve. The change in equity in the current year was caused by the following items:

- The previous year's profit was transferred to the reserve which was HUF 19,325,983 thousand
- the result for the current year, which was HUF 14,181,178 thousand.

The Fund will transfer the result generated in the current year to the Reserve in 2020.

COMPOSITION OF EQUITY

Definition	31.12.2018	31.12.2019	Variation
Subscribed capital	926 082	926 082	0
Reserve	38 891 107	58 217 090	19 325 983
Valuation reserve	0	0	0
Profit/loss in the current year	19 325 983	14 181 178	-5 144 805
Total	59 143 172	73 324 350	14 181 178

Source: NDIF

(data: Shown in thousand HUF)

TABLE 20

EQUITY -CALCULATION OF RESERVE

Legal titles	31/12/2018	31/12/2019
Tartalék nyitó	12 115 306	38 891 107
Tárgyévi változás	26 775 801	19 325 983
Tartalék záró	38 891 107	58 217 090

Source: NDIF

(shown in thousand HUF)

TABLE 21

PRESENTATION OF CHANGES IN EQUITY

Capital item	Opening	Growth	Decrease	Transfers	Closing
Subscribed capital		-	-	-	926 082
"Registered but unpaid capital"		-	-	-	-
Reserve		19 325 983	-	-	58 217 090
Profit reserve		-	-	-	-
Allocated reserve		-	-	-	-
Valuation reserve		-	-	-	-
Profit/loss in the current year		-	5 144 805	-	14 181 178
Equity		19 325 983	5 144 805	-	73 324 350

Source: NDIF

(data: Shown in thousand HUF)

TABLE 22

EQUITY RATIOS

Definition	2018	2019	Variation
	%	%	%
"Capital ratio: (Equity/Balance sheet total)"	74,9	92,4	17,5
"Coverage of invested assets: (Equity/Invested assets)"	55 875,0	243,7	-55 631,3

Source: NDIF

(data in %)

TABLE 23

The ratio of equity to the balance sheet total has improved, the coverage of fixed assets has decreased compared to the previous year, however, the NDIF holds part of its liquid assets under current assets in securities.

PROVISIONS

At the landlord sent a report in 2018 on the operating costs of the leased office, which served as the headquarters of the NDIF in 2017. The landlord charges the operating fee as a flat rate during the year, and then, after aggregating the total operating costs of the office building and redistributing it among the tenants, the difference in operating costs is charged to the tenants in the following year. In its statement for 2017 and sent in 2018, the landlord also invoiced the Fund for the window renovation costs carried out in 2017 at the headquarters and leased offices, which were disputed by the Fund and the invoice was not accepted. During the negotiations between the Fund and the landlord, no agreement has been reached on the disputed cost, therefore, as a possible future expense, the Fund created a provision of HUF 6,713 thousand in 2018 among the expenses.

The Fund issued a guarantee statement (Nightingale Transfer Agreement) in connection with the receivables sold in 2019, as the contract was fulfilled, the purchase price arrears were paid by the buyer from the receivables received from the liquidators, and a quantifiable guarantee liability for the value of the receivables is not kept in records, no provision has been made for it. Furthermore, the Fund did not set up a provision in 2019 for the receivables received by the transferee in connection with the present transaction, see Section 9.1 for details below.

LONG-TERM LIABILITIES

At the MNB revoked the activity licenses of the member institutions belonging to the DRB Banking Group on 3 March 2015, thus the Hpt. Pursuant to Section 217 (1), the compensation obligation of the NDIF was established. The assets of the NDIF in securities at that time were HUF 11,900,000 thousand at market value. The Fund's assets would not have provided sufficient cover to compensate the depositors of the four credit institutions.

By its Resolution No. 13/2015 (V. 22), the Board of Directors of the NDIF approved the NDIF as issuer to issue the NBA 2022 / A, with a total nominal value of HUF 107,700,000,000, with a maturity date of 3 June 2022 registered, variable interest rate, dematerialized and secured by a statutory surety of the Hungarian State by law (hereinafter the "Bond") through private placement. In addition to the required repayments, the Fund repaid the bond in full in 2019, at the expense of the proceeds and partly of the liquid assets of the NDIF, as a result of which no debt or long-term liabilities remained at the end of the year.

LONG-TERM LIABILITIES AT THE END OF THE YEAR

Definition	Amount					Variation (base: 03.06.2015)	
Long-term liabilities	03.06.2015	03.06.2016	03.06.2017	03.06.2018	03.06.2019	thousand HUF	%
Issued bonds – OBA2022/A	107 700 000	84 621 432	56 989 291	17 250 003	0	-107 700 000	-100,0

Source: NDIF

TABLE 24

(data: in HUF thousand and in %)

RIGHTS AND OBLIGATIONS WITH A MATURITY OF MORE THAN 5 YEARS

The NDIF has no such obligation as of 31 December 2019.

SHORT-TERM LIABILITIES

A During the year under review, the Fund did not provide any guarantee or other onerous obligations. The Fund records the following items as current liabilities.

DETAILS OF THE FUND'S CURRENT LIABILITIES

Definition	31.12.2018	31.12.2019
Debt to member institutions (membership fee) and to other credit institutions (Takarékbank)	0	3 363 004
Compensation obligation towards depositors, not yet paid	2 257 820	2 535 867
Domestic suppliers	173 855	11 686
Foreign suppliers	11 124	826
AG recovered amounts, not yet transferred	13 488	0
Taxes, contributions	44 393	45 743
December benefits to employees	0	33 182
Debt to employees	60	104
Blockage deducted from employees but not yet transferred	99	0
Voluntary funds	24	95
Other short term liabilities	132	0
Total	2 500 995	5 990 507

Source: NDIF

TABLE 25

(data: Shown in thousand HUF)

Current liabilities include:

- overpayments at the end of the year arising from members' payments following the amendment of the NDIF's fee payment regulations, which will be included in the 2020 fee payment obligations (for details, see Section 4.2),
- the amount of the settlement obligation to Takarékbank Zrt. as an agent bank,
- accounts payable,
- the public charges due,
- obligations to employees and voluntary funds.

In previous years, the unpaid compensations included only the amounts already received financially, settled on the basis of creditors' claims submitted to the liquidators and bank statements confirming the transfer (Reálbank "in liq.", Rákóczi Hitelszövetkezet "in liq."). From 2014, based on the proposal of the SAO report, unpaid compensation liabilities out-standing at the balance sheet date will also be recognized, regardless of the fact that they have not yet been settled financially.

The majority of current liabilities are registered but not yet paid compensation liabilities that do not expire. In the case of the Real Bank and the Rákóczi Credit Cooperative, as well as in the case of the Heves and Vidéke Savings Cooperative and the General Transport Credit Cooperative (at the beginning of 2019), the liquidation has already been completed, while the other credit institutions have not yet.

UNPAID DEPOSITS PER MEMBER INSTITUTION

Definition HUF th	Compensation not yet paid 31.12.2018	Compensation not yet paid 31.12.2019
Rákóczi Hitelszövetkezet „f.a.”	1 395	1 395
Reálbank „f.a.”	76 659	76 659
Általános Közlekedési Hitelszövetkezet „f.a.”	548	548
„Jógazda” Szövetkezeti Takarékpénztár „f. a.”	83 758	80 720
Soltvadkert és Vidéke Takarékszövetkezet „f.a.”	11 634	11 634
Körmend és Vidéke Takarékszövetkezet „f.a.”	49 423	49 423
Orgovány és Vidéke Takarékszövetkezet „f.a.”	461 329	375 865
Alba Takarékszövetkezet „f.a.”	25 606	24 758
Széchenyi Hitelszövetkezet „f.a.”	12 473	9 923
Széchenyi Kereskedelmi Bank „f.a.”	286 502	68 982
Tisza Takarékszövetkezet „f.a.”	24 011	10 496
BRB Buda Regionális Bank „f.a.”	151 969	137 280
DDB Dél-Dunántúli Takarékbank „f.a.”	226 185	182 746
DRB Dél-Dunántúli Regionális Bank „f.a.”	164 192	145 510
ÉRB Észak-Mo.-i Regionális Bank „f.a.”	682 136	642 902
NHB Bank „f.a.”	0	717 026
Total	2 257 820	2 535 867

Source: NDIF

TABLE 26

(data: Shown in thousand HUF)

The NDIF, through no fault of its own, is unable to pay all items to customers in the initial phase of compensation events. In this way, the stock remaining with the NDIF, ie the after-care, represents an additional expected compensation obligation, which will be paid out in the aftercare phase. The NDIF declares such items as a creditor's claim in each liquidation or liquidation procedure in accordance with the legal requirement, thus it forms part of the creditor's claim.

Aftercare also affects depositors of credit institutions where the winding-up proceedings have already been closed. In addition, the liquidation receivables sold also include the unpaid, expected compensation obligation, as it was also part of the creditor's claim, how-ever, regardless of the sale, the payment of compensation remains the responsibility of the NDIF as soon as possible, therefor they are still booked as liabilities.

The expected compensation obligation not yet paid by the NDIF amounted to HUF 2,535,867 thousand at the end of 2019, lower than a year earlier, and HUF 1,818,842 thou-sand excluding the depositors of NHB Növekedési Hitel Bank Zrt, which was compensated in 2019, HUF. The continuous reduction of the aftercare stock is the current goal of the NDIF, and in 2019 it made significant efforts to do so (eg purchase of data, reconciliation with liquidators, review of payment channels used in aftercare), which it intends to contin-ue in 2020.

DEPOSITS AWAITING PAYMENT

The paid amounts in the table are included in other liabilities in the balance sheet as a de-crease in the liabilities to depositors. The modified frozen deposit portfolio is HUF 307,694,909 thousand.

NDIF PAYMENTS MADE FROM FROZEN DEPOSITS BY MEMBER INSTITUTION (WITHOUT BRANCH PAYMENT)

Definition	Total frozen deposits	Payments made in the current year			Total payments made
		total	capital	interest	
Heves és Vidéke Takarékszövetkezet „f.a.” megszűnt	1 389 091	0	0	0	262 127
Általános Közlekedési Hitelszövetkezet „f.a.” megszűnt	3 329 643	0	0	0	3 184 701
Jógazda Szövetkezeti Takaréék „f.a.”	9 849 564	291	291	0	9 010 177
Soltvadkert és Vidéke Takarékszövetkezet „f.a.”	35 845 276	0	0	0	33 533 262
Körmend és Vidéke Takarékszövetkezet „f.a.”	26 273 355	0	0	0	22 961 959
Tisza Takarékszövetkezet „f.a.”	9 022 540	13 517	13 517	0	8 543 184
Széchenyi István Hitelszövetkezet „f.a.”	8 951 717	2 562	2 549	12	8 914 325
Széchenyi Kereskedelmi Bank Zrt. „f.a.”	20 024 954	4 257	4 257	0	13 551 835
ALBA Takarékszövetkezet „f.a.” *	7 140 286	905	903	2	7 090 762
Orgovány és Vidéke Takarékszövetkezet „f.a.” *	50 237 733	3 360	3 234	126	46 701 538
BRB Bank Zrt. „f.a.”	23 795 753	14 692	14 692	0	19 232 558
DDB Bank Zrt. „f.a.”	28 091 681	12 993	12 992	1	23 264 937
ÉRB Bank Zrt. „f.a.”	45 710 543	39 241	39 241	0	39 458 691
DRB Bank Zrt. „f.a.”	24 962 508	7 877	7 877	0	22 644 529
NHB Bank Zrt. „v.a.”	13 070 264	3 018 110	3 008 213	9 897	3 018 110
Total	307 694 909	3 117 805	3 107 766	10 038	261 372 695

Source: NDIF
The change is: in case of a decrease in the portfolio, to offset the deposits against loan repayment at the request of the liquidator, and in case of an increase in the portfolio, to record deposits based on a court decision.

TABLE 27

(data: Shown in thousand HUF)

Compensation payments made between the balance sheet date and time of preparing the balance sheet are shown in the table below:

PAYMENTS MADE BETWEEN MEMBER BALANCE SHEET DATES AND TIME OF PREPARING BALANCE SHEET BY MEMBER INSTITUTION (PART COVERED BY NDIF)

"Name of the credit institution data in thousand HUF"	Compensation paid by OBA 01.01.2020- 15.03.2020	Compensation paid by state guarantee 01.01.2020-15.03.2020
Jógazda Szövetkezeti Takaréék „f.a.”	0 Ft	0 Ft
Soltvadkert és Vidéke Takarékszövetkezet „f.a.”	0 Ft	0 Ft
Körmend és Vidéke Takarékszövetkezet „f.a.”	0 Ft	0 Ft
Tisza Takarékszövetkezet „f.a.”	0 Ft	0 Ft
Széchenyi István Hitelszövetkezet „f.a.”	0 Ft	na
Széchenyi Kereskedelmi Bank Zrt. „f.a.”	0 Ft	na
ALBA Takarékszövetkezet „f.a.”	-62 907 Ft	0 Ft
Orgovány és Vidéke Takarékszövetkezet „f.a.”*	0 Ft	0 Ft
BRB Bank Zrt. „f.a.”	0 Ft	0 Ft
DDB Bank Zrt. „f.a.”	0 Ft	0 Ft
ÉRB Bank Zrt. „f.a.”	0 Ft	0 Ft
DRB Bank Zrt. „f.a.”	0 Ft	0 Ft
NHB Bank Zrt. „v.a.”	0 Ft	na
Total	-62 907 Ft	0 Ft

Source: NDIF

TABLE 28

(data: Shown in thousand HUF)

The ratio of liabilities to the balance sheet total decreased significantly, mainly due to the final repayment of the bond, liabilities were only short-term at the end of the year, and the liquidity ratio of the NDIF improved.

LIABILITIES - INDICATORS

Definition	31.12.2018 %	31.12.2019 %	Variation %
Liabilities ratio (Liabilities/Balance sheet total)	25,0	7,6	-17,4
Liquidity ratio (Current assets/Liabilities)	398,3	100,0	-298,3

Source: NDIF

TABLE 29

(data in %)

ACCRUALS AND DEFERRED INCOME

The Fund recognizes as accrued expenses the expenses that relate to the current period but were settled financially only after the current period. The Fund includes in deferred accruals the fees for services (photocopying, auditing, insurance) debited in 2019 but not yet settled financially, as well as the amount of sick pay.

ACCRUALS AND DEFERRED INCOME ITEMS

Definition	31.12.2018	31.12.2019
Accrual of membership fees paid in 2019	145	0
Invitech Zrt. Telephone	22	0
Dokucentrum photocopying fee	0	88
Accrued audit fees	2 210	2 223
Sick leave allowance	0	93
Liability insurance fee	0	5
Total	2 377	2 409
Accrued interest of OBA 2022/A bond	19 176	0
Sum Total	21 553	2 409

Source: NDIF

TABLE 30

(data: Shown in thousand HUF)



PROFIT AND LOSS ACCOUNT BY ACTIVITY

Definition	Deposit insurance		Asset management		Operations		Total		Variation thousand HUF
	2018	2019	2018	2019	2018	2019	2018	2019	
1 Fee revenues from member institutions	15 346 623	10 041 157	0	0	0	0	15 346 623	10 041 157	-5 305 466
2 Fee revenues from claims collected on behalf of the depositors	0	0	0	0	0	0	0	0	0
3 Fee revenue from pay-out of state guaranteed deposits	0	0	0	0	0	0	0	0	0
4 Other revenues from deposit insurance	11 372 662	336 630	0	0	0	0	11 372 662	336 630	-11 036 032
I. Grand total of revenues from deposit insurance (01+02+03+04)	26 719 285	10 377 787	0	0	0	0	26 719 285	10 377 787	-16 341 498
II. Other revenues	0	0	0	0	141 941	59 839 465	141 941	59 839 465	59 697 524
III. Revenues not from deposit insurance	0	0	0	0	0	0	0	0	0
IV. Revenues from financial transactions	0	0	796 160	492 741	0	0	796 160	492 741	-303 419
5 Expenditures related to payouts of frozen deposits	0	0	0	0	0	0	0	0	0
6 Expenditures related to claims collected on behalf of depositors	0	0	0	0	0	0	0	0	0
7 Expenditures related to payouts on state guaranteed deposits	0	0	0	0	0	0	0	0	0
8 Other expenditures related to deposit insurance	6 137 877	216 169	0	0	0	0	6 137 877	216 169	-5 921 708
VI. Expenditures related to deposit insurance (05+06+07+08)	6 137 877	216 169	0	0	0	0	6 137 877	216 169	-5 921 708
VII. Other expenses	0	0	0	0	16 029	55 188 309	16 029	55 188 309	55 172 280
VIII. Expenditures not related to deposit insurance	0	0	0	0	0	0	0	0	0
IX. Expenditures of financial transactions	0	0	1 393 015	190 662	0	0	1 393 015	190 662	-1 202 353
9 Material expenses	0	0	0	0	251 728	307 769	251 728	307 769	56 041
10 Personal expenses	0	0	0	0	505 853	594 681	505 853	594 681	88 828
11 Depreciation	0	0	0	0	26 901	31 225	26 901	31 225	4 324
IX. Operational expenses (09+10-11)	0	0	0	0	784 482	933 675	784 482	933 675	149 193
A Profit/loss of the current year (I+II+III+IV+V-VI-VII-VIII-IX)	20 581 408	10 161 618	-596 855	302 079	-658 570	3 717 481	19 325 983	14 181 178	-5 144 805

Source: NDIF

TABLE 31

(data: Shown in thousand HUF)

DETAILS OF INCOME FROM DEPOSIT INSURANCE

Aln the income statement of the Fund, the fee income received from the member institutions is presented among the fee income booked for the member institutions. 100% of the fee income comes from Hungary, in HUF (Appendix 1). In the year under review, there was no increased premium income in addition to the above regular fees. In the year under re-view, the Fund did not receive any state support. Other deposit insurance income in the previous year was HUF 11,372,662 thousand, which was the reversal of impairment of re-ceivables. No impairment reversals were made during the year. The current annual income of HUF 336,630 thousand, after the write-off of sold receivables, is the same amount as the decrease in the portfolio due to non-cash flows (decrease in the expected payment obligation). (In the case of receivables sold, the amount equal to the outstanding payment stock has been removed from receivables, but not from liabilities, the change in stock only changes liabilities.)

OTHER REVENUES

Other income (HUF 59,839,465 thousand) includes:

1. the consideration for the sold receivables, which is the consideration received from the sale of the receivable arising from the compensation of 11 credit institutions and cooperatives in liquidation in June 2019 amounts to HUF 59,670,870 thousand, calculated before the transfer agreement and transaction, on the date of the transaction with the deduction of the sold claims from the value,
2. the invoiced fee of the agreed tasks incurred by the NDIF due to the performance of the operational tasks of the Resolution Fund in the value calculated without VAT, the amount of which is set out in I-IV. HUF 50,713 thousand for the I-IV. quarters,

3. labor costs transferred to the Investor Protection Fund (BEVA) and the Claims Settlement Fund and their contributions in the amount excluding VAT invoiced for the same period in accordance with the agreements concluded with the Funds, which is HUF 115,283 thousand,
4. Interest on arrears received from 6 credit institutions due to late payment of quarterly fees (HUF 2,096 thousand),
5. State subsidy for the fathers' absence fee (HUF 238 thousand),
6. the expired, unused and returned amounts of SZÉP cards to the NDIF (HUF 19 thousand), the amount of the cafeteria reimbursed due to termination of employment during the year (HUF 153 thousand), and HUF 2 thousand of other items,
7. proceeds from the sale of tangible assets (HUF 2 thousand),
8. the amount of the penalty prescribed and paid to the partner providing accounting and payroll services (HUF 89 thousand).

DEPOSIT INSURANCE EXPENSES

The Fund accounted for deposit insurance expenses (HUF 216,169 thousand):

9. Impairment of receivables arising from compensation (HUF 215,541 thousand), of which the impairment of reported compensation receivables registered in the first place was HUF 173,487 thousand, and the impairment of ancillary costs was HUF 42,054 thousand,
10. the General Transport Credit Cooperative "in liq." derecognition of receivables after the closure of liquidation proceedings (HUF 548 thousand),
11. the change in the non-cash deposit portfolio of receivables sold (HUF 80 thousand).

The amount of expenses arising from deposit insurance in 2019 is HUF 5,921,708 thousand less than in the previous year, because no impairment has been recognized for receivables sold.

OPERATING COSTS, EXPENSES

The operating expense in 2019 (HUF 933,675 thousand) is HUF 149,193 thousand higher than in the previous year.

DEVELOPMENT OF OPERATING COSTS AND EXPENSES

Definition	2018.	2019.	Variation	
			thousand HUF	%
Expenditures related to deposit insurance	6 137 877	216 169	-5 921 708	-96,48%
- expenses related to other deposit insurance	6 137 877	216 169	-5 921 708	-96,48%
Expenditures not related to deposit insurance	0	0	0	0,00%
Other expenditure	16 029	55 188 309	55 172 280	344202,88%
Expenses by expense type	784 482	933 675	149 193	19,02%
- material type	251 728	307 769	56 041	22,26%
= material expenses	3 041	4 589	1 548	50,90%
= used material type services	239 790	286 162	46 372	19,34%
= other services	8 897	17 018	8 121	91,28%
- personnel-type	505 853	594 681	88 828	17,56%
- depreciation	26 901	31 225	4 324	16,07%
Total	6 938 388	56 338 153	49 399 765	711,98%

Source: NDIF

TABLE 32

(data: in HUF thousand and in %)

The costs related to payouts are accounted for and recorded by the NDIF as receivables from member institutions, and then enforced against the credit institution that has been liquidated or is under liquidation during the creditor's application.

Expenses incurred are not recognized as expenses, they do not appear in the income statement of the NDIF as expenses arising from deposit insurance, but are reducing the current year's result as an expense when impairment is booked, given that they are not re-invoiced expenses.

DETAILS OF THE SERVICES USED

Definition	2018	2019	Variation		2019 breakdown
			thousand HUF	%	%
Total other services	44 135	46 255	2 120	4,8%	16,2
= transportation, loading and warehousing	4 161	4 104	-57	-1,4%	1,4
= lease fees, operational fees	16 279	19 134	2 855	17,5%	6,7
= maintenance expenses	2 127	2 059	-68	-3,2%	0,7
= postal, telecommunications services	4 257	4 637	380	8,9%	1,6
= education and further training	260	428	168	64,8%	0,1
= news monitoring, communication expenses	6 580	2 566	-4 014	-61,0%	0,9
= expenses of business trips and delegation	1 374	1 975	601	43,8%	0,7
= membership fee	9 097	11 352	2 255	24,8%	4,0
Total specialist services	192 018	237 817	45 799	23,9%	83,1
= internal control	0	0	0	N/A	0,0
= translation	564	349	-215	-38,1%	0,1
= sale of receivables	137 349	173 066	35 717	N/A	60,5
= inventory, fire and health and safety	386	3 097	2 711	N/A	1,1
= GDPR advisory services	3 989	889	-3 100	N/A	0,3
= program expert fee, program update fees	12 880	12 699	-181	-1,4%	4,4
= information technology security control	4 585	8 539	3 954	86,2%	3,0
= fee of operation of the payment system	11 972	13 416	1 444	12,1%	4,7
= legal service fee	9 901	14 811	4 910	49,6%	5,2
= audit fee	3 175	3 175	0	0,0%	1,1
= bookkeeping fee, other administration services	3 529	7 776	4 247	N/A	2,7
= mediation of IT expert	3 688	0	-3 688	0,0%	0,0
= tax advice, regulations	0	0	0	0,0%	0,0
= proofreading of reports	0	0	0	0,0%	0,0
Total other services used	3 637	2 090	-1 547	-42,5%	0,7
= photocopying	737	424	-313	-42,5%	0,1
= plant care	16	0	-16		0,0
= document storage	1 035	1 332	297	28,7%	0,5
= other not listed services used	1 849	334	-1 515	-81,9%	0,1
Total	239 790	286 162	46 373	19,3%	100,00

Source: NDIF

TABLE 33

(data: in HUF thousand and in %)

PRESENTATION OF OTHER SERVICES

Definition	2018	2019	Variation		2019 breakdown %
			thousand HUF	%	
Other services					
Costs of issue of OBA2022/A bonds	1 482	901	-581	-39,2	5,2
= Paying bank agent fee	1 000	500	-500	-50,0	
= Kif.dispo edition	73	36	-37	-51,0	
= KELER and other fees	50	58	8	16,0	
* = fees associated with bond repayment*	359	307	-52	-14,4	
Insurance premium	5 230	5 251	21	0,4	30,9
Bank expenses	2 128	2 806	678	31,9	16,5
Regulatory fees	57	8 060	8 003	N/A	47,4
Total	8 897	17 018	8 701	-97,8	100,0

Source: NDIF

TABLE 34

(data: in HUF thousand and in %)

DETAILS OF OTHER EXPENSES

Definition	2018	2019	Variation		2019 breakdown
			thousand HUF	%	%
Other expenditure					
Value of sold Receivables	-	55 187 672	55 187 672	N/A	100,0
Provision	6 713	-	-6 713	N/A	0,0
- support given	1 000	250	-750	-75,0	0,0
- default interest	6	-	-6	-100,0	0,0
- vehicle loss event	50	-	-50	N/A	0,0
OBA Card OTP development	8 255	-	-8 255	N/A	0,0
- other not specified	5	-	-5	-100,0	0,0
Depreciation on irredeemable Receivables	-	-	-	N/A	0,0
Lapsed claims	-	147	147	N/A	0,0
Non-accounted benefits	-	6	6	N/A	0,0
Collection costs (Heves)	-	143	143	N/A	0,0
Behajtási költségek (Heves)	-	91	91	N/A	0,0
Total:	16 029	55 188 309	55 172 280	344202,9	0,0

Source: NDIF

TABLE 35

(data: in HUF thousand and in %)

Among other expenses, the Fund recognized:

- In June 2019 the sale of receivables arising from the compensation of 11 credit institutions and cooperatives in liquidation, of which the book value was booked as expenses (HUF 55,187,672 thousand);
- the amount of the HUF 250 thousand grant granted to the Foundation for the Development of Economic Research and Education at the University of Miskolc pursuant to the decision of the Board of Directors 72/2018 (X. 16),
- the write-down of the book value of bad debts (HUF 153 thousand), of which Körmend és Vidéke Takarékszövetkezet "in liq." the remaining amount of the claim arising from the double payment made to the depositors of certain START accounts due to incorrect information received from the liquidators is HUF 114 thousand, the irrecoverable or overdue amount of compensation illegally received by 2 individuals (HUF 33 thousand), due to their small amount and that the recovery costs are expected to significantly exceed the expected return,
- overdue debts of former employees (HUF 6 thousand),
- the unaccounted amount (not booked as an expense) of the voluntary fund support legally granted to a former employee in 2018 (HUF 143 thousand),
- HUF 91 thousand, collection costs in 2019, advanced costs of liquidation proceedings initiated against the liquidator of the Heves and Vidéke Savings Cooperative in the current year.

RESULT OF FINANCIAL OPERATIONS

Contents:

- financial income,
- financial expenses.

Valuation principals and methods:

- the basis of the records: the book value,
- the foreign exchange movements have been valued according to the principle of reality,
- no valuation at fair value has been applied.

The stock is verified by analytical records. Structure: see Table 36.

PRESENTATION OF FINANCIAL RESULTS

Definition	31.12.2018	31.12.2019	Variation	
			thousand HUF	%
Financial revenues				
Interest received	2 427	1 546	-881	-36,3
Revenues from financial transactions	793 733	491 195	-302 538	-38,1
- exchange rate gain on FX stocks	0	603	603	N/A
- gain on Hungarian government securities	793 733	490 592	-303 141	-38,2
= gain on Hungarian government bonds	121 990	50 706	-71 284	-58,4
= interest gain on Hungarian government bonds	671 120	423 417	-247 703	-36,9
= gain on discount treasury bills	623	16 469	15 846	2543,5
Total:	796 160	492 741	-303 419	-38,1

Definition	31.12.2018	31.12.2019	Variation	
			thousand HUF	%
Financial expenses				
Interest paid, interest-type expenses	299	26	-273	-91,2
Interest paid, interest-type expenses (OBA2022/A bond)	452 829	97 645	-355 184	-78,4
Expenditures of financial transactions	933 271	88 215	-845 056	-90,5
- exchange rate loss on FX stock	9	745	736	8176,6
- loss on Hungarian government securities	933 262	87 470	-845 792	-90,6
= loss on Hungarian government bond	931 458	87 461	-843 997	-90,6
= loss on discount treasury bills	1 804	9	-1 795	-99,5
Other financial expenses	6 616	4 776	-1 840	-27,8
Total:	1 393 015	190 662	-1 202 353	-86,3
Balance (financial result)	-596 855	302 079	898 934	-150,6

Source: NDIF

TABLE 36

(data: in HUF thousand and in %)

Other financial expenses include portfolio and custodian fees and KELER fees. The result of financial income and expenses is HUF 302,079 thousand, which is HUF 399,724 thousand without interest paid on the NDIF bond. Of the HUF 4,776 thousand portfolio management fee, HUF 134 thousand is the KELER fee related to the previous years (2017 and 2018), which was charged retrospectively by KELER due to an administrative error.

PERSONNEL AND PAYROLL MANAGEMENT

As of 1 January 2016, in accordance with Sections 210 and 413 of the Capital Markets Act, the employment relationship of BEVA's employees became an existing employment relationship with the NDIF. Thus, the number of employees of the NDIF increased from the existing 9 with BEVA's 7 employees to 16, then in 2017 the number of employees was expanded with 1 full-time internal auditor and 2 employees and 1 deputy chief accountant were hired in the last month of the year. In 2018, the increase in staff and redundancies increased the average statistical staff by a total of 4 more people: 1 senior analyst, 1 lawyer, 1 chief information officer and 1 chief financial officer were recruited. There was no significant change in 2019, there was a smaller fluctuation, however, by filling the headcounts planned and approved by the Board of Directors, the statistical average number of the NDIF staff in the first quarter of 2019 exceeded 25, therefore an obligation of the NDIF to pay an advance rehabilitation contribution has arisen. In the following quarters, due to the fluctuation, the number of employees did not exceed the level of the payment obligation, therefore no costs were incurred as a rehabilitation contribution, the amount paid can be used as an overpayment. The average headcount in 2019 was 24.7 people.

DEVELOPMENT OF THE AVERAGE STATISTICAL HEADCOUNT

Persons	2018	2019
physical workers	0	0
non-physical workers	21,0	24,7

Source: NDIF

TABLE 37

(data in person)

DEVELOPMENT OF AVERAGE GROSS WAGES AND SALARIES

Definition	2018	2019
average wages of non-physical workers	947 387	1 164 987
average bonus of non-physical workers	173 933	282 356
Total average income	1 121 320	1 447 343

Source: NDIF

TABLE 38

(data in person)

The NDIF granted employees a cafeteria allowance in accordance with its internal regulations.

PERSONNEL EXPENSES (EXCLUDING PAYROLL)

Definition	2018	2019	Variation
- incentive	29 025	43 201	14 176
- social	1 378	640	-738
- refund of expenses	771	861	90
- honorary fees	60 015	67 341	7 326
- sick leave	1 977	2 209	232
- assignment fee	140	176	36
- severance pay	818	3 210	2 392
- entertainment costs	2 328	815	-1 513
Total personnel-type payments	96 452	118 453	22 001
Social contribution tax	75 067	92 157	17 090
Wage tax and contributions:			0
- corporate, PIT, health contribution	10 047	2 049	-7 998
Total tax and contributions	85 114	94 206	9 092
Grand total	181 566	212 659	31 093

Source: NDIF

TABLE 39

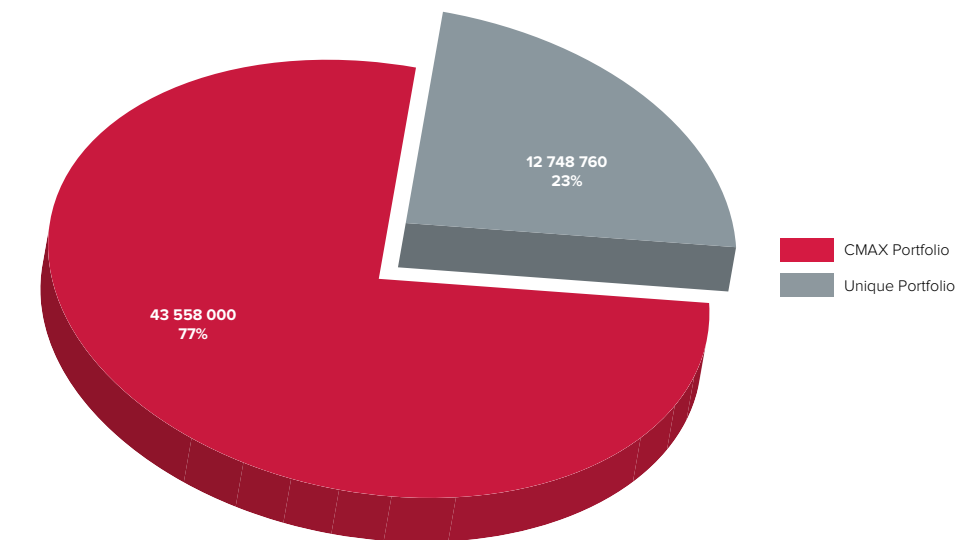
(data: Shown in thousand HUF)

PRESENTATION OF THE SECURITIES PORTFOLIO AND EVALUATION OF THE WORK OF ASSET MANAGERS

The Fund invests its assets in Hungarian government securities and discount treasury bills, of which it forms two sub-portfolios. It kept a part of the government securities in the CMAX Portfolio following the composition of the CMAX index, for which it uses the assistance of ÁKK as a portfolio manager and KELER as a custodian. The NDIF does not apply fair valuation, therefore the valuation difference is not booked or accrued. In the books, government securities are recorded at purchase price. At the end of the year, the portfolio was not tied up. There was no investment in foreign government securities in the year under review.

Following the amendment of the Investment Regulations on 19 February 2019, the Fund purchases the other part of government securities to be held until maturity, which are managed in a securities account kept with the Hungarian State Treasury (Individual Portfolio). At the end of 2019, the Fund held 22.6 per cent (in nominal value) of government securities in the CMAX Portfolio and 77.4 per cent in the Individual Portfolio.

DISTRIBUTION OF THE CMAX PORTFOLIO AND THE INDIVIDUAL PORTFOLIO BY NOMINAL VALUE AS AT 31 DECEMBER 2019 (HUF THOUSAND;%)



Source: DMO, NDIF

FIGURE 11

The changes in the composition and distribution of securities were as follows. At the end of 2019, the share of fixed-rate government bonds in the total government securities portfolio - at book value - was 72.8%, and that of discount treasury bills was 27.2%.

CHANGE IN BOOK VALUE OF SECURITIES

		Összeg	Megoszlás
Opening (01.01.2019)	CMAX Portfolio	Fix interest bond	5 148 594
		Discount Treasury bill	229 917
		Total	5 378 511
	Unique Portfolio	Fix interest bond	0
		Discount Treasury bill	0
		Total	0
Closing (31.12.2019)	Total Portfolio	Fix interest bond	5 148 594
		Discount Treasury bill	229 917
		Total	5 378 511
	CMAX Portfolio	Fix interest bond	13 640 313
		Discount Treasury bill	300 679
		Total	13 940 992
	Unique Portfolio	Fix interest bond	29 978 219
		Discount Treasury bill	16 005 673
		Total	45 983 892
	Total Portfolio	Fix interest bond	43 618 532
		Discount Treasury bill	16 306 352
		Total	59 924 884

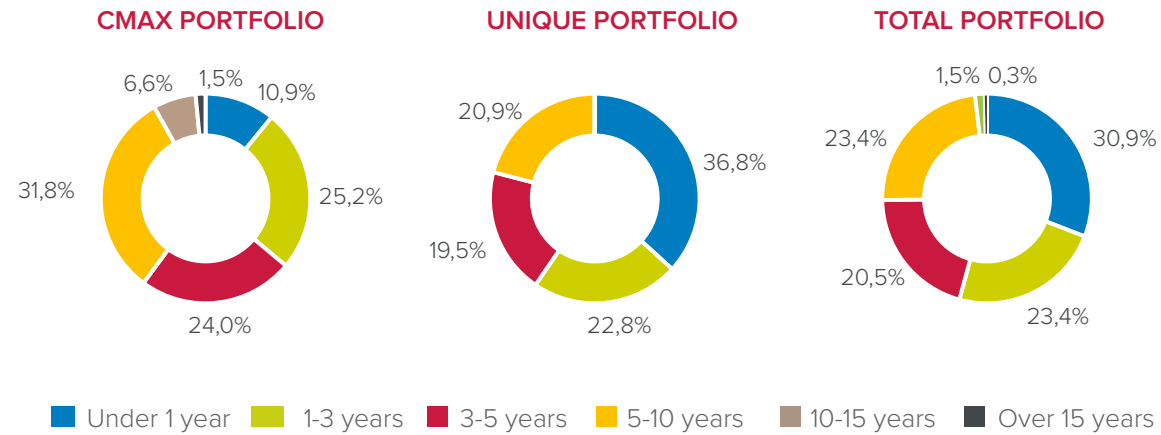
Source: DMO, NDIF

TABLE 40

(data: in HUF thousand and in %)

The distribution of each sub-portfolio as well as the total portfolio by remaining maturity is shown in the following figure (by nominal value). In the Individual Portfolio, the largest share was accounted for by securities with a residual maturity of less than 1 year, while in the CMAX Portfolio government securities with a residual maturity of 5-10 years were in the majority. The share of securities with a residual maturity of more than 10 years in the total portfolio was negligible (1.8%).

DISTRIBUTION OF THE CMAX PORTFOLIO, THE INDIVIDUAL PORTFOLIO AND THE ENTIRE PORTFOLIO BY REMAINING MATURITY BY NOMINAL VALUE ON 31 DECEMBER 2019

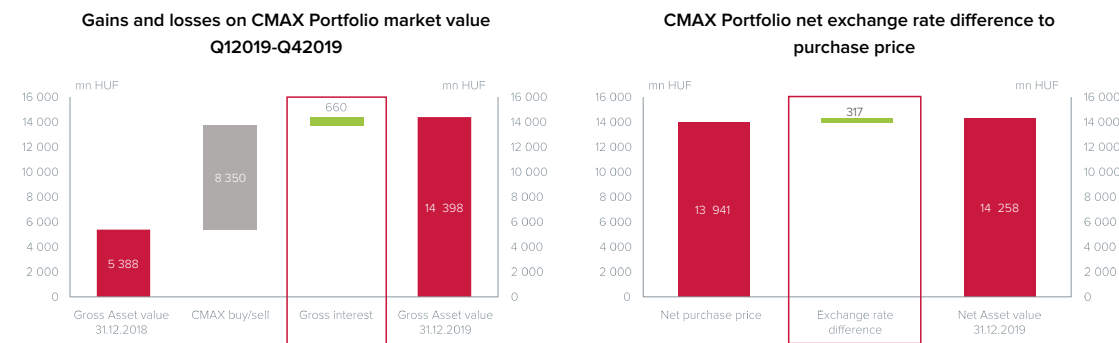


Source: DMO, NDIF

FIGURE 12

In 2019, the market value of the CMAX Portfolio increased in parallel with the one-year rise in the CMAX index. The CMAX Portfolio generated a gross return of HUF 660,785 thousand in one year, which corresponds to an annual return of 6.59%. The net market value of the CMAX Portfolio exceeded the net cost by HUF 317,952 thousand on 31 December 2019.

PERFORMANCE OF THE CMAX PORTFOLIO



Note: gross asset value based on BAMOSZ valuation
Source: DMO, NDIF

FIGURE 13

In connection with the CMAX Portfolio, a portfolio management fee of HUF 2,527 thousand and a custody fee of HUF 2,115 thousand were incurred in 2019, which together (HUF 4,642 thousand) accounted for 0.05% of the average gross portfolio.

EXPENSES RELATED TO THE CMAX PORTFOLIO IN 2019

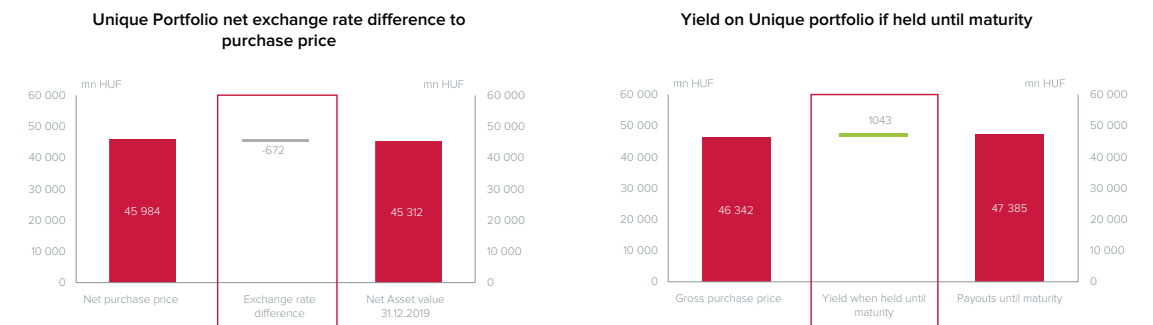
	Cost	Ratio to average gross Asset value
ÁKK portfolio management fee	2 527	0,03%
KELER depository fee	187	0,00%
KELER other fees and commissions	1 928	0,02%
Total	4 642	0,05%

Source: NDIF

TABLE 41

The net market return of the Individual Portfolio purchased for the purpose of holding to maturity on 31 December 2019 is negative compared to the value at the time of purchase (HUF -671,834 thousand). This is due, on the one hand, to the fact that the MÁK selling rate is higher than the one at which the MÁK repurchases the security, and on the other hand, the Fund bought the majority of government bonds above the nominal value, ie 100 per cent net price. In case of maturity, which is intended for the NDIF, a gross return of HUF 1,042,996 thousand is expected to be paid.

PERFORMANCE OF THE INDIVIDUAL PORTFOLIO



Note: net asset value based on the net purchase rate published by MÁK
Source: NDIF

FIGURE 14

There are no fees associated with the Individual Portfolio, the management of the MÁK securities account is free of charge.

SUMMARY EVALUATION OF THE DEVELOPMENT OF THE RESULT

The main components of the change in the result are shown in the following table.

COMPONENTS OF THE RESULT

Definition	31.12.2018	31.12.2019	Variation thousand HUF	Variation %
Revenues from deposit insurance	26 719 285	10 377 787	-16 341 498	-61,2%
Revenues not from deposit insurance	0	0	0	N/A
Other revenues	141 941	59 839 465	59 697 524	42058,0%
Revenues from financial transactions	796 160	492 741	-303 419	-38,1%
Total revenues	27 657 386	70 709 993	43 052 607	155,7%
Expenditures related to deposit insurance	6 137 877	216 169	-5 921 708	-96,5%
Expenditures not related to deposit insurance	0	0	0	N/A
Other expenses	16 029	55 188 309	55 172 280	344202,9%
Expenditures of financial transactions	1 393 015	190 662	-1 202 353	-86,3%
Total expenditure	7 546 921	55 595 140	48 048 219	636,7%
Operating expenses	784 482	933 675	149 193	19,0%
Total expenses and operational costs	8 331 403	56 528 815	48 197 412	578,5%
Profit/loss of the current year	19 325 983	14 181 178	-5 144 805	-26,6%

Source: NDIF

TABLE 42

(data: Shown in thousand HUF)

The result for the current year was HUF 14,181,178 thousand, in the development of which, membership fees lower than the previous year and the sale of receivables booked as other receivables and other expenses played a decisive role, the result from receivables sales was HUF 4,483,198 thousand.

The result was increased by the decrease in expected payment liabilities arising from the compensation obligations of credit institutions affected by sold receivables due to non-cash movements (HUF 336,630 thousand), decreased by impairment losses on receivables from deposit insurance expenses and stock increases that can not be booked as claims (215 541 E HUF and 80 E HUF).

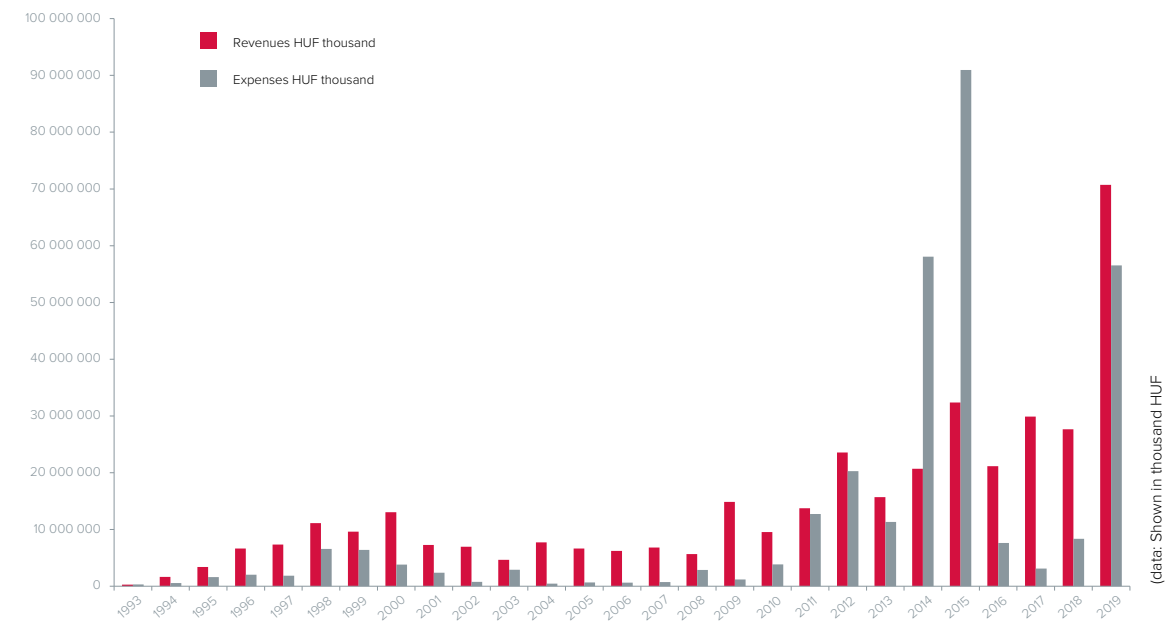
Financial income and expenses were determined by the realized returns on investments and the pro-rata (accrued) interest, as well as interest repayment (HUF 97,645 thousand) in the current year of the bond issue related to the significant payouts of previous years. The result of financial operations was a profit of 302,079.

Unlike in previous years, there was no reversal of impairment losses recognized in deposit insurance income as the receivables concerned were sold.

Within operating expenses, the expense not related to ordinary administration was the direct costs of services related to the sale of receivables (HUF 173,066 thousand), the amount of which in 2018 was HUF 138,417 thousand. Excluding this, operating expenses in 2019 amounted to HUF 760,609 thousand, and in 2018 to HUF 646,065 thousand.

The following graphs show the development of revenues and expenses as well as equity and income from the establishment of the NDIF from 1993 to 2019.

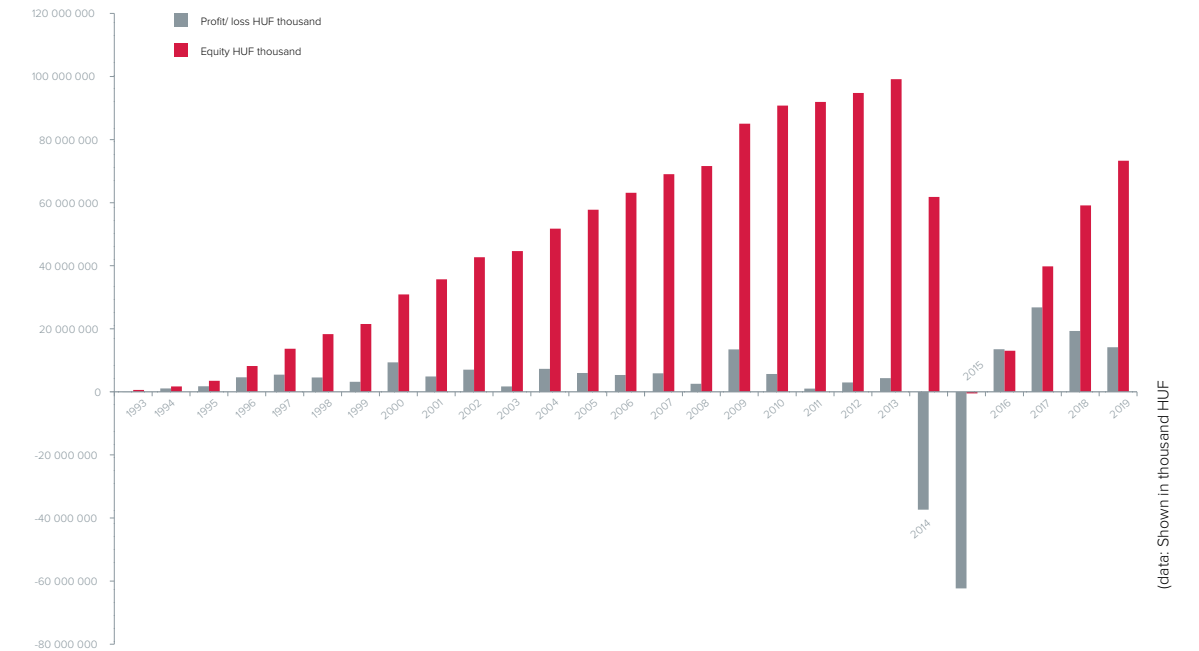
DEVELOPMENT OF THE REVENUES AND EXPENSES OF THE NDIF BETWEEN 1993 AND 2019



Source: NDIF

FIGURE 15

DEVELOPMENT OF EQUITY AND INCOME BETWEEN 1993-2019



Note: the 2015 result adjusted, with the self-revision item and the adjustment items are also included in the 2016 equity.
Source: NDIF

FIGURE 16

Equity includes the result of the previous years and includes the result of the current year. The positive and negative differences (fluctuations) of the result since 1998 are explained by the development of the prospects for the recovery of the receivable from Realbank Rt. From liquidation until 2004, and in the following years mainly by the changes in government securities market yields. The decline in 2010 was due to the payment of compensation to the depositors of the General Transport Credit Cooperative, the result of 2011 was affected by the compensation paid due to the revocation of the license of the "Jógazda" Cooperative Savings Bank. In 2012, it was reduced by payout due to the liquidation of Solt-vadkert és Vidéke Takarékszövetkezet. There was no license revocation in 2013, but the yield on government securities was significantly lower than in 2012.

In 2014, more significant compensation payments were made after the revocation of the licenses of 6 credit institutions by the HFSA, and the recognized impairment decreased equity by more than HUF 57 billion, and revenues increased it by HUF 20 billion.

In 2015, the series of events of the previous year continued, with the compensation of the depositors of another 4 member institutions in the amount of nearly HUF 106 billion, which was covered by the NDIF from the proceeds of the bond issue. Based on the liquidators' estimates, an impairment loss of approximately HUF 88 billion and the HUF 3.7 billion adjustment item were recognized as an expense.

In the course of the after-care of credit institutions' depositors, payments in the order of HUF 100 million were made between 2016 and 2019 for 11 former member institutions, and tens of billions of returns were received from liquidation proceedings. In 2017 and 2018, based on the liquidators' estimates, a significant impairment adjustment was made, which increased the accounting result by approximately HUF 16.5 billion.

In 2019, a new event was the sale of 11 receivables, the result of which increased the profit for the current year, as well as the compensation of NHB Bank depositors. In 2019, as a result of revenues and expenses, the result increased equity by HUF 14,181,178 thousand.

By Resolution No. 109/2019 (XI.27), the Board of Directors approved the amended budget of the Fund for 2019 with revenue of HUF 70,403,717 thousand, expenditure of HUF 56,408,641 thousand, including HUF 1,017,395 thousand of total operating expenses.

The actual data for the period January-December 2019 have been compared to the planned amounts of the amended budget, with the exception that the Fund's budget does not include deposit insurance revenues and expenses (eg impairment, reversal of impairment) and the provision. The amended plan already includes income and expenses from the sale of receivables among other income and expenses.

DEVELOPMENT OF FEE INCOME FROM MEMBER INSTITUTIONS

The Fund's membership fee income in the period January-December 2019 was HUF 10,041,157 thousand, there was no income from increased fees. Thereof:

membership fee paid for the subject year: 9 795 644 thousand HUF,
membership fee for the previous year (declared and booked in 2019): 255 503 thousand HUF, The NDIF reviewed its expectations in IV./2019. for membership fee claims and found that membership fees could be reduced without jeopardizing the 2024 fee path. Following the necessary consultations, the Board of Directors adopted a new fee payment policy laying down the necessary procedures and rules based on the revised fee schedule and fee requirement, which entered into force for the 1-year fee payment period beginning October 1, 2019, and determines the membership fees to be paid. During the transitional period from 1 January to 30 September 2019, the member institutions paid an advance fee in accordance with the fee payment regulations in force from 1 January 2019, for which period the method of final calculation of fees is set out in the fee payment regulations effective from 1 October 2019. The effect of the change on 2019 is that from the fee advances already assessed for the four quarters of 2019 and collected by 15.07.2019, even including the membership fees for the fourth quarter, the members had a significant overpayment (HUF 3,353,889 thousand), which is included in the NDIF's membership fee claims for the next quarter until the overpayment ceases.

OTHER INCOME AND EXPENSES ARISING FROM DEPOSIT INSURANCE

There is no planning in the budget on this line, given that here we show the reversal or impairment of the impairments recorded for compensation payments on the basis of the data available at the end of the year, which cannot be planned.

OTHER INCOME AND EXPENSES

Other income (HUF 59,839,465 thousand, 100.0% fulfillment) includes:

- the invoiced fee of the agreed tasks incurred by the NDIF due to the performance of the operational tasks of the Resolution Fund in the value calculated without VAT, the amount of which in I-IV. quarters amounts to HUF 50,713 thousand (88.4%),
- the labor costs transferred to the Investor Protection Fund (BEVA) and the Claims Settlement Fund and their contributions in the amount excluding VAT invoiced for the same period in accordance with the agreements concluded with the Funds, which is HUF 115,283 thousand (99.9%),
- Interest on arrears received from 6 credit institutions due to late payment of quarterly fees (HUF 2,096 thousand),
- Government subsidy for the fathers' absence fee (HUF 238 thousand),
- the expired, unused and returned amounts of SZÉP cards to the NDIF (HUF 19 thousand), the amount of the cafeteria reimbursed due to termination of employment during the year (HUF 153 thousand), and HUF 2 thousand of other items,
- proceeds from the sale of tangible assets (HUF 2 thousand),
- the amount of the penalty prescribed and paid to the partner providing accounting and payroll services (HUF 89 thousand),
- the consideration for the receivables sold, which is the consideration under the transfer agreement arising from the sale of the receivable arising from the compensation of 11 credit institutions and cooperatives in liquidation, which was realized in June 2019 (HUF 59,670,870 thousand).

In the case of the Resolution Fund, the revenue is lower than planned in line with the tasks performed. In the case of BEVA and the Claims Settlement Fund, the revenues from the transferred costs were fulfilled as planned. All revenues invoiced to the Funds for the period were received, in the accounting for 2019 the revenues invoiced in the first quarter of 2020, but relating to 2019, were accrued for 2019 from the Resolution Fund in the amount of HUF 9,213 thousand, from BEVA in the amount of HUF 21,496 thousand, and from the Claims Settlement Fund in the amount of HUF 9,213 thousand.

Other expenses without provisions (HUF 55,188,309 thousand, 100%) are shown under:

- the amount of the HUF 250 thousand grant granted to the Foundation for thousand for the Foundation for the Development of Economic Research and Education at the University of Miskolc,
- In June 2019 the sale of receivables arising from the compensation of 11 credit institutions and cooperatives in liquidation, of which the book value was booked as expenses (HUF 55,187,672 thousand);
- the write-down of the book value of bad debts (HUF 153 thousand), of which Körmend és Vidéke Takarékszövetkezet "in liq." the remaining amount of the claim arising from the double payment made to the depositors of certain START accounts due to incorrect information received from the liquidators is HUF 114 thousand, the irrecoverable or overdue amount of compensation illegally received by 2 individuals (HUF 33 thousand), due to their small amount and that the recovery costs are expected to significantly exceed the expected return,
- overdue debts of former employees (HUF 6 thousand),
- the unaccounted amount (not booked as an expense) of the voluntary fund support legally granted to a former employee in 2018 (HUF 143 thousand),
- HUF 91 thousand, collection costs in 2019, advanced costs of liquidation proceedings initiated against the liquidator of the Heves and Vidéke Savings Cooperative in the current year

REVENUE AND EXPENDITURE ON FINANCIAL OPERATIONS

Income from financial operations (HUF 492,741 thousand, 127.6%) includes the foreign ex-change gain realized on the sale of Hungarian Government Bonds (HUF 50,706 thousand), the yield on Discount Treasury Bills (HUF 16,469 thousand), accrued interest recognized during the purchase and sale (booked) of government bonds and at the end of the period (total HUF 423,417 thousand), which includes the booked accrued pro-rata interest (HUF 356,562 thousand) of the portfolio as of 31 December 2019, interest paid and received (HUF 130,760 thousand in the balance) on securities sales of the period, as well as interest accrued on 31 December of the previous year and reversed on 1 January 2019 (- HUF 63,905 thousand).

Here we also show other received (bank) interest (HUF 1,546 thousand) and foreign ex-change gains on foreign currency liabilities (HUF 603 thousand).

Financial expenses totaled HUF 190,662 thousand (94.3%). The most significant expenses are the interest expense of the OBA 2022-A Bond for the period January - June 2019 (HUF 97,645 thousand) and the ex-change rate loss of government securities sold in the CMAX Portfolio (HUF 87,461 thousand, 87.5%). The Bond was repaid in full by the NDIF in June, so no additional interest was incurred in this relation.

MATERIAL EXPENSES

Material expenses (HUF 307,769 thousand) were lower than planned (80.6%) and developed as follows. Material costs (stationery, specialist books, newspaper subscriptions, subscriptions to lawyers, printed matter, printed publications, computer materials, fuel, cleaning products and other materials, total HUF 4,589 thousand) were lower than planned (79.4%), part of the purchases were carried over to the next year. The costs of the services used (HUF 286,162 thousand) were 79.7% of the planned and were fulfilled as follows.

- Transport services (HUF 4,044 thousand, 96.3%) were close to the planned level. We have already taken into account in the amended budget that the expenditure on transport services related to the move, originally planned for 2019, will only be realized in 2020,
- taxi costs (HUF 60 thousand, 60.0%) were incurred for travel expenses necessary during the delegacy, which could not be solved in any other way or were not efficient, for which we planned a budget,
- in the line of other rents (HUF 15 thousand, 93.8%) the cost of the safe deposit box required for compensation data management arose,
- we show the monthly parking costs of 1 leased car and the parking costs of our partner entrusted with permanent transport and courier activities on the parking lease, parking line (HUF 314 thousand, 97.5%),
- for warehouse and room rents (HUF 3,235 thousand, 92.4%) we show the regular rents of the secondary office (DR Site) and the occasional meeting room rented from ÁKK,
- the NDIF leases one car, its costs are included in rents (HUF 4,276 thousand, 96.1%),
- for the posting, we planned HUF 100 thousand for the cost of the rented car, if necessary and taking into account the cost-effectiveness calculations, which was not used,
- Expenses related to office leases (KEF rent and operating fee, total HUF 11,293 thousand, 101.4%) include HUF 7,324 thousand as an expense in 2019 and HUF 3,969 thousand as an invoice for the operating flat rate in 2018. The settlement of the flat rate was initiated by the landlord only in the third quarter of 2019, the invoice could be received and paid after the disputed items were

- clarified,
- we planned a reserve amount of HUF 300 thousand for the communication room lease, which was not used,
 - we used a total of HUF 2,059 thousand (66.4%) for car and other repairs and fire protection maintenance,
 - between the hosting fees (HUF 1,038 thousand 86.5%) the costs of basic maintenance and additional occasional tasks did not exceed the planned ones,
 - Under the institutional communication (HUF 1,074 thousand, 43%) the tasks planned for the whole year were partially implemented, including the modification of the compensation video HUF 457 thousand, the modification of the NDIF Compass publication due to a change in legislation HUF 29 thousand, Shutterstock photos for publications, web-site 588 E It was HUF,
 - the amount planned in the line of training-development is the framework approved by the Board of Directors, of which HUF 428 thousand was used for the following by the end of the period:
 - o 99999 Informatika Kft. IT consultation (HUF 102 thousand),
 - o Budapest Organization of the Hungarian Red Cross - life protection, first aid training (compulsory training for all NDIF employees, HUF 181 thousand),
 - o compulsory further training of certified accountants (1 person, HUF 24 thousand),
 - o GDPR training for 1 lawyer responsible for GDPR tasks (HUF 25 thousand),
 - o HR training (performance appraisal systems), in which the managing director participated (HUF 68 thousand),
 - o specialized legal training for 1 legal associate (HUF 28 thousand),

- the funds planned for trips abroad were used by the end of the period (HUF 1,946 thousand, 97.8%), the costs of domestic postings were not (HUF 30 thousand, 11.1%). The reason for the level of costs of missions abroad was mainly the planned participation in the EFDI working groups relevant to NDIF. In 2019, a number of foreign trips were missed (e.g., attendance at the IADI Annual General Meeting, the Taiwan trip) due to domestic responsibilities. The plan was modified in 2019 on the basis of actual and still expected expenditures (Vienna, participation of a working group), and expenditures were reduced.
- The costs of post office, telephone (including telephone costs accounted for as personnel costs), internet and EDR radio operation (HUF 4,835 thousand, 99.7%) developed as planned,
- the membership fees (HUF 11,353 thousand) developed as planned, as follows:
 - o domestic membership fees HUF 9,162 thousand (99.9%)
 - o cross-border compensation EDDIES platform membership fee HUF 2,096 thousand, (99.8%)
 - o membership fees - BEVA management portfolio HUF 95 thousand (100.0%)

Including:

IADI annual membership fee	5 208 thousand HUF,
EFDI annual membership fee	2 617 thousand HUF,
Bank Fee Companion Card annual fee	5 thousand HUF,
Hungarian Economic Association annual legal membership fee	1 000 thousand HUF,
Hungarian Banking Association annual membership fee (fractional period)	192 thousand HUF,
EDDIES annual fee	2096 thousand HUF,
Budapest Bar Association membership fee (OBA, 2 people)	140 thousand HUF,
Budapest Bar Association membership fee (BEVA, 1 person)	95 thousand HUF,

- Fee for legal services (HUF 14,811 thousand, 50.2%), of which the fee for services related to Project Nightingale is HUF 13,441 thousand, public procurement consulting is HUF 1,176 thousand, the cost of legal services related to enforcement and criminal proceedings in Heves and Vidéke is 191 It was HUF 1 thousand, in addition to which fees related to audit statements were incurred (HUF 3 thousand),
- the cost of professional translation (HUF 349 thousand, 34.9%) related to the annual report and business report of the NDIF for 2018,
- the GDPR expertise is the fee for the Data Protection Officer (DPO) required by law (HUF 889 thousand), which is the amount paid pro rata temporis under the contract that expired in May, ie it corresponds to the plan.
- In the line of other expert fees (HUF 176,163 thousand, 82%), expert fees related to the sale of receivables amounted to HUF 173,066 thousand (HUF 160,119 thousand paid to Deloitte Legal Erdős és Társai Law Office for the tasks performed in 2019, required for the sale of receivables, data room debiting the year 2019, accrued from 2018, HUF 12,424 thousand, the cost of archi-

ving the data room HUF 523 thousand), the agent and monitoring fee related to the office lease HUF 1 102 thousand, fee for the barcode in-ventory HUF 203 thousand, the fee for work protection services was HUF 106 thousand, and the fee for updating the accounting regulations was HUF 686 thousand.

The process review planned and started in 2019 by an external partner (KPMG, HUF 10 million + VAT) is in progress, the completion of which has not yet been completed.

- The procurements planned in the line of IT expert fees were fulfilled on a pro rata basis (HUF 2,928 thousand, 73.2%) as follows:
 - o DNV ISO 27001 certification (HUF 277 thousand),
 - o Navision accounting software developments (HUF 400 thousand)
 - o Continuous maintenance of the DokNet registration system (HUF 762 thousand),
 - o NetLock encryption certificates (HUF 293 thousand),
 - o other software support (VM Ware, software plan running a virtual environment: 1196 thousand HUF),
- The cost of the IT security audit was planned at HUF 13,000 thousand, which is the highest fee of the IT security officer (HUF 4,000 thousand) and the IT security auditor (HUF 9,000 thousand). In the first half of the year, the conclusion of new contracts was in progress, so a lower than pro-rata amount was realized on this line (HUF 8,539 thousand, 65.7%),
- the annual fee of the Magyar Posta server required for compensation is HUF 152 thousand (96.8%),
- the planned cost of the EMS (payment system) operation is HUF 17,000 thousand, which was planned for the annual operating costs and testing expenses, the realized expenses (HUF 13,416 thousand, 78.9%) cover the annual operation,
- the program follow-up fees (HUF 9,771 thousand, 88.9%) were realized as follows:
 - o Tensoft payroll software usage fee 2019 I. and II. quarter (HUF 60 thousand), after the outsourcing of the payroll accounting service, the contract was terminated in May,
 - o Accrued amounts of T-Systems MS licenses for 2019 HUF 6,491 thousand,
 - o The amount of the SAFE-Q print control service license accrued for 2019 is HUF 151 thousand,
 - o Hyena system monitoring software deferred edition for 2019 HUF 92 thousand,
 - o Navision accounting program annual tracking fee HUF 574 thousand,
 - o firewall rental fee HUF 1,608 thousand,
 - o Vmware system monitoring software subscription HUF 192 thousand,
 - o VPN service software license HUF 217 thousand,
 - o virus protection license HUF 386 thousand.
- the audit fee (HUF 3,175 thousand) is presented in the amount of the contract, partly with accruals,
- from administration and compensation-related services (HUF 7,776 thousand, 87.1%) HUF 7,153 thousand is the cost of accounting services, HUF 679 thousand is the cost of student work, which is temporarily used by the student cooperative to settle the paper-based documentation planned on this line,
- the cost of archiving was fulfilled as planned (HUF 1,332 thousand),
- The following were accounted for among other services (HUF 241 thousand and HUF 93 thousand):
 - o Hungarian motorway annual e-sticker: 43 thousand HUF,
 - o key copying, picture framing: 9 thousand HUF,
 - o OTP Bank Nyrt. Card test: 1 thousand HUF,
 - o stamp making: 112 thousand HUF,
 - o Mazars Kft. audit administration fee: 76 thousand HUF,
 - o Magyar Telekom Nyrt. - telephone entry fee: 2 thousand HUF,
 - o Edenred meal voucher handling fee: 91 thousand HUF,

The amount of fees and official fees planned among other services (HUF 17,018 thousand) is

- Duties and official fees HUF 8,060 thousand, of which the official (PM) fee of the preliminary tax assessment (VAT) required for the sale of receivables is HUF 8,000 thousand.
- Bank charges (HUF 2,794 thousand, 111.8%) are slightly higher than planned on a pro rata basis. Due to the amendment of the Accounting Act, the negative interest rate will be booked here in 2019, the amount of which decreased significantly with the deposit of account money and the change in interest conditions from April.
- Transaction costs (HUF 12 thousand) are the costs charged by the Hungarian State Treasury in connection with the management of individual securities.

- Expenses related to the OBA 2022 / A Bond were in line with the plan for the year in question (HUF 901 thousand), due to the repayment of the Bond.
- The property insurance premium (HUF 186 thousand) was originally planned on the basis of the new office investments, however, the move will not be realized in the year under review.
- The liability insurance fee of the Board of Directors (HUF 5,060 thousand) equal to the time proportion fees.

PERSONNEL EXPENSES

The average number of statistical employees of the NDIF exceeded 25 in the first quarter of 2019, therefore the NDIF had to pay a HUF 436 thousand rehabilitation contribution advance for the first quarter of 2019, but in the following quarters the number did not exceed the level of the payment obligation, thus no costs have been incurred, the amount paid can be used as an overpayment.

Personnel expenses amounted to HUF 594,681 thousand (98.4%) in the period. Including:

- the wage cost (HUF 382,022 thousand) at 99.0%,
- other payments of a personal nature (HUF 118,453 thousand) at 95.5%
- public charges paid for wages (HUF 94,206 thousand) were fulfilled at 99.7%.

Within the wage cost, it was overtime (HUF 971 thousand), this is NHB Bank's "in liq." compensation, the cost of additional working time required for the performance of accounting and financial tasks within the time limit prescribed by law, incurred due to the temporary vacancy of the position of CFO, and due to the possible performance of IT tasks outside working hours.

The amount of remuneration paid (HUF 70,898 thousand) was slightly lower than planned (97.9%) in relation to the half-year remuneration limit due to the assessment made under the authority of the Executive Director.

Other personal payments (HUF 118,453 thousand) and wage contributions were slightly lower than planned (95.5% and 99.7%, respectively). Among other payments of a personal nature, the remuneration was as planned.

The NDIF terminated the life insurance of employees in connection with the review and restructuring of the benefit package as of the balance sheet date, the premium shown in 2019 (HUF 220 thousand) is the expense accrued from the previous year and will be charged to 2019. As training costs, the amount of compensation paid on the basis of a study contract signed with 1 employee of the BEVA work organization was HUF 70 thousand deferred from the previous year and charged to 2019, as well as additional tuition fees paid in the current year plus public duties was HUF 491 thousand, which was further invoiced to BEVA.

DEPRECIATION EXPENSES

The recognized amount of depreciation is HUF 31,225 thousand, as planned. Among the planned investments, the following have been realized.

REALIZED INVESTMENTS IN 2019 (HUF AND%)

Definition	Modified BUDGET 2019	Actual 31.12.2019	Variation HUF (to original Budget)	Fulfillment %
High value Assets				
ERA Development (MNB development and fee declaration form development)	3 353 897	3 353 897	0	100
Notebook set	1 800 000	1 360 300	439 700	75,6
Development of EMS 1/ Facilitation of expert expectations and internal work processes delegated by the members of the Board of Directors on the basis of the action plans arising from the internal audit (4. and Milestone 5)	7 468 870	5 501 894	1 966 976	73,7
EMS development 2/: Development needs arising from stress testing	10 000 000	0	10 000 000	0
EMS 3 development 3 /: Development need arising from KBB modification and TB introduction	3 575 314	3 391 662	183 652	94,9
Improvements resulting from the review of the compensation process or for other reasons	11 114 024	11 114 024	0	100
EMS 3 development, 3rd milestone	2 847 000	0	2 847 000	0
EMS development, which also includes an Omega project, based on the offer for 2019 and a further planned release	3 405 632	0	3 405 632	0
KBB check application to be made available to member institutions	351 757	409 223	-57 466	116,3
Introduction of EDR radio				
Introduction of Intranet (internal information network) 4/2/2017 (IX. 27.) Pursuant to Decision of the Managing Board	4 900 000	1 371 600	3 528 400	28
Server memory expansion	3 200 000	0	3 200 000	0
80TB archive disk			-112 319	101,6
Extend primary storage: disks required to increase the central storage capacity of the NDIF	6 960 084	7 072 403	0	N/A
Extend backup storage: if disks provide additional capacity to save an increased data file			0	N/A
Veeam ONE view licence for esx3: the supervisory reporting system's license needs to be extended for a new virtual server host	1 200 000		1 200 000	0
New Doknet licenses	533 400	533 400	0	100
Flipchart board (over HUF 100 thousand)	0	109 766	-109 766	N/A
Stapler over	0	149 798	-149 798	N/A
Total high value assets, investments	60 709 978	34 367 967	26 342 011	56,6
Small value asset:				
Procurment of mobile phones for new employees and replacement of obsolete ones	170 000	171 725	-1 725	101
Other small asset	150 000	59 631	90 369	39,8
Total small value assets	320 000	231 356	88 644	72,3
TOTAL HIGH AND SMALL VALUE ASSETS	61 029 978	34 599 323	26 430 655	56,7

Source: NDIF

TABLE 43

(data: Shown in thousand HUF

44 DEVELOPMENT OF THE OPERATING AND FINANCIAL INCOME AND EXPENSES OF THE NATIONAL DEPOSIT INSURANCE FUND IN 2019, WITH THE RESULT OF THE SALE OF RECEIVABLES

(January 1, 2019 - December 31, 2019)

Definition	2019 modified Budget thousand HUF	31.12.2019 Actual thousand HUF	Variance thousand HUF	2019 Acutal / 2019 Budget %
Fee revenues from member institutions	10 171 636	10 041 157	130 479	98,7
Expenditure transferred to Resolution Fund	57 357	50 713	6 644	88,4
Expenditure transferred to BEVA,Settlement Fund	115 399	115 283	116	99,9
Tangible asset sale revenue	2	2	0	100,0
Value / discount receivables sale price	59 670 870	59 670 870	0	100,0
Fine penalty compensation	0	89	-89	N/A
Interest income on late payment of deposit insurance fees	2 096	2 096	0	100,0
State subsidy for parental leave	238	238	0	100,0
Other revenues	19	174	-155	915,8
Revenues from financial transactions	386 100	492 741	-106 641	127,6
TOTAL INCOME	70 403 717	70 373 363	30 354	100,0
Book value of sold assets	55 187 672	55 187 672	0	100,0
Impairment on uncollectable claims	114	153	-39	134,2
Other expenses	0	143	-143	N/A
Other support - permanently given financial instruments	250	250	0	100,0
Retortion costs	1 000	91	909	9,1
Expenditure of financial operations	202 210	190 662	11 548	94,3
TOTAL EXPENDITURES	55 391 246	55 378 971	12 275	100,0
Total material type expenses	381 915	307 769	74 146	80,6
Total personnel type expenses	604 257	594 681	9 576	98,4
Depreciation	31 223	31 225	-2	100,0
Total costs of operation	1 017 395	933 675	83 720	91,8
OPERATING COSTS AND EXPENSES	56 408 641	56 312 646	95 995	99,8

Source: NDIF

TABLE 44

(data: in HUF thousand and in %)





8

BALANCE SHEET REPORT

MÉRLEGKIMUTATÁS

National Deposit Insurance Fund				
BALANCE SHEET Version „A” ASSETS				
nr.		Denomination / thousand Ft	Base year 31.12.2018	Current year 31.12.2019
1	A	FIXED ASSETS	105 849	30 087 443
2	I.	INTANGIBLE ASSETS	79 034	87 487
3	I.1	Capitalised value of foundation-restructuring	0	0
4	I.2	Rights and titles	5 084	7 084
5	I.3	Intellectual property	73 950	80 403
6	I.4	Advances on intangible assets	0	0
7	I.5	Value adjustment of intangible assets	0	0
8	II.	TANGIBLE FIXED ASSETS	26 815	21 737
9	II.1	Real estate and related rights and titles	3 008	2 765
10	II.2	Equipment, fittings and vehicles	23 579	18 972
11	II.3	Capital investments	228	0
12	II.4	Advances for assets in construction	0	0
13	II.5	Adjustment in tangible fixed assets	0	0
14	III.	FINANCIAL INVESTMENTS	0	29 978 219
15	B	CURRENT ASSETS	78 703 404	48 817 147
16	I	INVENTORIES	62	43
17	I.1	Materials	0	43
18	I.2	Commercial goods	62	0
19	I.3	Mediated services	0	0
20	I.4	Advances on inventories	0	0
21	II.	RECEIVABLES	57 619 707	17 952 080
22	II.1	Receivables from member institutions	55 438 852	3 596 282
23	II.1.a	Fee receivables	160 709	0
24	II.1.b	Receivables assigned to the Fund	55 278 143	3 596 282
25	II.1.c	Fees on recourse commitments	0	0
26	II.1.d	Other receivables from member institutions	0	0
27	II.2	Other receivables from credit institutions	311	920
28	II.3	Receivables from depositors	0	0
29	II.4	Receivables from the state	0	0
30	II.5	Other receivables	2 180 544	14 354 878
31	III.	SECURITIES	5 378 511	29 946 665
32	III.1	Government securities	5 378 511	29 946 665
33	III.2	Other securities	0	0
34	IV.	CASH AND EQUIVALENTS	15 705 124	918 359
35	IV.1	Cash and cheques	314	164
36	IV.2	Bank deposits	15 704 810	918 195
37	C	PREPAYMENTS AND DEFERRED EXPENDITURES	121 060	419 389
38	TOTAL ASSETS		78 930 313	79 323 979

(data: Shown in thousand HUF

BALANCE SHEET REPORT

National Deposit Insurance Fund				
BALANCE SHEET Version „A“ LIABILITIES				
nr.	Denomination / thousand Ft	Base year 31.12.2018	Current year 31.12.2019	
39	D. EQUITY	59 143 172	73 324 350	
40	I. SUBSCRIBED CAPITAL	926 082	926 082	
41	II. RESERVES	38 891 107	58 217 090	
42	III. VALUATION RESERVE	0	0	
43	IV. PROFIT/LOSS OF THE CURRENT YEAR	19 325 983	14 181 178	
44	E. PROVISIONS	6 713	6 713	
45	F. LIABILITIES	19 758 875	5 990 507	
46	I. LONG-TERM LIABILITIES	17 250 003	0	
47	II. SHORT-TERM LIABILITIES	2 508 872	5 990 507	
48	II.1 Liabilities to member institutions	7 877	3 363 004	
49	II.2 Short-term credits	0	0	
50	II.3 Liabilities to member institutions	0	0	
51	II.4 Liabilities to the state	0	0	
52	II.5 Other short-term liabilities	2 500 995	2 627 503	
53	G. ACCRUALS AND DEFERRED INCOME	21 553	2 409	
54	TOTAL LIABILITIES	78 930 313	79 323 979	

(data: Shown in thousand HUF

National Deposit Insurance Fund				
INCOME STATEMENT TOTAL COST „A“				
nr.	Denomination / thousand Ft	Base year 31.12.2018	Current year 31.12.2019	
1	1 Fee income recognized against member institutions	15 346 623	10 041 157	
2	2 Fee and commission income from receivables collected on behalf of depositors	0	0	
3	3 Commission income after payment of state guaranteed deposits	0	0	
4	4 Other deposit insurance income	11 372 662	336 630	
5	I. Income from deposit insurance (0 1+02+03+04)	26 719 285	10 377 787	
6	II. Other incomes	141 941	59 839 465	
7	III. Non - deposit insurance income	0	0	
8	IV. Revenue from financial operations	796 160	492 741	
9	5 Expenditure on the payment of frozen deposits	0	0	
10	6 Expenditure on receivables collected on behalf of depositors	0	0	
11	7 Expenditure incurred in connection with the payment of state - guaranteed deposits	0	0	
12	8 Other deposit insurance expenses	6 137 877	216 169	
13	V Expenditure on deposit insurance (05+06+07+08)	6 137 877	216 169	
14	VI. Other expenses	16 029	55 188 309	
15	VII. Expenditure not arising from deposit insurance	0	0	
16	VIII. Expenditure on financial operations	1 393 015	190 662	
17	9 Material expenses	251 728	307 769	
18	10 Personnel expenses	505 853	594 681	
19	11 Depreciation	26 901	31 225	
20	IX. Operating expenses (09+10-11)	784 482	933 675	
22	A. RESULT FOR THE CURRENT YEAR (MMHVW-VI-VII-VIII-IX)	19 325 983	14 181 178	

(data: Shown in thousand HUF

National Deposit Insurance Fund						
Cash - Flow statement						
Denomination / thousand Ft	Base year		Current year		Change	
	31.12.2018	31.12.2019	Thousand HUF	%	Current year composition	
1 Profit for the year	±	19 325 983	14 181 178	-5 144 805	26,62%	-95,90%
2 Depreciation accounted for	+	26 901	31 225	4 324	-16,07%	-0,21%
3 Impairment and reversal are accounted for	±	-5 234 784	215 541	5 450 325	104,12%	-1,46%
4 Difference between provisioning and utilization	±	6 713	0	-6 713	100,00%	0,00%
5 Result from the sale of fixed assets	±	-34	-2	32	93,09%	0,00%
6 Changes in trade payables	±	138 982	-185 987	-324 969	233,82%	1,26%
7 Changes in other current liabilities	±	-248 535	312 502	561 037	225,74%	-2,11%
8 Passive accruals	±	-39 659	-19 144	20 515	51,73%	0,13%
9 Change in claims on member institutions	±	14 527 371	51 627 029	37 099 658	-255,38%	-349,14%
9.a Change in liabilities to member institutions	±	7 877	3 355 127	3 347 250	-42493,97%	-22,69%
10 Change in current assets (excluding accounts receivable and cash)	±	26 378 661	-36 743 078	-63 121 739	239,29%	248,49%
11 Changes in accruals	±	350 834	-298 329	-649 163	185,03%	2,02%
I. OPERATING CASH FLOW TOTAL		55 240 310	32 476 062	-22 764 248	41,21%	-219,63%
12 Acquisition of fixed assets	-	-38 098	-30 012 819	-29 974 721	-78677,94%	202,97%
13 Sale of fixed assets	+	34	2	-32	93,09%	-0,00%
14 Cancellation and redemption of long-term loans and bank deposits	+	-	-	-	N/A	0,00%
15 Long - term loans, bank deposits	-	-	-	-	N/A	0,00%
II. TOTAL INVESTMENT CASH FLOW		-38 064	-30 012 817	-29 974 753	-78748,63%	202,97%
16 Connection fee income (other capital income)	+	-	-	-	N/A	0,00%
17 Share issue income (other capital income)	+	-	-	-	N/A	0,00%
18 Proceeds from the issue of bonds and debt securities	+	-	-	-	N/A	0,00%
19 Borrowing and borrowing	+	-	-	-	N/A	0,00%
20 Funds finally received	-	-	-	-	N/A	0,00%
21 Raising of shares (other capital transfers)	-	-	-	-	N/A	0,00%
22 Repayment of bonds and debt securities	-	-39 739 288	-17 250 003	22 489 285	56,59%	116,66%
23 Repayment and repayment of credit and loan	-	-	-	-	N/A	0,00%
24 Funds permanently transferred	-	-	-	-	N/A	0,00%
III. FINANCING CASH FLOW TOTAL		-39 739 288	-17 250 003	22 489 285	56,59%	116,66%
25 Revaluation of foreign currency funds	±	-	-7	-7	N/A	0,00%
IV. CHANGES IN FUNDS		15 462 958	-14 786 765	-30 249 723	195,63%	100,00%

(data: Shown in thousand HUF

SALE OF PART OF CLAIMS IN LIQUIDATION PROCEEDINGS

In 2019, for the first time in its history of more than 25 years, the NDIF sold its creditor re-ceived in certain liquidation proceedings. The complex transaction included the NDIF receivable in the liquidation proceedings of 11 domestic credit institutions.

In order to sell liquidation receivables, the NDIF announced a tender in line with international standards by finding 17 domestic and foreign potential buyers active in the receivables purchase market, with the primary goal of realizing the highest possible purchase price. After several months of due diligence, several offers were received for the announced claims of the NDIF, of which the NDIF accepted the offer of the highest Hungarian Real Estate Financing Zrt (Indotek Group, hereinafter HREF) with a purchase price of HUF 71.7 billion. The first installment was paid on the closing of the transaction on 5 June 2019, from which the liquidation proceeds received by the NDIF between 30 June 2018 and 31 December 2018 were deducted, while according to the agreement the buyer pays the remaining amount (second instalment) in a way that the proceeds of the liquidation proceedings being paid to the NDIF instead of the buyer until their amount reaches the second installment.

Excluding the liquidation payments received between the balance sheet date of 30 June 2018 and 5 June 2019, a receivable of HUF 59,670,870 thousand remained with the buyer (book purchase price), of which the buyer (5. June 2019) paid the first installment under the contract on the date of signing and closing. The second installment was paid in full upon receipt of the liquidation payment on February 24, 2020. **Taking into account the total purchase price paid, the total return in the 11 proceedings concerned is 43.2%.**

The package offered for sale did not include liquidation claims covered by the State guarantee, and the NDIF retained its claim in its own right against certain procedures involved in the transaction as a result of after-care compensation payments made after the transaction was closed. These newly arising items have been reported as creditors' claims in each liquidation proceedings and constitute a claim of the NDIF. According to the information provided by the liquidator on 4 March 2020, certain liquid assets included in the liquidation proceedings are being sold to the public and can provide information on the expected creditor return after the valid and effective completion of the sale proceedings. The distributable assets that form the basis of the asset allocation proposals can also be determined with the knowledge of the sales and other income actually received and the expenses of the current period.

In August 2019, referring to the Transfer Agreement concluded on 5 June 2019, HREF announced a warranty claim in the portfolio of the Northern Hungary Regional Bank Private Limited Liability Company "under liquidation" (hereinafter: ESRB) with a gross exposure of HUF 913.7 million. In connection with a credit claim marked as performing in Adatszoba. In the opinion of the NDIF, HREF's claim was unfounded and responded accordingly by letter dated 14 October 2019. After several exchanges of correspondence and negotiations, the updated claim of HREF and the numerical table serving as the basis for the calculation of damages were received on 30 April 2020. According to HREF's calculations, the loss arising from the classification into the performing / non-performing type is HUF 469.4 million, while the presumed loss from the incorrect classification into the retail / corporate segment is HUF 139.5 million, totaling approximately HUF 608.8 million. A legal assessment of this need is currently underway, during which the Board of the NDIF will decide on the next steps after obtaining the legal and advisory opinions.

Based on the above, no provision can be made in the 2019 business year because neither the amount nor the probability can be clarified at this stage of the case. Provision can be created at a later date in 2020 when the amount and the probability can be accurately clarified.

PROCEDURES NOT INVOLVED IN SALE**HEVES AND VIDÉKE SAVINGS COOPERATIVE "IN LIQ."**

The liquidation closing balance sheet and the proposed division of assets submitted by the liquidator to the Eger General Court on 12 December 2012 and amended on 18 September 2013 were upheld by the court on 15 December 2016 and became final on 31 December 2018 3 Fpk 10-93 -000215/462 and ordered the liquidator to pay (i) 100% satisfaction of the category "b" creditor's claim of the Ministry of National Economy (NGM, currently PM) represented by the NDIF within 15 days after the order became final HUF 719,214,722, HUF 267,720,757 for the 100% satisfaction of the NDIF's category "d" creditor claim, and (iii) the category "d" creditor claim of the Hungarian State (PM) represented by the NDIF HUF 115,153,667 to satisfy 100%.

Pursuant to the above court order, the liquidator should have transferred the amounts allocated to the NDIF and the PM to the NDIF's account by 15 January 2019, however, despite several requests, the liquidator only partially complied with this: Instead of HUF 1102,089 thousand owed to the NDIF and the PM, until 4 April 2019 it transferred only a total of HUF 233,065 thousand to the account of the NDIF with

the MNB. Given that the partial liquidation return did not provide either the NDIF or the PM with the 100% return envisaged in the closing balance sheet, the NDIF and the PM shared the partial return received in proportion to their claims. Based on the apportionment of the amounts, in order to collect the additional HUF 211,104 thousand still to be paid to the NDIF, the NDIF, on 17 April 2019, requested the issuance of a transfer order from the Eger General Court, and on 7 June 2019 initiated enforcement proceedings before the Eger General Court, on the basis of which it issued the enforcement order on 28 June 2019. On June 21, 2019, the NDIF also initiated an ethical investigation against the liquidator CONCORDAT Felszámoló Kft. at the National Association of Liquidators and Asset Supervisors, and on June 27, 2019, the law firm representing the NDIF filed a complaint with the police against an unknown perpetrator. As a result of the implementation, an additional HUF 120,261 thousand was paid to the NDIF by the end of 2019, so the amount of the remaining NDIF receivable is HUF 90,843 thousand.

GENERAL TRANSPORT CREDIT COOPERATIVE "IN LIQ."

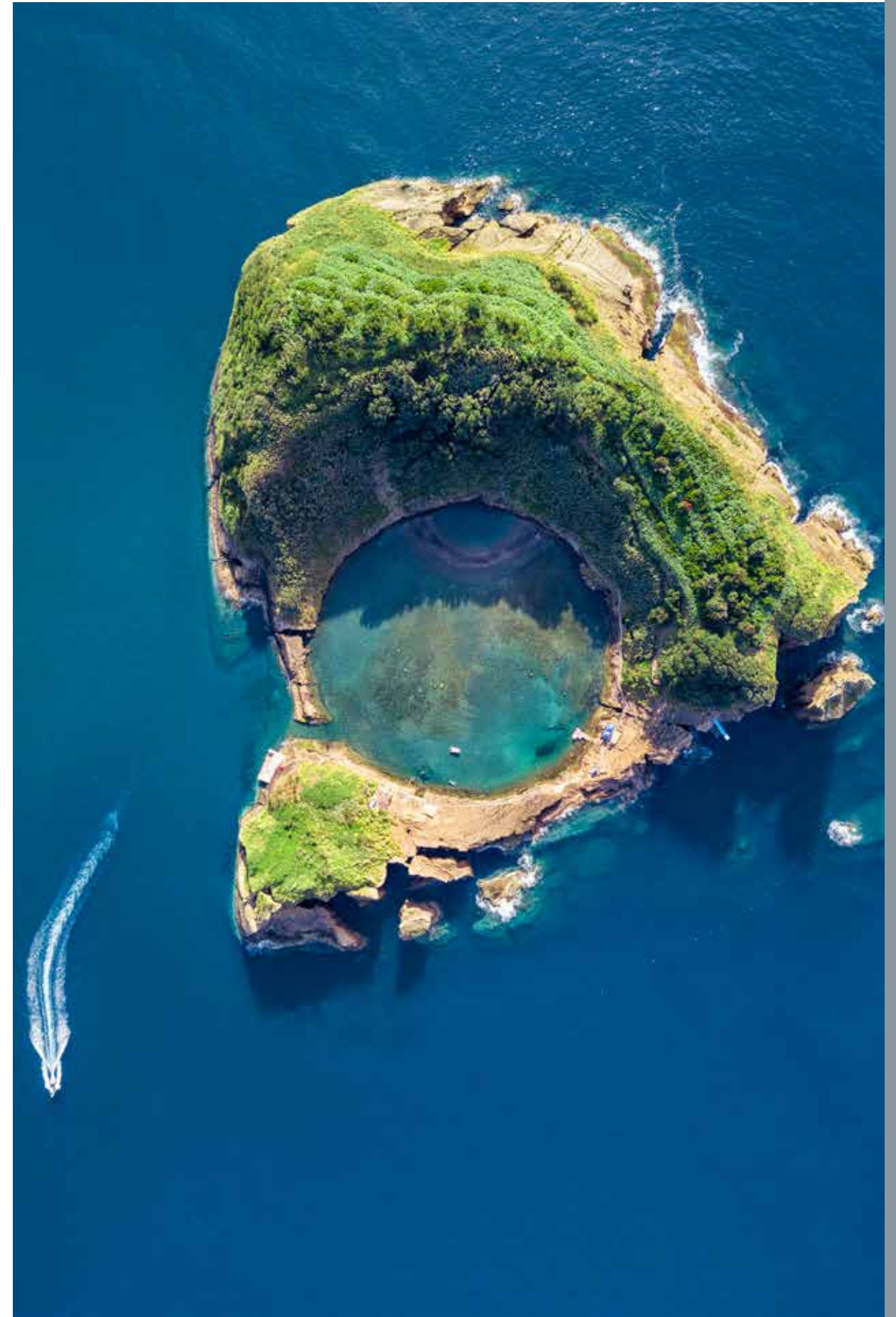
The liquidator submitted to the Metropolitan Court the final balance sheet of the liquidation procedure of the Credit Cooperative dated 3 November 2017, which was approved, the liquidation was completed on 31 January 2019 by deletion from the register of companies. The liquidation received HUF 237,029 thousand from the liquidation in February 2019, during the procedure a total of HUF 713,615 thousand. The return covered by the state guarantee was HUF 11,526 thousand. The return is thus 22.3% for the entire period of liquidation.

"JÓGAZDA" COOPERATIVE SAVINGS BANK "IN LIQ."

The liquidation final balance sheet and report submitted by the liquidator were sent by the Metropolitan Court by order of 13 February 2020 to the creditors, who have 30 days from receipt to object. According to the asset distribution proposal, in case of approval, a return of HUF 604,063 thousand will be paid to the NDIF, so the expected return of the NDIF during the whole procedure is 32.3%.

NHB NÖVEKEDÉSI ÉS HITEL BANK ZRT. "IN LIQ."

Magyar Nemzeti Bank in Order H-JÉ-I-86/2019 with effect from 14 March 2019, NHB Növekedési és Hitel Bank Zrt. revoked the activity license of the credit institution and initiated the liquidation of the credit institution, as a result of which the NDIF started to compensate the credit institution's depositors. By order of 2 December 2019, the Metropolitan Court ordered the liquidation of the credit institution. According to the information provided by the liquidator of NHB Bank on 4 March 2020, the audit of the final liquidation report and its submission to the supreme body was still in progress, so in the absence of a final liquidation closing balance sheet, the liquidation opening balance sheet has not yet been prepared. For the year-end valuation of the claim related to NHB's compensation, the NDIF could not receive information on the expected return from PFSN in the absence of the final balance sheet until the balance sheet date. However, during the preparation of the report, in the days prior to the submission of the report to the Board of Directors (19 May 2020), PFSN provided new information to the NDIF, according to which the expected return is expected to be between 85-100%. In addition, given that this is a fairly broad range of estimates as a percentage, the full return is not excluded and no further information is available for refining, so no impairment was recognized in the 2019 financial statements. Upon receipt of a future accurate estimate in 2020, it cannot be ruled out that an impairment loss will have to be recognized, the maximum amount of which, based on the currently available forecast, is HUF 452 million, which is 15% of the total exposure.



PUBLIC POLICY OBJECTIVES OF THE NDIF

- Increasing depositors' confidence in credit institutions.
- Protection of deposits of insured depositors placed with credit institutions up to the value limit specified by law.
- Reducing the adverse effects of the possible insolvency of institutions.

VISION

NDIF, which enjoys public confidence and operates an efficient deposit insurance system that is one of the leading in the world.

MISSION

Supporting the stability of the domestic financial system by strengthening depositors' confidence in the banking system and further developing it in such a way that, by harmonizing the legal framework, the NDIF meets the challenges of financial shocks and is able to maintain the domestic financial system.

HIGHLIGHTED VIRTUES

The NDIF continues to serve domestic financial stability within the framework of value-based operations. The key values are summarized in the NDIF Code of Ethics adopted in December 2019:

- fairness and honesty,
- independence, objectivity and impartiality,
- the NDIF's commitment to employees,
- loyalty, personal commitment,
- customer focus,
- respect
- openness to continuous development, striving for professional excellence,
- accountability,
- environmental awareness.

The Code of Ethics has also been published on the NDIF's website.

MEDIUM - TERM INSTITUTIONAL OBJECTIVES

In view of the changes in the market and regulatory environment affecting the NDIF and deposit insurance, as well as the challenges arising from them, in 2019 the Board of the NDIF started reviewing the medium-term institutional objectives and developing a new strategic framework, the results of which are expected in 2020.



APPENDIX 1

FEES PAID BY NDIF MEMBER INSTITUTIONS FOR 2019

Number	Name of member institution	2019 fee
1	3A Takarékszövetkezet	136 515
2	Aegon Lakástakarék Zrt.	17 249
3	B3 TAKARÉK Szövetkezet	111 172
4	Bank of China (Hungária) Zrt.	8 717
5	Bank of China Limited Magyarországi Fióktelepe	331
6	Békés TakaréK Szövetkezet	82 373
7	Bóly és Vidéke Takarékszövetkezet	0
8	Budapest Bank Zrt.	700 981
9	CENTRÁL TAKARÉK Szövetkezet	116 162
10	CIB Bank Zrt.	615 297
11	Commerzbank Zrt.	15 092
12	Dél TAKARÉK Szövetkezet	112 775
13	Duna TakaréK Bank Zrt.	76 220
14	ERSTE Bank Hungary Zrt.	984 166
15	ERSTE Lakástakarék Zrt.	93 722
16	Eximbank Zrt.	0
17	Fókusz Takarékszövetkezet	134 685
18	Fundamenta-Lakáskassza Zrt.	583 384
19	Gránit Bank Zrt.	72 242
20	Hungária TakaréK Takarékszövetkezet	69 369
21	K&H Bank Zrt.	1 623 263
22	KDB Bank Európa Zrt.	40 497
23	Kinizsi Bank Zrt.	1 619
24	KORONA TAKARÉK Takarékszövetkezet	90 255
25	M7 TAKARÉK Szövetkezet	57 390
26	MagNet Bank Zrt.	116 108
27	Magyar Cetelem Bank Zrt.	29 763
28	Merkantil Bank Zrt.	24 393
29	MKB Bank Nyrt.	515 530
30	MTB Zrt.	14 950
31	NHB Növekedési Hitel Bank Zrt.*	1 518
32	Nyugat TakaréK Szövetkezet	134 217
33	OTP Bank Nyrt.	3 855 588
34	OTP Lakástakarék Zrt.	322 185
35	Pannon TakaréK Bank Zrt.	49 870
36	Pátria Takarékszövetkezet	74 296
37	Polgári Bank Zrt.**	44 371
38	Porsche Bank Zrt.	4 685
39	Raiffeisen Bank Zrt.***	810 684
40	Sberbank Magyarország Zrt.	178 113
41	Sopron Bank Zrt.	52 793
42	Takarék Kereskedelmi Bank Zrt.	185 013
43	Takarékbank Zrt.****	135 445
44	TISZÁNTÚLI TAKARÉK Takarékszövetkezet	163 242
45	UniCredit Bank Hungary Zrt.	693 213
Total		13 149 456

Source: NDIF

* NHB Növekedési Hitel Bank Zrt paid the fee for the first quarter of 2019 in full, the part related to the fractional period following the revocation of its license was settled by the NDIF in the creditors' claim announced in the liquidation procedure, so the amount actually paid in 2019 is HUF 406 thousand higher.

** Due to the subsequent modification of the data provision of Polgári Bank Zrt., The fee for 2018 decreased, which was booked in the fee for 2019, so the amount actually paid in 2019 is HUF 10 thousand lower.

*** Due to the subsequent modification of the data provision of Raiffeisen Bank Zrt., the fee for 2018 increased, which was booked in the fee for 2019, so the amount paid in 2019 is HUF 245,502 thousand higher.

**** In the case of TakaréKbank Zrt., the fee for the fraction of 2018 following the transaction was collected in 2019 due to the portfo-lio taken over from Bóly és Vidéke Takarékszövetkezet, so the amount paid in 2019 is HUF 145 thousand higher.

(data: Shown in thousand HUF)



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