



RESOLUTION FUND HUNGARY

ANNUAL REPORT 2014

RESOLUTION FUND ANNUAL REPORT 2014



RESOLUTION
FUND
HUNGARY

INDEPENDENT AUDITOR'S REPORT



Tel: +36 1 235 3010, 235 3090
Fax: +36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest, Kőér utca 2/a.
Laurus Irodaházak C épület
1476 Budapest, Pf. 138.

Independent Auditor's Report to the Board of Directors of Szanálási Alap

Audit Report on annual financial statements

We have audited the accompanying 2014 annual financial statements of **Szanálási Alap**, which comprises the balance sheet as at **31 December 2014** - showing a balance sheet total of **THUF 2 412 992** and a profit for the year of **THUF 1 961 146 -**, the related profit and loss account for the year then ended and the summary of significant accounting policies, and other explanatory notes.

Management's Responsibility for the financial statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the annual financial statements give a true and fair view of the equity and financial position of Szanálási Alap as at 31 December 2014 and of the result of its operation for the year then ended in accordance with the Hungarian Accounting Law.

A BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

BDO Hungary Audit Ltd., a Hungarian limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent firms.

Fővárosi Bíróság Cégbírósága, Cégjegyzékszám: Cg. 01 09 867 785

Csoportazonosító (Group-ID-Nr): 17780711-5-44
Group VAT Nr.: HU 17780711



Tel: +36 1 235 3010, 235 3090
Fax: +36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest, Kőér utca 2/a.
Laurus Irodaházak C épület
1476 Budapest, Pf. 138.

Other reporting requirements: Reporting on the business report

We have examined the accompanying business report of Szanálási Alap for the financial year of 2014.

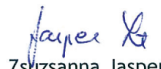
The management is responsible for the preparation and fair presentation of the business report in accordance with the Hungarian Accounting Law. Our responsibility is to assess whether or not the accounting information disclosed in the business report is consistent with the financial statements. Our work in respect of the business report was limited to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non audited financial records. In our opinion the 2014 business report of Szanálási Alap is consistent with the disclosures in the financial statements as of 31 December 2014.

Budapest, 07.05.2015

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


Ferenc Baumgartner
Managing Director




Zsuzsanna Jasper
Certified Auditor
Chamber registration No.: 001288

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

A BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

BDO Hungary Audit Ltd., a Hungarian limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent firms.

Fővárosi Bíróság Cégbírósága, Cégjegyzékszám: Cg. 01 09 867 785

Csoportazonosító (Group-ID-Nr): 17780711-5-44
Group VAT Nr.: HU 17780711

TABLE OF CONTENTS

RESOLUTION FUND BALANCE SHEET FOR 2014	7
RESOLUTION FUND BALANCE SHEET 2014 SUPPLEMENTARY ANNEX	11
1. GENERAL	12
1.1. Introduction of the Resolution Fund	12
1.2. Establishment and fiscal obligations of the Fund	13
1.3. The Fund's Member institutions	13
1.4. The Fund's activities and tasks	13
1.5. The governing body and supervision of the Fund	14
1.5.1. The Board of Directors	14
1.5.2. Supervision of the Fund	14
2. MAJOR CHARACTERISTIC FEATURES OF THE FUND'S ACCOUNTING POLICY	15
2.1. The legal basis for book-keeping	15
2.2. Decisions related to reporting obligations	15
2.3. Aspects of the classification of assets and liabilities	16
2.3.1. Valuation of assets	17
2.3.2. Presentation of specific valuation methods used in the report	18
2.3.3. Valuation of Liabilities	18
2.4. Presentation of the method of depreciation and impairment	19
3. SUPPLEMENTS AND EXPLANATIONS TO THE DIFFERENT BALANCE SHEET ITEMS	20
3.1. Assets	20
3.2. Fixed assets	20
3.2.1. Current assets	20
3.2.1.1. Receivables	20
3.2.1.2. Liquid assets	21
3.2.2. Prepayments and accrued income	21
3.3. Liabilities	21
3.3.1. Equity	21
3.3.2. Provisions	22
3.3.3. Liabilities	22
3.3.4. Accruals and deferred income	22
4. SUPPLEMENTS RELATED TO CERTAIN ITEMS OF THE PROFIT AND LOSS STATEMENT	23
4.1. Income shown in the Profit and loss statement	23
4.2. Fund costs and expenditures	23
4.3. Operating costs	24
5. BUSINESS REPORT	26
5.1. Objectives for the future and significant events in the first half of 2015	26
5.2. Significant events that occurred after the accounting date	26
5.3. Financial position indicators	26
5.4. Costs related to operation in 2015	27
5.5. Tasks specified by the Resolution Fund's Board of Directors and completion thereof	29

RESOLUTION FUND BALANCE SHEET FOR 2014



RESOLUTION FUND BALANCE SHEET FOR 2014

STATISTICAL CODE: 18618389-6619-919-01

RESOLUTION FUND				
BALANCE SHEET (ASSETS)				
No.	Description / HUF thousand	31.12.2013	Effect of the audit	31.12.2014
1 A	FIXED ASSETS	0	0	0
2 I.	INTANGIBLE ASSETS	0	0	0
3 I.1	Capitalised value of original contribution/restructuring			0
4 I.2	Property rights			0
5 I.3	Intellectual products			0
6 I.4	Advances and prepayments on intangible assets			0
7 I.5	Revaluation of intangible assets			0
8 II.	TANGIBLE ASSETS	0	0	0
9 II.1	Real estate and related property rights			0
10 II.2	Machinery, equipment and vehicles			0
11 II.3	Assets in course of construction			0
12 II.4	Payments on account for assets in course of construction			0
13 II.5	Revaluation of tangible assets			0
14 III.	FINANCIAL INVESTMENTS			
15 B	CURRENT ASSETS	0	0	2,410,994
16 I.	STOCKS	0	0	0
17 I.1	Raw materials			0
18 I.2	Commercial goods			0
19 I.3	Mediated services			0
20 I.4	Payments on account for stocks			0
21 II.	RECEIVABLES	0	0	0
22 II.1	Receivables from institutions	0	0	0
23 II.1.a	Receivables from fees			0
24 II.1.b	Receivables from loans			0
25 II.1.c	Other receivables from institutions			0
26 II.2	Other receivables			0
27 III.	SECURITIES	0	0	0
28 III.1	Government securities			0
29 III.2	Other securities			0
34 IV.	LIQUID ASSETS	0	0	2,410,994
35 IV.1	Cash on hand, cheques			0
36 IV.2	Bank deposits			2,410,994
37 C	PREPAYMENTS AND ACCRUED INCOME			1,998
38	TOTAL ASSETS	0	0	2,412,992

RESOLUTION FUND BALANCE SHEET FOR 2014

STATISTICAL CODE: 18618389-6619-919-01

RESOLUTION FUND				
BALANCE SHEET (LIABILITIES)				
No.	Description / HUF thousand	31.12.2013	Effect off the audit	31.12.2014
39 D.	EQUITY	0	0	2,387,118
40 I.	ISSUED CAPITAL			425,972
41 II.	RESERVES			0
42 III.	REVALUATION RESERVE			0
43 IV.	BALANCE SHEET PROFIT/LOSS			1,961,146
44 E.	PROVISIONS			
45 F.	LIABILITIES	0	0	25,467
46 I.	LONG-TERM LIABILITIES			
47 I.1	Liabilities towards the state			0
48 I.2	Liabilities from bond issuance			0
49 I.3	Other long-term liabilities			0
50 II.	SHORT-TERM LIABILITIES	0		25,467
51 II.1	Liabilities from resolution related activities			0
52 II.1.a)	Liabilities from the redemption of assumed guarantee			0
53 II.1.b)	Liabilities from compensation to be paid			0
54 II.1.c)	Other liabilities from resolution related expenditures			0
55 II.2	Liabilities towards institutions			0
56 II.3	Short-term loans			0
57 II.4	Other short-term liabilities			25,467
58 G.	ACCRUALS AND DEFERRED INCOME			407
59	TOTAL LIABILITIES	0	0	2,412,992

RESOLUTION FUND BALANCE SHEET FOR 2014

STATISTICAL CODE: 18618389-6619-919-01

RESOLUTION FUND				
PROFIT AND LOSS STATEMENT				
No.	Description / HUF thousand	31.12.2013	Effect of the audit	31.12.2014
5 I.	Income from activities related to resolution			1,986,747
6 II.	Other income			755
7 III.	Income from financial transactions			2,588
9 IV.	Extraordinary income			0
14 V.	Expenditures on resolution related activities			0
15 VI.	Other expenditures			50
16 VII.	Expenditures on financial transactions			0
17 VIII.	Extraordinary expenditures			0
19 01	Material expenditures			17,550
20 02	Payroll and related expenditures			11,344
21 03	Depreciation			0
22 IX.	Operating costs (01+02+03)	0	0	28,894
23 A.	BALANCE SHEET PROFIT/LOSS (I+II+III+IV+V+VI+VII+VIII-IX)	0	0	1,961,146

Dated in Budapest on 7 May 2015.

Gábor Orbán

Chairman of the Resolution Fund Board of Directors

RESOLUTION FUND BALANCE SHEET 2014 SUPPLEMENTARY ANNEX

1. GENERAL

1.1. INTRODUCTION OF THE RESOLUTION FUND

Name of the institution:	Szanálási Alap (Resolution Fund)
Seat:	1027 Budapest, Csalogány u. 9–11. www.szanalasialap.hu
Method of foundation:	pursuant to law (Act XXXVII of 2014 on the further development of the system of institutions strengthening the security of the individual players of the financial intermediary system)
Date of foundation:	21 July 2014
Form of organisation:	919 Other fund
Statistical code:	18618389-6619-919-01
Tax ID:	18618389-1-41
Account holding bank to the Fund:	National Bank of Hungary
Custodian bank for the Fund:	KELER Központi Értéktár Zrt. (KELER Central Clearing House and Depository Ltd.) (since 3 February 2015)
Fund asset manager:	Államadósság Kezelő Központ (ÁKK Zrt. – Government Debt Management Agency Private Company Limited by Shares)
Chairman of the Board of Directors:	Gábor Orbán, Minister of State of the Ministry for National Economy 1025 Budapest Törökvész út 119 D. ép..
Members of the Board of Directors:	Dr Ádám Balog , president, National Bank of Hungary (MNB) Dr László Windish , vice president, National Bank of Hungary (MNB) Dr András Fekete-Győr , managing director of the National Deposit Insurance Fund (NDIF)
Auditor of the Fund:	BDO Magyarország Könyvvizsgáló Kft. (BDO Hungary) Auditing company's licence No.: 002387 Name of the person performing the audit: Zsuzsanna Jasper , auditor, member of the Chamber of Auditors Auditor's licence No.: 001288

Accountant:

Dr Mihályiné Ilona Erdős,

NDIF chief accountant

Registration number: 121985

Place of preparation of the report: The seat of the Resolution Fund:
1027 Budapest Csalogány u. 9-11.

1.2. ESTABLISHMENT AND FISCAL OBLIGATIONS OF THE FUND

The Resolution Fund (hereinafter: the Fund) was established after Act XXXVII of 2014, on the further development of the system of institutions strengthening the security of the individual players of the financial intermediary system (hereinafter: Act on Resolution), entered into force.

Pursuant to Section 16 of Annex 5 to Act LXXXI of 1990, on corporate income tax and dividend tax, and pursuant to Section 3 (5) of Act C of 1990, on local taxes, the Fund is exempt from the payment of local tax, while pursuant to Section 5 r) of Act XCIII of 1990, on duties, the Fund is exempt from the payment of duties.

The Fund's issued capital of the comes from accession fees paid by its member institutions.

1.3. THE FUND'S MEMBER INSTITUTIONS

As of 31 December 2014, the Fund had 179 member institutions, including 33 banks, 8 specialised credit institutions, 115 credit unions and 23 investment firms.

The names of the Fund's member institutions, the dates of submission of the declaration of accession, and the accession fees paid by the members until 31 December 2014 are contained in Annex 1.

The membership of the Fund did not grow between the balance sheet date and the date of balance sheet preparation (28 February 2015).

1.4. THE FUND'S ACTIVITIES AND TASKS

The tasks of the Fund are determined by the Act on Resolution, by Government Decree 214/2000. (XII. 11.) (hereinafter: the Government Decree) and the regulations of the Fund.

The Fund is to finance needs specified in the Act on Resolution and directly linked to resolution using payments made by the institutions. In accordance with this, Fund assets can be used for the following purposes:

- a** to guarantee the assets and liabilities of the institution or the subsidiaries of the institution being resolved, the bridge institution or the asset management vehicle;
- b** for the provision of loans to the institution or subsidiaries of the institution being resolved, the bridge institution or the asset management vehicle;
- c** for purchasing the assets of the institution under resolution;
- d** for the contribution of capital to the bridge institution or the asset management vehicle;
- e** for the provision of contribution to the institution under resolution for the purpose specified by law;
- f** for the payment of compensation to NDIF pursuant to Section 143 (5) of the Act on Resolution;
- g** for the payment of compensation to owners or creditors pursuant to Section 98 of the Act on Resolution;
- h** to ensure fiscal neutrality as per Section 128 of the Act on Resolution;
- i** for any combination of the measures listed in Items a) to h);
- j** for costs directly related to the operation of the Fund.

When using the sale of business tool, the Fund can also be used for measures listed in the above Items a) to d) in connection with the recipient.

1.5. THE GOVERNING BODY AND SUPERVISION OF THE FUND

1.5.1. THE BOARD OF DIRECTORS

Pursuant to Section 132 (1) of the Act on Resolution the Fund is managed by a board of directors comprising of four members.

Members:

- an individual designated by the minister in charge of the regulation of the money, capital and insurance market,
- two individuals designated by the Governor of MNB, acting within his scope of resolution authority, one of whom is the Vice Governor of MNB supervising the task specified in Section 4 (8) of the Act on MNB, and the other is the Vice Governor of MNB supervising the task specified in Section 4 (9) of the Act on MNB, or senior officials performing these tasks, and
- the managing director of NDIF.

1.5.2. SUPERVISION OF THE FUND

The financial and accounting supervision of the Fund is performed by the State Audit Office of Hungary.

2. MAJOR CHARACTERISTIC FEATURES OF THE FUND'S ACCOUNTING POLICY

2.1. THE LEGAL BASIS FOR BOOK-KEEPING

The Fund keeps its books in accordance with the Regulations of Act C of 2000 on accounting (hereinafter: Accounting Act) and of the Government Decree.

2.2. DECISIONS RELATED TO THE REPORTING OBLIGATIONS

The Fund has developed its accounting policy, determining the methods and tools for compliance with the Accounting Act on the basis of the principles and valuation requirements specified in the Accounting Act, and with consideration to its specific features and conditions.

In connection with the reporting obligation, the accounting policy gives preference to reports showing the actual assets, finances and income conditions. In compliance with the purpose of the act, it requires information be supplied for the provision of a reliable and authentic picture, and specifies underlying principles, rules and requirements for it.

Pursuant to the Accounting Act, the Fund belongs to the group 'other organisations', the special book-keeping and annual reporting obligations of which are specified by the Accounting Act and the Government Decree.

a *Form of reporting:*

Report prepared by the Fund in accordance with the values specified in the Accounting Act: Annual report, the structure of which complies with the provisions of the Government Decree.

b *Dates related to reporting:*

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

c *Preparation of the report, person authorised to sign the report:*

Language of the report: Hungarian

Person authorised to sign the report: chairman of the Board of Directors

d *Method of book-keeping:*

The Fund uses double entry book-keeping for assets managed, used or owned by the Fund, and of related liabilities and business transactions, to ensure that changes

in assets and liabilities are presented authentically, continuously, transparently and in a closed system.

Pursuant to the Accounting Act, the report must also indicate those business events that pertain to the subject year, but become known after the balance sheet date, but before the date of balance sheet preparation. Such events include events that are related to the subject year, change the value of assets and liabilities as of 31 December, and that the Fund becomes aware of before the compilation of the annual report. The Fund's profit and loss statement content is specified in the Government Decree (profit and loss statement using the total-cost method). Accounting is carried out according to the structure of the chart of accounts for operating costs (Account group 5), expenditures (Accounting group 8) and revenues (Accounting group 9).

e *Compliance with accounting principles:*

Principle of going concern; principle of full disclosure; principle of authenticity; principle of consistency; principle of continuity; principle of matching; principle of prudence; principle of gross accounting; principle of discrete valuation; principle of accrual/deferral; principle of substance over form; principle of materiality; principle of cost-benefit.

f *Approval of the report:*

The Board of Directors of the Fund approves the annual report and the auditor's report by 30 May of the year following the subject year, and submits them to the State Audit Office of Hungary.

g *Comparability*

The Resolution Fund was established in the subject year, wherefore the items in the report cannot be compared with items from the previous year. .

2.3. ASPECTS OF THE CLASSIFICATION OF ASSETS AND LIABILITIES

1 *Aspects of the classification of assets:*

In compliance with the provisions of the Accounting Act, in the balance sheet for Fund assets that serve the Fund's activities for a longer period of time (i.e. for at least over one year) are presented as fixed assets, while assets that serve the Fund's activities for a period of less than a year (including government securities held for trading) are accounted as current assets.

Assets are classified in a discrete manner when they are put to use, and are reviewed during the preparation of the balance sheet.

2 *Aspects of the classification of liabilities:*

Pursuant to the provisions of the Accounting Act and the Government Decree, own liabilities of the Fund comprise of amounts derived from the balance sheet profit/loss, while external liabilities comprise of the amounts of funds, services or other liabilities received from external organisations (credit institutions) with maturity dates over or within one year.

2.3.1. VALUATION OF ASSETS

Fixed assets and current assets must be presented in the balance sheet at their acquisition (production) costs. In the balance sheet report, the gross value must be reduced by depreciations accounted for intangible and tangible assets, as well as by the amount of impairment in the case of financial investments. In the case of intangible assets, tangible assets and financial investments, the Fund does not use the market value method, (i.e. it does not account for value correction).

Items that represent the historical (acquisition) value of the assets must be taken into account at the time of the economic event (not later than when the asset is put to use) at the invoiced or imposed amount.

Stocks must be shown in the books at their acquisition costs; in the balance sheet report prepared at the end of the year, this value can be reduced with the amount of accountable impairment if certain conditions specified in detail in the valuation regulations are met. Stocks also include assets transferred to the Fund as legal guarantees for surety undertaken by the Fund, if the Fund intends to sell them instead of using them for the purpose of its own activities. Assets transferred to the Fund in such a manner must be included in the books at the value specified in the asset distribution proposal.

Receivables are presented in the balance sheet in the approved and acknowledged amounts. Receivables cannot be depreciated. For dubious debts, impairment specified in the accounting policy must be used. Uncollectible debts must be accounted as losses among other expenditures.

In justified cases, the Fund accounts dubious debts and expected losses (receivables from fees, trade accounts receivable, amounts owed by customers, advance payments and other receivables) outstanding on the balance sheet date as impairment loss. Impairment must be accounted if it is suspected or it is assumed that the receivable will not be received, or will not be received at book value. The amount of impairment loss is to be determined based on the assessment of customers with arrears on the balance sheet date, on a case by case basis with regard to the overdue and dubious debts, as well as to the advance payments made. If the receivable was fully paid by the date of balance sheet preparation, or it was settled with a bill of exchange, and the bill of exchange has not yet expired, no impairment loss can be accounted.

In connection with receivables from unpaid fees as of the balance sheet date, the Fund accounts impairment on the basis of individual valuation.

During the valuation of *securities* at year-end, the value shown in the balance sheet is the book value minus the amount of impairment accountable, pursuant to the Accounting Act. Debt securities with maturity dates over one year must be shown at the acquisition cost, or at the book value minus the accounted impairment or reversed impairment, irrespective of whether they are shown under current assets or fixed assets.

The Fund accounts for *liquid assets* at the book value shown in the bank statements and the cash inventories.

Accruals and deferrals

a *Prepayments and accrued income*

- Income that must be accounted for in the period closed with the balance sheet, yet will be realised only after the balance sheet date.
- Costs and expenditures that can be accounted for in the period following the balance sheet date.
- Amounts arising from additional liabilities.

b *Accruals and deferred income*

- Income that the Fund realised before the balance sheet date, but shall be considered as income in the next year only.
- Costs and expenditures that pertain to the year closed with the balance sheet, but will be incurred only after the balance sheet date.
- Liabilities that pertain to the closed year, but become known between the balance sheet date and the date of balance sheet preparation.
- The amount of subsidies received to offset certain costs and expenditures, though such costs or expenditures were not incurred.
- Deferred income accounted for as extraordinary income.

2.3.2. PRESENTATION OF SPECIFIC VALUATION METHODS USED IN THE REPORT

1 *Valuation of specific groups of assets*

- a** Interest accumulated in the acquisition value of interest bearing securities shown under current assets must be accounted for at the time of acquisition as an item that decreases the revenues.
- b** No impairment is accounted for in relation to government securities in the Fund's portfolio, because the state assumes guarantee for their repayment.

2 *Valuation procedures for specific groups of liabilities*

- a** The balance sheet profit/loss of the Fund for the previous year(s) is transferred to the capital reserve at book value.
- b** The liabilities towards institutions will be included in the balance sheet on the basis of the bank account statements.

The valuation of assets and liabilities not mentioned above is conducted in accordance with the general provisions of the Accounting Act.

2.3.3. VALUATION OF LIABILITIES

The Fund presents its *equity* in the balance sheet at book value.

Provisions must be shown in the balance sheet at book value.

Provisions **must** be formed for expected liabilities, in case it is known or it can be assumed that such liabilities will be incurred after the balance sheet date, or they arise from past or current transactions and no coverage is provided in the balance sheet yet. Such liabilities include, for instance, known or envisaged liabilities from sureties, guarantees options or pending court cases.

Provisions **can** be formed for costs expected to arise in the future.

Liabilities are presented in the balance sheet in the amount shown in the invoice or contract and acknowledged by the Fund. .

Costs that become known before the date of balance sheet preparation and pertain to the year preceding the subject year, e.g. the cost of the audit, are accounted for as *Accruals and deferred income*.

2.4. PRESENTATION OF THE METHOD OF DEPRECIATION AND IMPAIRMENT

Methods of depreciation:

- the basis for the accounting of planned depreciation is the capitalised value of intangible and tangible assets;
- for each item separately, from the date of capitalisation, linearly using the rates of planned depreciation;
- the Fund accounts the depreciation of assets with small acquisition or production value (under HUF 100,000) in a lump sum, at the time they are put to use.

Impairment and reversed impairment:

The Fund will account impairment if:

- the book value of the assets is permanently and significantly higher than the market value of the assets in question (significantly shall mean a rate specified in the valuation regulations for each asset),
- or if the asset becomes damaged or unnecessary due to changes in the Fund's activities;
- in case of a favourable turn of events, impairment can be reversed with revaluation, but only at book value or up to the nominal value.

3. SUPPLEMENTS AND EXPLANATIONS TO THE DIFFERENT BALANCE SHEET ITEMS

3.1. ASSETS

CHANGES IN THE COMPOSITION AND VALUE OF THE ASSETS				
Description	2013	2014	Distribution (%) 2014	Change HUF thousand
I. INTANGIBLE ASSETS	0	0	0.00%	0
II. TANGIBLE ASSETS	0	0	0.00%	0
III. FINANCIAL INVESTMENTS	0	0	0.00%	0
I. Stocks	0	0	0.00%	0
II. Receivables	0	0	0.00%	0
III. Receivables	0	0	0.00%	0
IV. Liquid assets	0	2,410,994	99.92%	2,410,994
C. Prepayments and accrued income	0	1,998	0.08%	1,998
TOTAL ASSETS	0	2,412,992	100.00%	2,412,992

3.2. FIXED ASSETS

In 2014 the Fund had neither intangible, nor tangible assets.

3.2.1. CURRENT ASSETS

The Fund's current assets totalled HUF 2,410,994,000 on the balance sheet date on the account kept by the National Bank of Hungary. This amount comprised of the already paid accession fees (HUF 425,972,000) and the membership fees (HUF 1,986,747,000) collected in October 2014. The Fund's custodian is KELER Central Clearing House and Depository Ltd., which could assume the role of custodian pursuant to the amendment of Section 335/A of Act CXX of 2001 by Section 9 of Act CIV of 2014, which took effect on 1 January 2015.

The Fund had no stocks on the accounting date.

3.2.1.1. RECEIVABLES

Receivables from members in the form of regular membership fees totalled HUF 50,000, which comprised Central Credit Befektetési Tanácsadó Zrt.'s accession and membership fees for 2014.

With its resolution No. H-EN-III-106/2014, the National Bank of Hungary revoked the licence of Central Credit Zrt. for the provision of investment services on 12 November 2014. No final settlement or liquidation procedure has been launched against said institution yet, therefore the unpaid fees were accounted as impairment under the heading Receivables from fees.

3.2.1.2. LIQUID ASSETS

Under the heading Liquid assets, bank deposits on the balance sheet date (31.12.2014) totalled HUF 2,410,994,000 in accordance with the bank statement of MNB. The Fund has no cash on hand.

3.2.2. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income are entered into the balance sheet at book value. The amount under this heading totalled HUF 1,998,000, which in part came from the default interest on the accession fee (HUF 142,000), and in part from the officials' liability insurance costs for 2015 (HUF 1,856,000).

3.3. LIABILITIES

CHANGES IN THE COMPOSITION OF LIABILITIES				
Description	2013	2014	Distribution (%) 2014	Change HUF thousand
D. Equity	0	2,387,118	98.93%	2,387,118
E. Provisions	0	0	0.00%	0
F. Liabilities	0	25,467	1.06%	25,467
G. Accruals and deferred payments	0	407	0.01%	407
FORRÁSOK (passzívák) ÖSSZESEN	0	2,412,992	100.00%	2,412,992

3.3.1. EQUITY

Description	2013	2014	Distribution (%) 2014
I. ISSUED CAPITAL	0	425,972	17.84%
II. CAPITAL RESERVE	0	0	0.00%
III. REVALUATION RESERVE	0	0	0.00%
IV. BALANCE SHEET PROFIT OR LOSS FIGURE	0	1,961,146	82.16%
D. EQUITY	0	2,387,118	100.00%

As of 31 December 2014, the Fund's equity totalled: HUF 2,387,118,000.

Issued capital

The issued capital comes from the paid accession fees. Pursuant to Section 137 of the Act on Resolution, an institution that wants to join the Fund shall pay a one-off accession fee.

As of 31 December 2014, the Fund's issued capital totalled HUF 425,972,000, all of which came from the paid accession fees.

Balance sheet profit/loss

As of 31 December 2014, the Fund's balance sheet profit totalled HUF 1,961,146,000. Pursuant to the Government Decree, the total amount of the Fund's profit must be accounted for as an increase in the reserves in the year following the business year.

3.3.2. PROVISIONS

In 2014, the Fund did not form provisions because it was not aware of any liabilities or future costs that would justify the formation of provisions.

3.3.3. LIABILITIES

The Fund has no long-term liabilities.

Short-term liabilities

As of 31 December 2014, the Fund's short-term liabilities totalled HUF 25,467 comprising the following items:

Description	Total (HUF thousand) as of 31 December 2014	Distribution %
Domestic trade accounts payable	14,118	55.5%
Unpaid personal income tax	1,429	5.6%
Income clearing account	5,985	23.5%
Contributions	3,930	15.4%
Other short-term liabilities	5	0.0%
Total	25,467	100.0%

Trade accounts payable, taxes and budgetary obligations are presented in accordance with the trade invoices and returns, at book value. Out of the book value of liabilities valid on the balance sheet date trade accounts payable totalled HUF 14,118,000, which included the following major items: amount invoiced by NDIF for mediated services equalled HUF 11,842,000 (including the VAT), HUF 1,958,000 was paid to Artvertising Advertising Agency for designing the Fund's website and for preparing the roll-up design of the annual report.

The trade accounts payable were paid on the date of balance sheet preparation.

Tax and contribution debts to the budget totalled HUF 5,359,000 at the end of the year. They comprised of the personal income tax payable on remunerations and social contribution (SZOCHO). These items were paid by the deadline before the date of balance sheet preparation.

3.3.4. ACCRUALS AND DEFERRED INCOME

As of 31 December 2014, the Fund's accruals and deferred income totalled HUF 407,000, which came from the accrual of the auditor's fee.

4. SUPPLEMENTS RELATED TO CERTAIN ITEMS OF THE PROFIT AND LOSS STATEMENT

4.1. INCOME SHOWN IN THE PROFIT AND LOSS STATEMENT

Description	2014 HUF thousand	Distribution (%) 2014
Income from resolution related activities	1,986,747	99.83%
Other income	755	0.04%
Income from financial transactions	2,588	0.13%
Extraordinary income	0	0.00%
Total	1,990,090	100.00%

The Fund's income came from the regular annual fees for the fractional period. Most of the fees were received by the payment deadline.

Other income totalled HUF 755,000 from the default interest paid by 12 institutions.

The HUF 2,588,000 income from financial transactions came from the interest on depositing the balance of the bank account at the end of the day.

4.2. FUND COSTS AND EXPENDITURES

Description	2014 HUF thousand	Distribution (%) 2014
Expenditures related to resolution	0	0.00%
Other expenditures	50	0.17%
Expenditures on financial transactions		
Extraordinary expenditures		
Material expenditures	17,550	60.74%
Payroll and related expenditures	11,344	39.26%
Depreciation	0	0.00%
Operating costs (01+02+03)	28,894	99.83%
Total expenditures	28,944	100.00%

The negligible amount of other expenditures (HUF 50,000) came from the accounting for the unpaid Central Credit Befektetési Tanácsadó Zrt. fee as impairment.

4.3. OPERATING COSTS

Actual operating costs exceed the budgeted cost only by 1.8%.

The attached table shows the discrepancy between the actual and the budgeted costs for each budget heading.

For the lack of a benchmark, Fund operating costs were budgeted on the basis of assumed costs.

Major cost items:

- rents and operating fees: HUF 884,000 (versus the budgeted HUF 750,000)
- postal fees, courier's fees: HUF 354,000 (versus the budgeted HUF 300,000)
- image building and other communication costs: HUF 2,993,000 (versus the budgeted HUF 3,000,000)
- labour costs related to the operating costs: HUF 10,270,000 (versus the budgeted HUF 8,087,000). Pursuant to the agreement between NDIF and the Resolution Fund, the wage and contribution costs + VAT of NDIF employees involved in the completion of the tasks of the Resolution Fund will be invoiced to the Fund.

The Fund has no separate work organisation. Operational tasks are performed by the NDIF work organisation, separately from its own tasks, under the supervision of the managing director of NDIF. Fees invoiced by NDIF under this legal title were accounted for under the Material expenditures heading.

The VAT of the wage costs invoiced to the Fund by NDIF was not taken into account in the budget.

- remunerations equalled HUF 11,344,000 (versus the budgeted HUF 10,962,000), i.e. they exceeded the budgeted amount by 3.5% due to the nature of contribution calculations.
- travel expenses: HUF 803,000 (versus the budgeted HUF 300,000)

Liability insurance accounted for in 2014: HUF 672,000 (versus the budgeted HUF 2,527,000).

In fact, actual costs equal the budgeted costs. The costs of 2,527,000 were incurred in 2014, however HUF 1,856,000 pertains to the year 2015, therefore they were deferred.

REGULAR COSTS RELATED TO THE OPERATION OF THE FUND			
Description	Amended amount budgeted for 5 months in 2014	Actual costs incurred in 2014	Actual/Planned %
1 Personal costs: remuneration of the members of the Board of Directors*	10,962,000	11,343,640	103.5%
2 Labour costs related to the operation of the Resolution Fund	8,086,954	10,270,432	127.0%
3 Auditor's, internal controller's fees	727,710	1,124,605	154.5%
4 Office supplies, infrastructure and IT costs	5,785,774	4,680,332	80.9%
5 Other operating costs	2,827,000	1,474,867	52.2%
Total regular costs related to operation	28,389,437	28,893,876	101.8%
THE ITEMISED LIST OF COSTS SPECIFIED IN SECTION 4			
a office supplies	10,000	12,700	127.0%
b costs of forms, press publications, professional books, subscription fees of gazettes, professional journals	10,000	12,700	127.0%
c IT materials	5,000	6,350	127.0%
d office, warehouse, room and other rents, operating costs	750,344	883,532	117.8%
e document storage	0		
f postal fees, courier's fees	300,000	353,000	118.0%
g taxi costs	20,000		
h telephone costs	90,430	129,406	143.1%
i printing and photocopying costs	15,000	31,846	212.3%
j image design, website design, maintenance and operation	2,500,000	2,992,819	119.7%
k other communication costs**	500,000		
l legal services***	100,000		
m translation costs	250,000		
n program expertise	0	117,094	
o program tracking fee	0		
p banking costs****	775,000	140,000	18.1%
q duties, transaction fees	150,000		
r property insurance premium	0		
s computer insurance	0		
t entertainment allowance	110,000		
u other material and service costs	200,000		
Total operating costs listed in Section 4	5,785,774	4,680,332	80.9%
ITEMISED LIST OF COSTS SPECIFIED IN SECTION 5			
a costs of conferences within the country and abroad	0		
b travel expenses	300,000	803,308	267.8%
c membership fees in professional organisations	0		
d liability insurance costs of the members of the Board of Directors	2,527,000	671,559	26.2%
Total operating costs listed in Section 5	2,827,000	1,474,867	52.2%

* decided later ** corporate design

*** fee of notary public **** including fees of asset management and custody

5. BUSINESS REPORT

5.1. OBJECTIVES FOR THE FUTURE AND SIGNIFICANT EVENTS IN THE FIRST HALF OF 2015

The short-term objective of the Fund is to harmonise the fee policy with the guidelines of the European Banking Authority.

A significant event in the first half of 2015 was the preparation of the collection of the quarterly fees.

An objective for the future is compliance with the requirement of the Act on Resolution, i.e. the accumulation of assets worth 1% of the protected deposits within 10 years.

5.2. SIGNIFICANT EVENTS THAT OCCURRED AFTER THE ACCOUNTING DATE:

- the custodianship and portfolio management contracts have been concluded, therefore the Fund can keep its free assets in government bonds.
- the resolution of an institution has been under way since the middle of December 2014. Depending on the resolution tool(s) to be used by the Resolution Authority, the assets of the Resolution Fund can be used in part or in full.

5.3. FINANCIAL POSITION INDICATORS

	For the subject year as of 31.12.2014
Share of invested assets =	0
$\frac{\text{Invested assets} \times 100}{\text{Total assets}}$	
Share of current assets =	100 %
$\frac{\text{Current assets + prepayments and accrued income} \times 100}{\text{Total assets}}$	
Equity ratio =	98.9 %
$\frac{\text{Equity}}{\text{Balance sheet total}}$	
Balance sheet profit/loss to equity ratio =	82.2 %
$\frac{\text{Balance sheet profit/loss} \times 100}{\text{Equity}}$	
Share of liabilities =	1.1 %
$\frac{\text{Liabilities} \times 100}{\text{Balance sheet total}}$	

Current assets, equity ratio =

$$\frac{\text{Current assets} \times 100}{\text{Equity}}$$

101 %

Liquidity ratio =

$$\frac{\text{Current assets} \times 100}{\text{Short-term liabilities}}$$

9467 %

Return on assets (ROA) =

$$\frac{\text{Profit} \times 100}{\text{Total assets}}$$

81.3 %

5.4. COSTS RELATED TO OPERATION IN 2015

The detailed proposal for the budget figures are contained in the annex to this proposal.

- Personal costs:** remuneration of the members of the Board of Directors
When calculating the remunerations for the 2015 budget based on the minimum wage, we calculated with an increased minimum wage of HUF 106,500. (During the preparation of the draft budget, the size of the minimum wage was not yet known.) The actual amount of remunerations in 2015 will be accounted with the minimum wage of HUF 105,000 announced by the Tax Authority (NAV).
- Under labour costs related to the operative functioning of the Resolution Fund,** we calculated with a certain percentage of the planned basic salaries of NDIF employees (6 persons) currently performing Fund related tasks. This percentage, a flat-rate standard, is identical with the percentage specified in the budget for 2014.¹
- The auditor's and the internal controller's fees** are the fees for 2015, as stipulated in the relevant contracts signed. Consultation about the audit for the 2015 business year has been conducted with the auditor. The fee according to the budget is HUF 970,000 + VAT (the contract will be signed in the second half of 2015).
- Office supply, infrastructure and IT costs** are detailed in the annex. Out of these costs *rents and operating costs* were budgeted proportionately to the office use (m²) by employees involved in the operation of the Fund as suggested in the proposal for the transfer of labour costs, with consideration given to the expected inflation rate in 2015.
The heading *printing and photocopying costs* shows the costs of custom printed envelopes, letterheads, folders, while the budgeted costs of legal services include the public notary's fee.
The budgeted *translation costs* cover the costs of translation of the annual report into English.
Under the budget heading *banking costs*, the budgeted amount also includes the *fees for asset management and custodianship*. Based on the rate specified in the contract concluded with ÁKK Zrt., the budget figures include the management costs of the Fund's assets estimated to equal HUF 10 billion.
In relation to the fee payable to KELER, we budgeted the custodianship fee on the basis of a planned asset value of HUF 10 billion in 2015 after the amendment to the act entered into force on 1 January 2015.

¹ The proposal on the practice and rate of accountability of labour and other costs by NDIF is contained in the Draft Cooperation Agreement between the Resolution Fund and NDIF under a separate agenda item

5 Other operating costs

Other operating costs included *foreign travel and accommodation expenses and conference fees*.
The liability insurance costs of the members of the Board of Directors equal the amount specified in the contract signed.

REGULAR COSTS RELATED TO THE OPERATION OF THE FUND, 2015.	
Description	Budgeted amount (HUF)
1 Personal costs: remuneration of the members of the Board of Directors	34,506,000
2 Labour costs related to the operation of the Resolution Fund	20,343,572
3 Auditor's, internal controller's fees	3,906,520
4 Office supplies, infrastructure and IT costs	8,492,620
5 Other operational costs	3,331,320
Total regular costs related to operation	70,580,032
ITEMISED LIST OF COSTS SPECIFIED IN SECTION 4	
a office supplies	20,000
b costs of forms, press publications, professional books, subscription fees of gazettes, professional journals	50,000
c IT materials	20,000
d office, warehouse, room and other rents, operating costs	1,204,742
e document storage	0
f postal fees, courier's fees	300,000
g taxi costs	20,000
h telephone costs	190,379
i printing and photocopying costs	50,000
j website maintenance	240,000
k other communication costs	1,000,000
l legal services	100,000
m translation costs	250,000
n program expertise (Netlock)	110,000
o program tracking fee	0
p banking costs, portfolio management fee	4,237,500
q duties, transaction fees	300,000
r property insurance premium	0
s computer insurance	0
t entertainment allowance	200,000
u other material and service costs	200,000
Total operating costs listed in Section 4)	8,492,620
ITEMISED LIST OF COSTS SPECIFIED IN SECTION 5	
a costs of conferences within the country and abroad	304,320
b travel expenses	500,000
c membership fees in professional organisations	0
d liability insurance costs of the members of the Board of Directors	2,527,000
Total operating costs listed in Section 5)	3,331,320

5.5. TASKS SPECIFIED BY THE BOARD OF DIRECTORS OF THE RESOLUTION FUND AND THE COMPLETION THEREOF

In the fractional year of 2014, the Board of Directors of the Resolution Fund passed 30 resolutions, all of which were adopted at board meetings, i.e. no resolution was passed outside meetings.

The resolutions of the Board of Directors were adopted on the most important issues affecting the organisation and operation of the Fund, including especially the following topics:

- adoption of the most important regulations governing the operation of the Resolution Fund (Code of Procedures of the Board of Directors, Organisational and Operational Rules, Fee Payment Regulations, Investment Regulations, Document Management Regulations). Due to changes in the legal regulations, the Code of Procedures and the Organisational and Operational Rules were amended;
- approval and modification of the budget of the Resolution Fund for the fractional year of 2014;
- approval of the budget of the Resolution Fund for 2015;
- approval of the work plans of the Board of Directors of the Resolution Fund for 2014 and 2015;
- appointment of the auditor of the Resolution Fund through tendering;
- authorisation for the appointment of the internal controller of the Resolution Fund;
- authorisation to commission ÁKK Zrt. and KELER Zrt. to perform the Resolution Fund's asset management and custodianship tasks, respectively;
- authorisation for the conclusion of liability insurance contracts for the members and permanent deputy members of the Board of Directors of the Resolution Fund;
- finalisation of the work plan of the internal controller of the Resolution Fund for 2015;
- approval of the communication strategy of the Resolution Fund;
- approval of the advance membership fee payments by the member institutions of the Resolution Fund for 2015;
- approval of the Cooperation Agreement between the Resolution Fund and the National Deposit Insurance Fund.

Dated in Budapest on 7 May 2015.

Gábor Orbán
Chairman of the Resolution Fund Board of Directors

Annual Report 2014

Publisher: Resolution Fund

The seat of the Resolution Fund: 1027 Budapest, Csalogány u. 9-11.

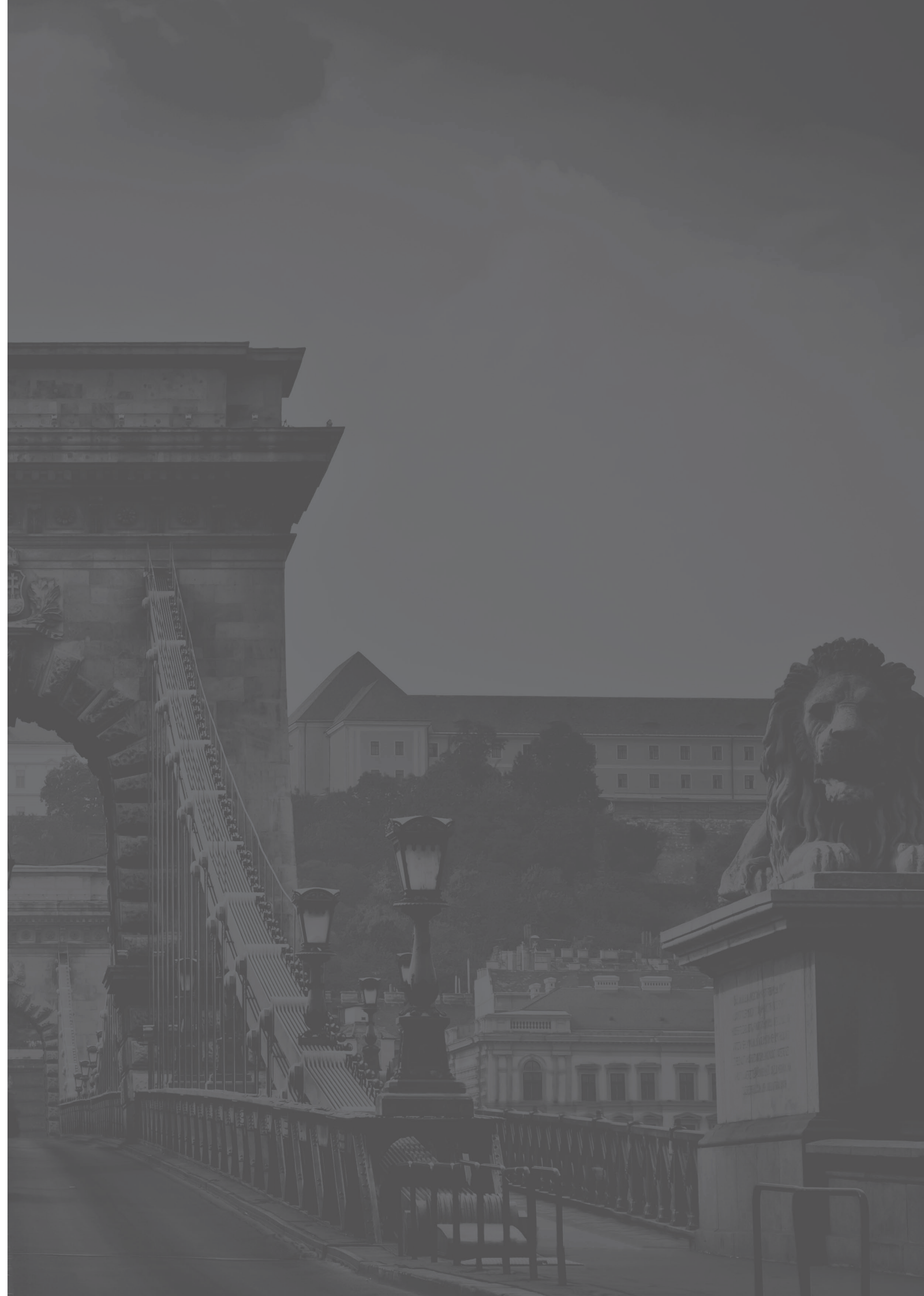
Mailing address: 1535 Budapest, Pf. 711

Central phone: +36 (1) 214 0661

Fax: +36 (1) 214-0665

E-mail address: info@szanaliasialap.hu

© Resolution Fund, 2015





RESOLUTION
FUND
HUNGARY