



SZANÁLÁSI
ALAP



ANNUAL REPORT
OF THE RESOLUTION
FUND
2019

THE BALANCE SHEET AND INCOME STATEMENT OF 2019 OF THE RESOLUTION FUND

The balance sheet of the resolution fund as of 31 December 2019
Statistical code: 18618389-6619-919-01

BALANCE SHEET version 'A' – ASSETS				
No.		Description	Baseline year	Year under review
			31.12.2018	31.12.2019
1	A	FIXED ASSETS	2 000 000	30 746 197
2	I.	<i>INTANGIBLE ASSETS</i>	0	0
3	I.1	Capitalised value of owners' contribution/restructuring	0	0
4	I.2	Rights representing pecuniary values	0	0
5	I.3	Intellectual property rights	0	0
6	I.4	Advances for intangible assets	0	0
7	I.5	Revaluation of intangible assets	0	0
8	II.	<i>TANGIBLE ASSETS</i>	0	0
9	II.1	Real estate and related rights representing pecuniary value	0	0
10	II.2	Machinery, equipment and vehicles	0	0
11	II.3	Assets under construction	0	0
12	II.4	Advances for assets under construction	0	0
13	II.5	Revaluation of tangible assets	0	0
14	III.	<i>FINANCIAL INVESTMENTS</i>	2 000 000	30 746 197
15	B	CURRENT ASSETS	35 638 388	24 600 652
16	I	<i>STOCKS</i>	0	0
17	I.1	Raw materials	0	0
18	I.2	Commercial goods	0	0
19	I.3	Mediated services	0	0
20	I.4	Advances for stocks	0	0
21	II.	<i>RECEIVABLES</i>	221	4 113
22	II.1	Receivables from member institutions	221	4 113
23	II.1.a	Receivables from fees	221	4 113
24	II.1.b	Receivables from lending	0	0
25	II.1.c	Other receivables from institutions	0	0
26	II.2	Other receivables	0	0
27	III.	<i>SECURITIES</i>	26 839 141	24 430 370
28	III.1	Government securities	26 839 141	24 430 370
29	III.2	Other securities	0	0
30	IV.	<i>LIQUID ASSETS</i>	8 799 026	166 169
31	IV.1	Cash and cheques	0	100
32	IV.2	Bank deposits	8 799 026	166 069
33	C	PREPAYMENTS AND ACCRUED INCOME	319 794	426 255
34		TOTAL ASSETS	37 958 182	55 773 104

data in K HUF

The balance sheet of the resolution fund as of 31 December 2019
Statistical code: 18618389-6619-919-01

BALANCE SHEET version 'A' – LIABILITIES				
No.		Description	Baseline year	Year under review
			31.12.2018	31.12.2019
35	D.	EQUITY	37 939 127	55 746 525
36	I.	REGISTERED CAPITAL	429 285	430 285
37	II.	CAPITAL RESERVES	26 333 769	37 509 842
38	III.	VALUATION RESERVES	0	0
39	IV.	PROFIT / LOSS FOR THE YEAR	11 176 073	17 806 398
40	E.	PROVISIONS	2 577	2 577
41	F.	LIABILITIES	14 663	21 879
42	I.	LONG-TERM LIABILITIES	0	0
43	I.1	Liabilities to the general government	0	0
44	I.2	Liabilities from bond issuance	0	0
45	I.3	Other long-term liabilities	0	0
46	II.	SHORT-TERM LIABILITIES	14 663	21 879
47	II.1	Liabilities from resolution activities	0	0
48	II.1.a)	Liabilities from redemption of assumed guarantee	0	0
49	II.1.b)	Liabilities from payable indemnification	0	0
50	II.1.c)	"Other liabilities from resolution-related expenditures"	0	0
51	II.2	Liabilities to institutions	629	316
52	II.3	Short-term borrowings	0	0
53	II.4	Other short-term liabilities	14 034	21 563
54	G.	ACRUALS AND DEFERRED INCOME	1 815	2 123
55		TOTAL LIABILITIES	37 958 182	55 773 104

data in K HUF

The income statement of the Resolution Fund in the fiscal year from 1 January 2019 until 31 December 2019
Statistical code: 18618389-6619-919-01

INCOME STATEMENT (TOTAL-COST METHOD) version 'A'				
No.		Description	Baseline year	Year under review
			31.12.2018	31.12.2019
1	I.	Revenues from resolution	10 552 546	12 114 150
2	II.	Other revenues	246 444	164
3	III.	Revenues from financial transactions	2 411 381	6 524 510
4	IV.	Expenditures on resolution	0	0
5	V.	Other expenditures	2 577	137
6	VI.	Expenditures on financial transactions	1 770 333	692 763
7	01	Expenditures on materials	217 793	92 665
8	02	Payroll and related expenditures	43 595	46 861
9	03	Depreciation	0	0
10	VII	Operating expenses (01+02+03)	261 388	139 526
11	A.	PROFIT/LOSS FOR THE YEAR (I+II+III-IV-V-VI-VII)	11 176 073	17 806 398

data in K HUF

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Gábor Gion
Chairman of the Board of Management of the
Resolution Fund

Budapest, 26 May, 2020

The Cash-flow statement of the Resolution Fund as of 31 December 2019
Statistical code: 18618389-6619-919-01

CASH - FLOW KIMUTATÁS						
No.	Description		Baseline year	Year under review	Change	
						Compo- sition in year under review
I. Cash flow from ordinary activities (lines I-II)			31.12.2018	31.12.2019	HUF'000	%
1	Profit / loss for the year	±	11 176 073	12 406 398	1 230 325	11,01%
2	Depreciation charged	+	0	0	0	N/A
3	Impairment charged and reversed	±	0	214 916	214 916	N/A
4	Balance of provisions set up and used	±	2 577	0	-2 577	N/A
5	Profit/loss of sale of fixed assets	±	0	0	0	N/A
6	Change of trade accounts payable	±	-958	7 467	8 425	-879,44%
7	Change of other short-term liabilities	±	49	62	13	26,53%
8	Change of accruals and deferred income	±	-234 969	308	235 277	-100,13%
9	Change of receivables from member institutions	±	67	-3 892	-3 959	-5908,96%
9/a	Change of payables to member institutions	±	629	-313	-942	N/A
10	Change of current assets (excluding trade accounts receivable and liquid assets)	±	-890 081	2 193 855	3 083 936	-346,48%
11	Change of prepayments and accrued income	±	353 113	-106 461	-459 574	-130,15%
I.	TOTAL OPERATING CASH FLOW		10 406 500	14 712 340	4 305 840	41,38%
II. Change of funds from investment activities (lines 12-16)			0	0	0,00	0,00%
12	Procurement of fixed assets	-	0	-28 746 197	-28 746 197	N/A
13	Sale of fixed assets	+	0	0	0	N/A
14	Long-term loans provided, bank deposits, repayments,	+	58 750 938	0	-58 750 938	-100,00%
15	Long-term loans provided, bank deposits	-	0	0	0	N/A
16	Dividends received	+	0	5 400 000	5 400 000	N/A
II.	TOTAL INVESTMENT CASH FLOW		58 750 938	-23 346 197	-82 097 135	-139,74%
III. Cash flow from financial transactions (lines 17-26)			0	0	0,00	0,00%
17	Accession fees received (other capital income)	+	261	1 000	739	N/A
18	Revenues from share issuance (other capital income)	+	0	0	0	N/A
19	Revenues from the issuance of bonds and credit securities	+	0	0	0	N/A
20	Borrowing	+	0	0	0	N/A
21	Liquid assets received for good	-	0	0	0	N/A
22	Share withdrawal (other decrease of capital)	-	0	0	0	N/A
23	Repayment of bonds and credit securities	-	0	0	0	N/A
24	Loan instalments and payoff	-	-60 512 595	0	60 512 595	-100,00%
25	Liquid assets transferred for good	-	0	0	0	N/A
26	Change in liabilities to founders / other long-term liabilities	+	0	0	0	N/A
III.	TOTAL FINANCIAL CASH FLOW		-60 512 334	1 000	60 513 334	-100,00%
27	Revaluation of foreign exchange cash and cash equivalents	+	0	0	0	N/A
IV.	CHANGE OF CASH AND CASH EQUIVALENTS IN BALANCE SHEET (+/- I. +/- II. +/- III. + 27)		8 645 104	-8 632 857	-17 277 961	-199,86%

data in K HUF

NOTES TO THE FINANCIAL STATEMENT OF 2019 OF THE RESOLUTION FUND

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1. GENERAL PART

1.1. THE INTRODUCTION OF THE RESOLUTION FUND

Name of the institution:	Resolution Fund (hereafter referred to as “Fund”)
Registered seat:	1027 Budapest Csalogány u. 9-11.
Website:	www.szanalasialap.hu
Method of foundation:	based on the law (Act XXXVII of 2014 on the development of the institution system strengthening the safety of certain players of the financial intermediary system, hereafter referred to as: Szantv.), date of foundation: 21 July 2014
Organization form:	919 Other fund
Statistical code:	18618389-6619-919-01
Tax number:	18618389-2-41
Account maintaining Bank:	the Hungarian National Bank (hereafter: “MNB”), MKB Bank and CIB Bank.
The custodian of the Fund (from 3 February, 2015):	KELER Központi Értéktár Zártkörűen Működő Részvénytársaság (hereafter: “KELER”), which provides custodian service for the Fund in line with Section 335/A of Act CXX of 2011 on the capital market.
Portfolio manager of the Fund:	Államadósság Kezelő Központ Zártkörűen Működő Részvénytársaság (hereafter: “ÁKK”).
Chairman of the Board of Directors:	Gábor Gion, State Secretary at the Ministry of Finance
Address:	2131 Göd, Fenyves utca 31/A.
Other members of the Board of Directors:	Dr. László Windisch, Vice-president of MNB, until 01/10/2019 Dr. Csaba Kandrács, Vice-president of MNB, from 02/10/2019 Róbertné Márta dr. Krisztina Mohácsi, head of the Resolution legalisation and regulatory department at MNB Dr. András Kómár, Managing Director of the National Deposit Insurance Fund (hereafter: “OBA”)
The auditor of the Fund:	MAZARS Könyvszakértő és Tanácsadó Kft. (1123 Budapest, Nagyenyed utca 8-14.)
License number of the auditor:	002220
Person performing the audit:	Istvánné Dóczi, Member of the Chamber of Auditors
License number of the auditor:	007016
Performing bookkeeping services:	Balázs Egon Gottl, Chief Accountant of OBA
Registration number:	172262
Place where the statement was made:	Registered seat of the Fund: 1027 Budapest, Csalogány u. 9-11.

1.2. THE FORMATION AND TAXATION SITUATION OF THE FUND

The Fund was established by law upon the entry into force of Szantv. According to point 16 of Annex 5 to Act LXXXI of 1996 on Corporate Tax and Dividend Tax, the Fund shall not be deemed to be a corporate tax payer; pursuant to Section 3(5) of Act C of 1990 on the local taxes (hereafter: Hatv.), the effect of Hatv. shall not extend to the Fund, and according to point r of Section 5 of Act XCIII of 1990 on duties, the Fund shall receive personal exemption from duty. The share capital of the Fund is composed of the entry fees of the member institutions.

1.3. THE MEMBER INSTITUTIONS OF THE FUND

The Fund had 44 member institutions on 31 December 2019, out of which there are 22 bank, 1 credit institution operating in the form of a cooperative (cooperative savings bank) and 11 investment firm. The name of the Fund’s member institutions, the amount of membership fees paid for 2019 by the members are included in Annex 1, the whole list of the member institutions is included in Annex 2. Between the accounting date of the balance sheet and the date of balance sheet preparation (28 February 2020) the last cooperative credit institution was also terminated.

1.4. THE SCOPE OF ACTIVITY OF THE FUND AND ITS TASKS

The most important rules for the Fund’s operation can be found in Szantv., Government Decree 214/2000 (XII.11.) concerning the specificities of the deposit insurance funds and institution protection funds and the annual statement preparation and accounting obligation of the investment-protection fund and the regulations of the Fund (hereafter: “Government Decree”) and in the Operational Guidelines of the Fund.

The Fund is a fund to cover the financing needs related directly to the reorganization, financial needs specified in the Szantv., financed from the payments of the member institutions.

- The property of the Fund can be used for the following purposes:
- a) guaranteeing the assets and liabilities of the institution under reorganization, its subsidiaries, the lintel institution or the reorganization administrator,
 - b) providing credit for the institution under reorganization, its subsidiaries, lintel institution or reorganization administrator,
 - c) buying the assets of the institution under reorganization,
 - d) capital contribution to the lintel institution or the reorganization administrator,
 - e) contribution to the institution under reorganization for the purpose specified in the law,
 - f) compensation to be paid for OBA according to Section 143(5) of Szantv.,
 - g) compensation to be paid for the owners or the creditors in accordance with Section 98 of Szantv.,
 - h) providing fiscal neutrality according to Section 128 of Szantv.,
 - i) any combination of the measures mentioned in points a)-h),
 - j) costs related directly to the operation of the Fund.

During the application of the assets sale, the Fund can be used also in terms of the receiver in the case of measures mentioned in points a)-d).

1.5. THE GOVERNING BOARD AND CONTROL OF THE FUND

1.5.1. THE BOARD OF MANAGEMENT

Pursuant to Section 132(1) of Szantv., the Fund is governed by a four-member board of management.

Members of the Board of Management:

- the person designated by the minister responsible for the regulation of the money, capital and insurance market,
- two people designated by the President of MNB acting in the sphere of duty of the reorganization, out of whom one is the vice-president supervising the task or the manager performing the tasks specified in Section 4(8) of Act CXXXIX of 2013 on the Hungarian National Bank (hereafter: „MNB tv.”) and the other one is for the tasks specified in Section 4(9) of MNB tv.
- and the Managing Director of the OBA.

1.5.2. THE CONTROL OF THE FUND

The Fund's financial-accounting control is performed by the State Audit Office.

2. THE MAJOR CHARACTERISTICS OF THE ACCOUNTING POLICY OF THE FUND

2.1. THE LEGAL BASICS OF THE BOOKKEEPING

The Fund keeps its books according to the regulations of Act C of 2000 on Accounting (hereafter: “Accounting Act”) and the Government Decree.

2.2. DECISIONS RELATING TO THE REPORTING OBLIGATION

The Fund has developed its accounting policy most suitable for its characteristics, circumstances with methods and tools to best implement the law, based on the assessment regulations, principles specified in the Accounting Act. Regarding the reporting obligation the accounting policy emphasizes the real material, financial and income situation; it provides information to create reliable and accurate general aspect as the purpose of the Accounting Act and the principles, rules, requirements ensuring them.

According to the regulation of the Accounting Act, the Fund belongs to other organisations and the special bookkeeping and annual report preparation obligation is regulated by the Accounting Act and the Government Decree.

a) Reporting form

The Fund prepares an annual report specified in the Accounting Act, the division of which complies with those included in the Government Decree.

b) Dates related to the preparation of the report

The accounting date of the balance sheet is 31st of December; the business year is identical with the calendar year.

c) The preparation and signature of the report

The language of the report is Hungarian, the signatory party of the report is the chairman of the Board of Directors.

d) Method of bookkeeping

Regarding the assets the Fund manages, uses and possesses and their liabilities, as well as the economic operations, the Fund ensures that the changes in the assets and sources are presented authentically, continuously, in a closed system, transparently within the framework of the double-entry bookkeeping. According to the Accounting Act, the report has to include those economic events that concern the reference year which become known after the accounting date of the balance sheet but before the date of creation of the the balance sheet. These events include those concerning the reference year and change the asset and liability items as of 31 December, and the Fund becomes aware of them before the compilation of the annual report. The Fund prepares a income statement (classification of expenses by nature) with contents specified in the Government Decree. The Fund enters its operating cost (account category 5), its expenses (account category 8) and its revenues (account category 9) into the books broken down according to the chart of accounts.



e) *The enforcement of the accounting principles*

The Fund enforces the following accounting principles: the principle to continue operation, the principle of completeness, the principle of truth, the consistency principle, the principle of comparison, the principle of caution, the principle of offsetting, the principle of item-by-item valuation, the principle of accrual and deferral, the principle of the content's priority over the form, the principle of importance, the principle of cost benefit comparison.

f) *Adoption of the report*

The Fund's board of management adopts the annual report and the auditor's report up to 30 May after the reference year and submits them to the State Audit Office.

g) *The provision of comparison*

The Reorganization Fund was established on 21 July, 2014. The comparability of the annual reports shall be provided for by the structure, division and contents of the balance-sheet and the income statement, as well as by the constancy of the evaluation principles and procedures of balance-sheet items.

h) *Exceptionally large items*

The threshold of the significance amount of the exceptionally large items was determined by the Fund as 5% of the financial year's revenue.

2.3. CONSIDERATIONS OF THE CLASSIFICATION AND VALUATION OF ASSETS AND LIABILITIES

The considerations of the classification of assets

The Fund classifies those assets as fixed assets according to the Accounting Act, which serve the activity permanently, at least for more than one year; it classifies those assets as current assets, which serve the activity within one year, thus the government bonds that are debt securities held for trading. Upon occupation there is a item-by-item valuation, and during the preparation of the balance sheet there is revision.

The considerations of the classification of liabilities

The shareholder's funds are made of the amounts generated from the result of the reference year according to the Accounting Act and the Government Decree; the foreign sources are made of funds, service or the amounts of other obligation received for more than one year or less from an external organisation (for example, credit institutions).

2.3.1. THE ASSESSMENT OF THE ASSETS

The *fixed assets* and the *current assets* must be included in the balance sheet at their purchase (production) price. Upon the preparation of the annual report, their gross value shall be reduced by the amount of the accounted depreciations in the case of the intangible assets and fixed assets, or by the amount of impairment loss in the case of fixed financial assets. The Fund does not employ the method of market value assessment, in the case of intangible fixed assets, tangible assets and fixed assets, therefore value adjustment is not booked. For items that are part of the purchase (production) price of the assets the value shall be calculated upon occurrence, when the economic event occurs (no later than upon commissioning) in the invoiced and charged amount.

The books shall include *inventories* at their purchase price which is fixed upon the preparation of the report but it can be reduced by the amount of the deductible depreciation in case of conditions specified in details in the assessment regulation. We present properties of the Fund among the inventories in case of the liquidation of the member institution through the enforcement of the legal warranty covering the collateral guarantee of the Fund, if it does not use them for its own activity but will sell them. Properties which thus became the possession of the Fund must be included in the books at the value specified in the recommendation for the asset allocation.

Claims are present in the balance sheet in the accepted, recognised amount. Claims cannot be charged off; depreciation must be accounted for the uncertain assets. Claims that cannot be collected must be accounted for as loss among other expenses. In a justified case, the Fund accounts for depreciation for the uncertain claims, expected losses (claims for a fee, trade receivables, amount paid as advances, other claims). The obligation to account for the depreciation exists if it is foreseeable that no claim will be received or it will not be received in the book value. The determination of the depreciation's amount is based on the unique evaluation of the customers in default on the day of the balance sheet, based on the late and uncertain claims and the amounts paid as advances. If up to the date of balance sheet preparation the whole amount of the asset has been paid, or it has been settled with the issue of a bill of exchange, and the bill of exchange has not yet expired, the depreciation cannot be accounted for. After the claims for a fee existing on the balance sheet day, the Fund accounts for depreciation based on a unique assessment.

During the year-end assessment of securities, the value in the balance sheet is the book value reduced by the amount of depreciations that can be accounted pursuant to the Accounting Act. Debt instruments with an expiry date longer than one year – irrespective of the fact that it is included among the current assets or the fixed assets – must be presented at purchase price, or at the book value reduced by the already settled impairment loss and increased by the amount of the reversed impairment loss.

The Fund presents cash equivalent to bank statements and the book value of cash inventories.

Accruals and prepaid expenses is an asset-like item, which corrects the revenues and expenses of the reference period in accordance with the principle of comparison.

We present among the accruals and prepaid expenses the amounts arising from the following events in the report:

- revenues regarding the period closed with the balance sheet but only due after the balance sheet is closed,
- costs, expenses which can be accounted for the period after the balance sheet date,
- amounts due to surplus liabilities.

2.3.2. EVALUATION OF LIABILITIES

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

Provision must be recognised at book value in the balance sheet.

Provision must be formed for the expected liabilities if their occurrence is known or probable in the financial year following the balance sheet day, if they arise from past or pending transactions and no other coverage is there for them in the balance sheet. This include, for example, the known or planned expenditure of the guarantee, the option contract, liability relating to unfinished litigations etc. Provision can also be formed for costs expected in the future.

The *payables* are included in the balance sheet in the amount equivalent to the invoice or the contract recognized by the Fund.

Accrued expenses and deferred income source-like item, which corrects the revenues and expenses of the reference period in accordance with the principle of comparison. We present among the accruals and income collected in advance the amounts arising from the following events in the report:

- revenues which were received before the balance sheet date but form the revenues of the next year,
- costs, expenses which imposes the year ended with the balance sheet, but occur only after the balance sheet date,
- liabilities became known between the balance sheet date and the preparation of the balance sheet imposing the closed year,

- subsidies received for costs, expenditure not yet compensated with cost or expense,
- deferred income accounted as revenue.

2.3.3. PARTICULAR VALUATION PROCEDURES APPLIED IN THE REPORT

The valuation of the *unique asset* groups takes place as follows:

- the accrued interest included in the purchase value of the interest-bearing securities must be entered into the books as a factor reducing revenue,
- depreciation after the Hungarian government bonds in the Fund's portfolio is accounted for up to the name value since the state assumes liability for their repayment.

The valuation of the *unique source groups* takes place as follows:

- the result of the previous year(s) of the Fund is transferred to the reserves within the equity at book value,
- liabilities against the member institutions are presented in the balance sheet based on the bank account statements.

The assessment of assets and sources not mentioned above shall take place pursuant to the general rules of the Accounting Act.

2.4. THE WRITE-DOWN OF THE DEPRECIATION AND THE BOOKING AND REVISING OF IMPAIRMENT

Methods to write down depreciation

The Fund applies the following methods to write down depreciation:

- the basis of the planned writing down of depreciation is the activation value of intangible assets and tangible assets.
- item-by-item from the date of activation applying the keys of the planned writing down, linearly;
- the Fund books the value of an asset with a value below HUF 100,000 in one amount upon use.

The booking and revising of impairment

The Fund books impairment when the book value of the assets is permanently and significantly (the book value in the amount specified per asset in the assessment regulation) higher than the market value of the inspected asset and if the asset has become unnecessary or unusable due to the change in the activity. In case of a favourable change, it is also possible to revise the impairment up to the book value but maximum up to the name value.

3. SUPPLEMENTS, EXPLANATIONS FOR CERTAIN BALANCE SHEET ITEMS

3.1. ASSETS

The Assets of the Fund at the end of 2019 was HUF 55,773,104 K HUF, more than in the base year by HUF 17,814,922 K. The change was due to the following factors.

- The increase of the fixed financial assets, which was HUF 28,746,197 K. The Fund invested its property in Hungarian government bonds also in 2019. In 2018, with the contribution of the ÁKK as portfolio manager and the KELER as custodian, it held them in the Max Composite (hereafter CMAX) portfolio (hereafter: CMAX Portfolio), the papers were presented among the current assets (securities). After the amendment to its Investment Regulation as of 3 April, 2019, the Fund buys Hungarian government bonds and Zero-coupon treasury bills registered at the security account held at the Hungarian State Treasury (hereafter: Unique Portfolio). Securities in the Unique Portfolio with an expiry date longer than one year are booked among the fixed assets. After the Fund closed its loan and debts provided for MVSZK Magyar Szanalási Vagyonkezelő Zártkörűen Működő Részvénytársaság (hereafter: MVSZK Zrt.) both the loan and the debt has been fully closed and repaid at the end of the first half of 2018, these claims and liabilities were removed from the balance sheet. Afterwards, membership fees paid to the Fund until 15 December 2018 and then in 2019, the dividends amounting to HUF 5.4 bn paid by MVSZK Zrt in 2019 and around HUF 7.3 bn regrouped out of the current assets (excluded from the CMAX Portfolio) to the Unique Portfolio were invested in securities with an expiry date longer than year classified as fixed financial assets.
- The increase of claims is HUF 3,892k which arises from the exclusion of claims of member institutions under liquidation (221k) and the claim regarding the 2019 membership fee at 31/12/2019

table 1: The change in composition and stock of assets

Description	Baseline year	Year under review	Distribution	Distribution	Change	
			%	%	HUF'000	%
	31.12.2018	31.12.2019	31.12.2018	31.12.2019		Baseli- ne=100
A. FIXED ASSETS	2 000 000	30 746 197	5,27	55,13	28 746 197	1537,31
I. INTANGIBLE ASSETS	0	0	0,00	0,00	0	N/A
II. TANGIBLE ASSETS	0	0	0,00	0,00	0	N/A
III. FINANCIAL INVESTMENTS	2 000 000	30 746 197	5,27	55,13	28 746 197	1537,31
B. CURRENT ASSETS	35 638 388	24 600 652	93,89	44,11	-11 037 736	69,03
I. STOCKS	0	0	0,00	0,00	0	N/A
II. RECEIVABLES	221	4 113	0,00	0,01	3 892	1861,09
III. SECURITIES	26 839 141	24 430 370	70,71	43,80	-2 408 771	91,03
IV. LIQUID ASSETS	8 799 026	166 169	23,18	0,30	-8 632 857	1,89
C. PREPAYMENTS AND ACCRUED INCOME	319 794	426 255	0,84	0,76	106 461	133,29
TOTAL ASSETS	37 958 182	55 773 104	100,00	100,00	17 814 922	146,93

Source: Resolution Fund

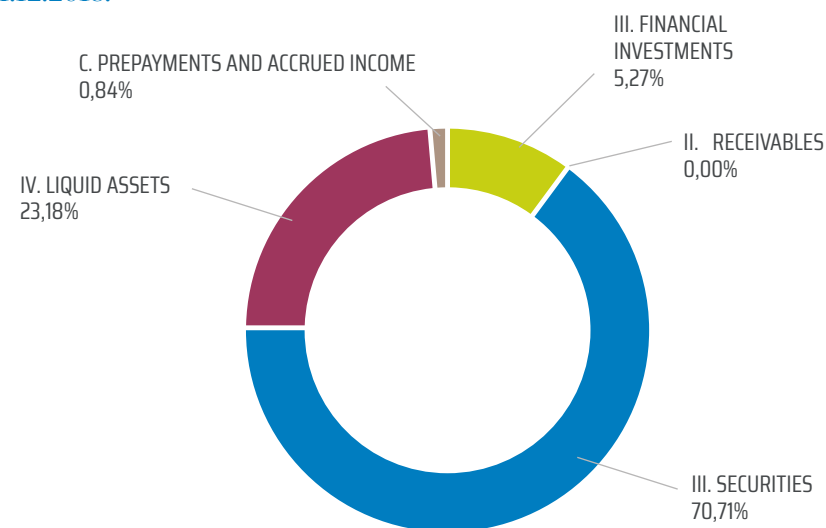
data in K HUF

against an active member institution (4,113k). (The member institution paid the membership fee in January, 2020).

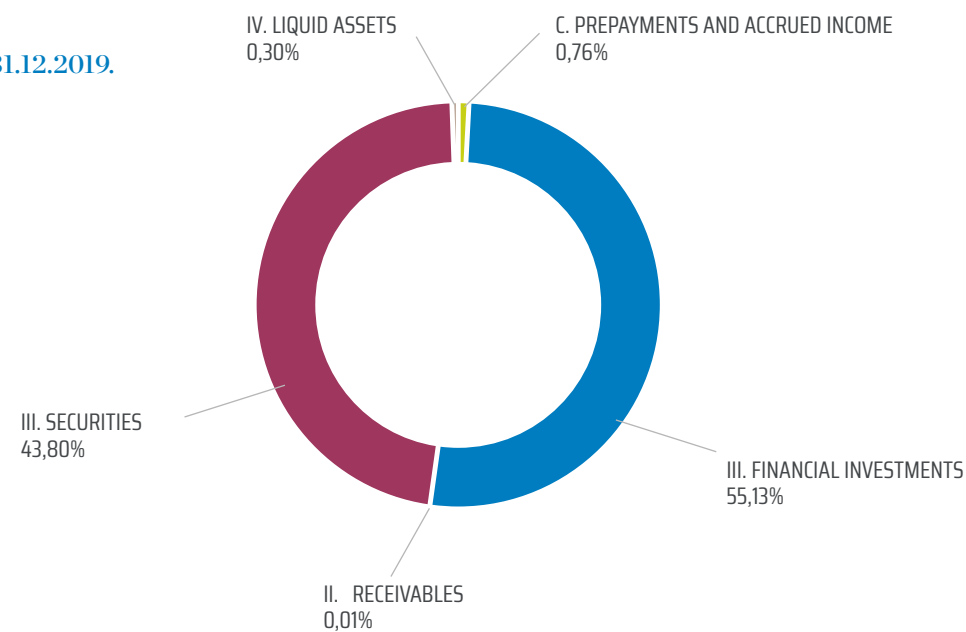
- The decrease of securities registered among current assets is HUF 2,408,771k (for details see page 19).
- The decrease of funds is HUF 8,632,857k. The Fund invested the amounts not invested in anything temporarily but existing on its bank account held at MNB in 2019 to mitigate the risk of negative profits of government bonds (CMAX Portfolio).
- Accrued Assets increased by HUF 106,461k, which is because of the increase of the pro-rata accrued interests of the government bonds.

figure 1: The composition of assets on 31/12/2018 and 31/12/2019

31.12.2018.



31.12.2019.



Source: Resolution Fund

The decisive component of the balance sheet on the Assets side was the stock of fixed financial assets at the end of 2019.

3.1.1. FIXED ASSETS

The value of the **fixed assets** is HUF 30,746,197k at the end of the year, out of which HUF 2,000,000k is the value of the shares of MVSZK Zrt, and HUF 28,746,197k is the book value of the government bonds classified as fixed financial assets. The Fund does not have either intangible assets or tangible assets in 2019. Government papers registered among fixed assets (belonging to the Unique Portfolio) were not in the possession of the Fund upon the preparation of the balance sheet for at least a year, thus no depreciation was booked. The Fund applies the methodology of depreciation described in the Other section for securities.

3.1.2. CURRENT ASSETS

The current assets of the Fund is the cash money (HUF 166,069k) on the bank and security accounts held at MNB, the closing balance of the petty cash (HUF 100k), the book (net purchase) value of securities reduced by depreciation is HUF 24,430,370k and the short-term receivables are HUF 4,113k.

3.1.2.1. INVENTORIES

The Fund did not have inventories on the balance sheet date.

3.1.2.2. RECEIVABLES

At the end of 2019, the receivables composed of a 2019 membership fee up to 31/12/2019 against an active member institution (HUF 4,113k). The amount of claims for fee against the member institutions was HUF 221k at the end of 2018 which was the debt of

- GLOBALINVEST Zrt.,
- Central Credit Befektetési Zrt. "f.a.",
- Hungaria Értékpapír Zrt. "f.a.",
- QUAESTOR Értékpapír Zrt. "f.a.",
- Strategon Zrt. "f.a.", and
- Quantis Alpha Zrt.

the investment services providing licence of which was withdrawn by the Hungarian National Bank and are under liquidation or winding up or did not pay the claims for a fee even after a notice. While the Quantis Alpha paid its debt in February, 2019, no revenue arrived for the debts of institutions under winding up. Based on the information available during 2019 and at the date of balance sheet, the uncollectable receivables were written down at the burden of the reference year's result, while impairment for the burden of the result of the previous years was excluded in the method and amount presented in Tables 2 and 3.

table 2: Membership fee receivables written down as credit loss

Member institution	Amount of receivables (HUF)	Reason for writing down	The reduction of loss in value accounted among receivables (HUF)	Writing down at the burden of the reference year's result (HUF)
GLOBALINVEST ZRT.	36,957	It did not pay despite the payment notice. The expected costs of the collection exceed the amount of debt.	-	36,957
CENTRAL CREDIT ZRT. „FA.”	22,826	The company has been under liquidation, the Fund's claims have not been registered, the 180-day deadline has expired, the collection is impossible.	22,826	-
HUNGÁRIA ÉRTÉK-PAPÍR ZRT. „FA.”	34,726	According to the liquidation declaration the property does not provide coverage for the claims, no return is expected.	34,726	-
QUAESTOR ÉRTÉK-PAPÍR ZRT. „FA.”	149,208	According to the liquidation declaration the property does not provide coverage for the claims, no return is expected.	149,208	-
STRATEGON ZRT. „FA.”	100,000	According to the liquidation there is no property, no return is expected.	-	100,000
TOTAL:	343,717		206,760	136,957

Source: Resolution Fund adatok Ft-ban

table 3: Change of impairment of receivables

Balance sheet line	Impairment loss	Reversed impairment loss	Change
Receivables			
Opening value	207	0	-207
Growth	0	0	0
Decline	207	0	-207
Closing volume	0	0	0

Source: Resolution Fund data in K HUF

3.1.2.3. SECURITIES

At the value of the securities is HUF 24,430,370k at the end of the year, lower by HUF 2,408,771k than at the end of 2018. Among the securities, the government bonds in the CMAX Portfolio and the Zero-coupon treasury bills, as well as the year-end stock of the Zero-coupon treasury bills classified as current accounts (Unique Portfolio) are presents at book value reduced by depreciation. The increase of securities arises from the investment in Zero-coupon treasury bills being part of the Unique Portfolio deemed to be expired within one year from the end of the year (HUF 5.1 bn), its reduce arises from the regroup to buy government papers classified as fixed assets (HUF 7.3 bn) as well as the depreciation of Hungarian government bonds expiring in more than a year (HUF 214,916k).

We applied impairment in the case of those bonds where the difference between market value and book value had a nature of loss calculating with the price information available on the date of balance sheet, the difference exceeded the limit amounting to HUF 5 million included in the effective accounting policy and assessment regulation of the Fund, and can be deemed to be permanent or final based on these regulations.

The Fund regarded them permanent if the trend existed for one year preceding the date of balance sheet, final if in the case of the given paper the daily net rate of exchange was lower than the average rate of exchange calculated from the daily net values in the previous one year and they expire within 3 years from the balance sheet date. (Based on the volatility of the Hungarian government bonds, considering the fact that the government bond pays name value upon expiry and its net rate of exchange converges the name value near the expiry). If the above conditions are met, the amount of the impairment loss is the difference between the previous book value and the net market value on the balance sheet date.

The amount of impairment loss booked for the burden of the reference year's result was HUF 187,738k at the end of 2019, as well as an additional HUF 146,494k calculated for the 2018 year-end stock (in total, in 2019: HUF 336,231k). The impairment amounting to HUF 121,316k reversed from the 2018 impairment loss increased the reference year's result. The book value of the securities at the end of 2019 reduced by HUF 214,916k in the CMAX Portfolio as a result of impairment loss and impairment reversal.

table 4: Change of impairment on securities (securities belonging to the CMAX Portfolio)

Balance sheet line	Impairment loss	Reversed impairment loss	Change
Securities			
Opening value	0	0	0
Growth	336 231	121 316	-214 915
Decline	0	0	0
Closing volume	336 231	121 316	-214 915

Source: Resolution Fund data in K HUF

table 5: The composition and the progress of asset value of securities presented among current assets

Value date	Fix interest bonds CMAX	Discount treasury bills CMAX	Discount treasury bills Unique	Government bonds total
OPENING VALUE (01.01.2019.)	25 707 190	1 131 951	0,0	26 839 141
Distribution	95,78%	4,22%	0,00%	100,00%
CLOSING VALUE (31.12.2019.)	18 863 802	417 975	5 148 593	24 430 370
Distribution	77,21%	1,71%	21,07%	100,00%

Source: Resolution Fund data: at net purchase price reduced by impairment (at book value) in k HUF

3.1.2.4. CASH AND CASH EQUIVALENTS

Among cash and cash equivalents, on 31/12/2019 there were HUF 161,201k on the bank accounts held at MNB, HUF 5,004k on the current account held at CIB Bank, HUF 14k on the HUF technical account of the MKB Bank, HUF 30k on the Security Account held at KELER and the closing balance of the petty cash (HUF 100k).

3.1.3. Accrued Assets

Accrued Assets are included in the balance sheet at book value, for details see table 6. A large amount is made up of the accrued interest of the government bond portfolio in 2019. The amount received in January, 2019 based on the invoice issued in 2019 for MVSZK Zrt. to compensate the cost invoiced in December 2018 by K&H Bank has been previously accrued related to the loan transaction. The loan transaction ended in 2018, the reimbursement of the additional costs during the year at the Fund took place during 2018 in exchange for an invoice.

table 6: Change of accruals and prepaid expenditure

Aktív időbeli elhatárolások	2018.12.31	2019.12.31
Accumulated interest on securities held	314 527	420 273
Time proportionate yield of discount treasury bills	1 297	3 101
MSZVK Zrt. cost reimbursement	1 058	-
Liability insurance	2 783	2 783
Domain hosting	1	2
Netlock signature encryption	128	96
TOTAL	319 794	426 255

Source: Resolution Fund

data in K HUF

3.2. LIABILITIES

On the Liabilities side of the balance sheet, the 2019 result increased by HUF 17,806,398k, the entry fee of 1 member increased the Equity to HUF 55,746,525k by HUF 100,000k. The amount of provision generated by the Fund in 2018 (HUF 2,577k) did not change in 2019. The Payables and Accrued expenses increased by HUF 7,216k and 308k.

table 7: The change in composition and stock of Liabilities

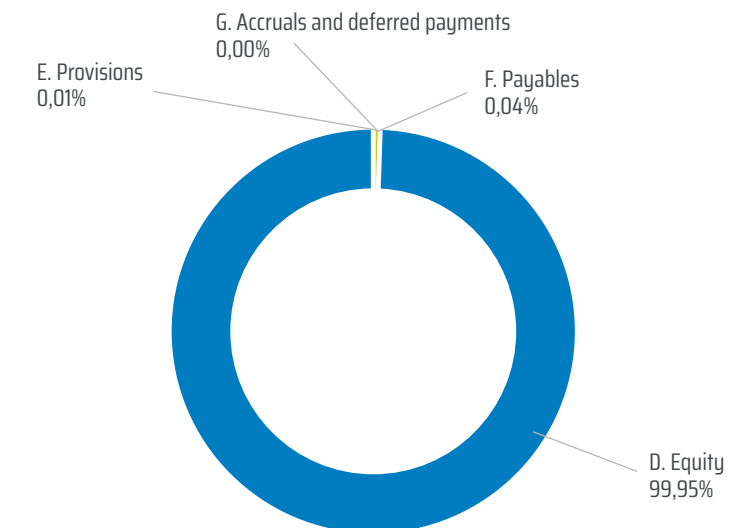
Description	Baseline year	Year under review	Distribution	Distribution	Change	
			%	%	HUF'000	%
	31.12.2018	31.12.2019	31.12.2018	31.12.2019		Baseline=100
D. Equity	37 939 127	55 746 525	99,95	99,96	17 807 398	146,94
E. Provisions	2 577	2 577	0,01	0,00	0	100,00
F. Payables	14 663	21 879	0,04	0,04	7 216	149,21
G. Accruals and deferred payments	1 815	2 123	0,00	0,00	308	116,97
TOTAL LIABILITIES	37 958 182	55 773 104	100,00	100,00	17 814 922	146,93

Source: Resolution Fund

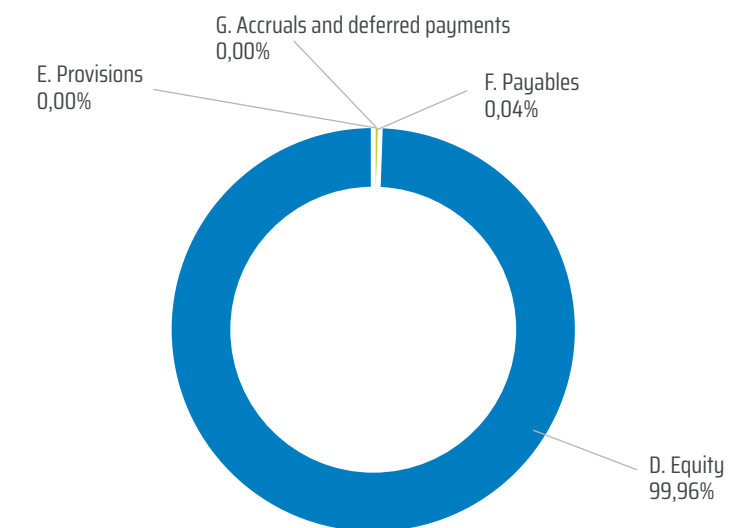
data in K HUF

figure 2: The composition of Liabilities on 31/12/2018 and 31/12/2019

31.12.2018



31.12.2019



Source: Resolution Fund

3.2.1. EQUITY

The equity of the Fund increased by HUF 17,807,398k from 31 December, 2018 to 31 December, 2019.

table 8: The change in composition and stock of equity

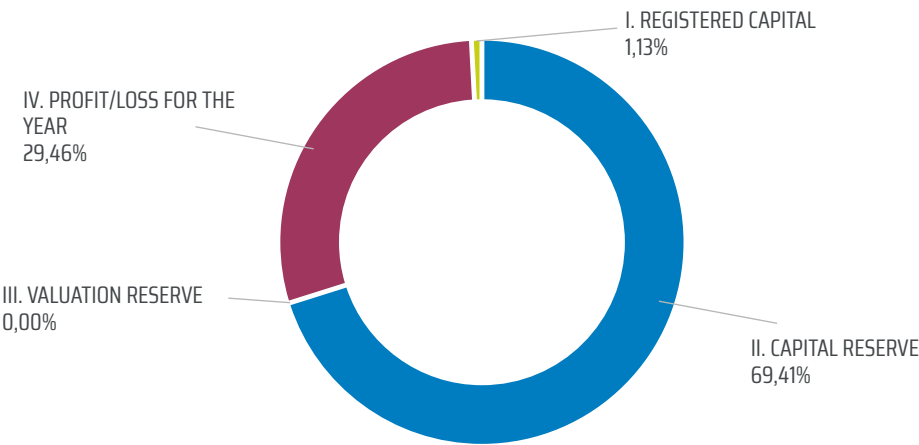
Description	Baseline year	Year under review	Distribution	Distribution	Change	
			%	%	HUF'000	%
	31.12.2018	31.12.2019	31.12.2018	31.12.2019		Baseline=100
I. REGISTERED CAPITAL	429 285	430 285	1,13	0,77	1 000	100,23
II. CAPITAL RESERVE	26 333 769	37 509 842	69,41	67,29	11 176 073	142,44
III. VALUATION RESERVE	0	0	0,00	0,00	0	0,00
IV. PROFIT/LOSS FOR THE YEAR	11 176 073	17 806 398	29,46	31,94	6 630 325	159,33
D. EQUITY	37 939 127	55 746 525	100,00	100,00	17 807 398	146,94

Source: Resolution Fund

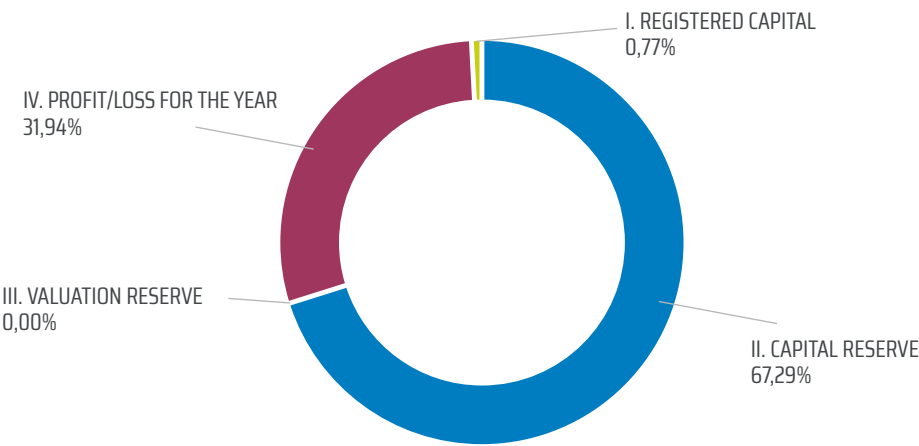
data in K HUF

figure 3: The composition of equity on 31/12/2018 and 31/12/2019

31.12.2018



31.12.2019



Source: Resolution Fund

Subscribed Capital

The subscribed capital is composed of the entry fees paid by the member institutions. Pursuant to Section 137 of Szantv., the institution joining the Fund shall pay one-time entry fee. One institution joined the Fund in 2019 (the Hungarian Branch of the Bank of China Limited) which paid the HUF 100,000k. The accession fee is accounted by the Fund against the subscribed capital and not as a revenue. The subscribed capital of the Fund was HUF 430,285k on 31 December, 2019 which is higher than on 31/12/2018 with the amount of the accession fee.

Reserve

The result of the previous year(s) is transferred to the reserves within the equity at book value.

Valuation reserve

The Fund does not apply fair valuation, did not account for value adjustment and did not form valuation reserve.

Profit for year

The profit for year was HUF 17,806,398k. According to the Government Decree, the whole amount of the Fund's profit shall be booked as the increase of the reserve in the year after the business year.

3.2.2. PROVISIONS

The Fund generated HUF 2,577k provision in 2018 for a possible future expense arising from a disputed liability. A rental contract was concluded between the Fund and Közbeszerezési és Ellátási Főigazgatóság (Directorate General for Public Procurement and Supply, KEF) on 31 August 2017 to use the offices serving as the registered seat of the Fund. An average operating cost of the offices is billed by KEF during the year then total operating cost of the office building is summed at year end and redistributed among the renters, the difference of the operating cost is charged for the renters in the next year. In its statement regarding 2017 submitted in 2018, KEF invoiced the renovation costs to the Fund which were disputed by the Fund and thus it did not acknowledge the invoice. During the negotiations between the Fund and the KEF, no agreement was made regarding the disputed cost, thus the maintenance of provision for the possible future expense is justified from the Fund.

3.2.3. PAYABLES

Long-term Payables

The Fund does not have long-term payables on 31/12/2019.

Short-term Payables

Short-term payables of the Fund on 31/12/2019: payables against institution (HUF 316k) which amount arise from the overpayment of two members and repaid on 04/02/2020 as well as the supplier liabilities amounting to HUF 19,941k and the tax and contribution liabilities (HUF 1,622k) paid in January, 2020 after the monthly fees. The accounts payable, taxes, state contributions are presented at book value in accordance with the invoices and the returns. The supplier debt amounting to HUF 19,941k on the balance sheet date is composed of the invoices received up to the balance sheet date regarding 2019.

- ÁKK Zrt. 4th quarter portfolio management fee:	HUF 2,241,291
- KELER Zrt. 12th month deposit management and KELER fee:	HUF 162,450
- Magyar Posta Zrt 12th month delivery:	HUF 66,624
- Magyar Posta Zrt 12th month post invoice:	HUF 470
- OBA 4th quarter service fee:	HUF 16,961,693
- RSM Hungary Zrt, 12th month accounting and payroll service:	HUF 279,400
- Danubia Kft. industry law protection invoice:	HUF 152,400.
- Xtremedia 11th-12th month hosting and system maintenance invoice:	HUF 76,200

3.2.4. DEFERRED INCOME AND ACCRUED EXPENSES

Among the deferred income and accrued expenses, there is the auditor's fee not yet invoiced for 2019, and the amount of the financial claims as per the notice arising from the incorrect invoicing by KELER Zrt received in 2020 concerning 2017-2019, regarding which the invoice was only sent by KELER Zrt. after the balance sheet date, on 20 March 2020.

4. SUPPLEMENTS RELATING TO CERTAIN ITEMS OF THE INCOME STATEMENT

4.1. REVENUES

The revenues relating to the resolution activity were HUF 12,114,150k, the other revenues were HUF 164k, the revenues of financial operations were HUF 6,524,510k.

table 9: The presentation of revenues

Description	Baseline year	Year under review	Distribution	Distribution	Változás	
	31.12.2018	31.12.2019	%	%	E Ft	%
	31.12.2018	31.12.2019	31.12.2018	31.12.2019		Bázis=100
Revenues from resolution	10 552 546	12 114 150	79,88	64,99	1 561 604	114,80
Other revenues	246 444	164	1,87	0,00	-246 280	0,07
Revenues from financial transactions	2 411 381	6 524 510	18,25	35,00	4 113 129	270,57
TOTAL	13 210 371	18 638 824	100,00	100,00	5 428 453	141,09

Source: Resolution Fund

data in K HUF

4.1.1. REVENUES FROM FEES

The revenues from fees relating to the resolution activity were the income arising from the fees paid by the member institutions (HUF 12,114,150k), which is higher than 2018 by HUF 1,561,604k. The revenues from fees are based on the fee determination of MNB concerning 2019, which was taken over by the Fund on 2 May, 2019. The member institutions paid the fees with a payment deadline laid down in Section 138(2) of Szantv., in two instalments, until 15 June 2019 and 15 December, once in a half year .

4.1.2. OTHER REVENUES

In this row, late interests, penalties and roundings were booked. The late interest was calculated for and paid by two credit institutions after the late payment of the due fees in 2018 and 2019, a total of HUF 113k. Penalty was paid to the Fund by a partner providing accounting service based on the contractual terms, only once in an amount of HUF 51k. The Fund accounted for HUF 246,444k as other revenues in 2018. The revenues arising from the costs transferred by the Fund to MVSZK Zrt. amounted to HUF 246,437k (the fee of state guarantee, K&H Bank agency, final repayment and legal costs, other costs and exchange rate loss), which did not incur in 2019 due to the closed loan transaction with MSZVK Zrt.

4.1.3. REVENUES FROM FINANCIAL TRANSACTIONS

Revenues from financial transactions amounted to HUF 6,524,510k including the dividends received from MSZVK Zrt, the profit of the government bonds with the accrued interests, the other current account interests and the reversing of impairment loss on securities.

¹ One member institution paid the 2nd fee beyond the payment deadline, in January 2020.

table 10: Revenues from financial transactions

Description	Baseline year	Actuals	Change	
	31.12.2018	31.12.2019	HUF'000	Actual / Baseline %
Gains on government securities	653	722	69	110,6
Interest received on current account	152 257	0	-152 257	0,0
Interest received - MVSZK loan HUF	169 375	0	-169 375	0,0
Interest received - MVSZK loan EUR	92 549	0	-92 549	0,0
Interest received - MVSZK loan CHF	934 476	0	-934 476	0,0
Exchange rate gains on loan repayment	40 960	0	-40 960	0,0
Exchange rate gains on futures transactions	1 021 111	1 002 472	-18 639	98,2
Reversed impairment loss on Hungarian government bonds	0	121 316	121 316	N/A
Recieved dividend	0	5 400 000	5 400 000	N/A
REVENUES FROM FINANCIAL TRANSACTIONS	2 411 381	6 524 510	4 113 129	270,6

Source: Resolution Fund

data in K HUF

During 2018, MSZVK Zrt paid the loan provided to it by the Fund in total, and the Fund repaid its syndicated loan taken up for the provision of the loan, thus in 2019, no financial revenues or expenses were generated in 2019. The Fund realised a dividend revenue of HUF 5,400,000k from MSZVK Zrt. We present as revenues from financial transactions the reversing of impairment loss of government bonds (HUF 121,316k), the exchange gain on the sale of the Hungarian Government bonds (HUF 171,263k), the profit of the Zero-coupon Treasury Bills (DJK) (HUF 8,350k, out of which the pro-rate profit of the Zero-coupon Treasury Bills bought at the State Treasury and still held at year-end was HUF 2,877k), the interests accrued at the end of the period and accounted during the sale of the Government bonds (a total of HUF 822,859k) which includes the pro-rata interest of the portfolio held at year end, which is accruable, booked (HUF 420,274k), the interests paid and received of the sale and purchase of the security (the balance of which is HUF 717,112k) and the interest accrued on 31 December of the previous year and reversed on 01 January, 2019 (HUF -314,527k). The interests received were HUF 722k, in the amount of interest received on the bank accounts.

4.2. THE PROGRESS OF THE FUND'S COSTS AND EXPENSES

The total expenses of the Resolution Fund was HUF 832,426k in 2019, including the expenses of the financial operations (HUF 692,763k) and the operating costs (HUF 139,526k).

table 11: The introduction of the expenses

Description	Baseline year	Actuals	Change	
	31.12.2018	31.12.2019	HUF'000	Actual / Baseline %
Expenditures related to resolution	0	0	0	N/A
Other expenditures	2 577	137	-2 440	5,3
Expenditures of financial transactions	1 770 333	692 763	-1 077 570	39,1
01) Expenditures on materials	217 793	92 665	-125 128	42,5
02) Payroll and related expenditures	43 595	46 861	3 266	107,5
03) Depreciation	0	0	0	N/A
Operating expenses (01+02+03)	261 388	139 526	-121 862	53,4
TOTAL EXPENDITURES	2 034 298	832 426	-1 201 872	40,9

Source: Resolution Fund

data in K HUF

Within the expenses, the decrease in the expenses of financial operations is HUF 1,077,570k according to those detailed in table 12. The change has two directions. Reduction was caused by

- the exchange loss not realised in 2019 due to the loan provided for MSZVK Zrt. and the closure of the credit during 2018,
- the accounting of negative interests not among the financial expenses but among the operating costs (bank costs).

It resulted in increase that the exchange loss on government bonds was higher compared to the previous year by 57%, and booked impairment loss (there was no loss in the previous year).

The decrease in the operating costs (HUF 121,862k) was both caused by positive and negative effects:

- it caused significant decrease in the material expenses that in 2019 there were no costs relating to MSZVK Zrt. due to the closure of the loan and credit transaction,
- in line with the decrease of the average stock of CMAX Portfolio, the related portfolio management costs also decreased,

increase was caused by

- the increase in the personal costs (the effect of the increase in the minimum salary),
- the cost of the service-like work activity reimbursed to OBA, and
- the increase of certain other infrastructural costs.

table 12: The details of financial expenses

Description	Baseline year	Actuals	Change	
	31.12.2018	31.12.2019	HUF'000	Actual / Baseline %
Negative interest paid on HUF account, other paid financial interest	387	0	-387	0,0
Interest expenses related to loan contracts HUF	158 264	0	-158 264	0,0
Interest expenses related to loan contracts EUR	273 009	0	-273 009	0,0
Interest paid on foreign currency account EUR	1 563	0	-1 563	0,0
Interest paid on foreign currency account CHF	1 053	0	-1 053	0,0
Exchange rate losses on foreign exchange account	81 278	0	-81 278	0,0
Exchange rate losses on futures transactions	128 618	0	-128 618	0,0
Exchange rate losses on MSZVK loan	899 582	0	-899 562	0,0
Exchange rate losses on Hungarian government bonds	226 579	356 512	129 933	157,3
Exchange rate losses on revaluating MSZVK loan and consortium loan	0	0	0	N/A
Impairment loss on Hungarian government bonds	0	336 231	336 231	N/A
Other exchange rate losses and paid interests	0	20	20	N/A
FINANCIAL EXPENDITURES	1 770 333	692 763	-1 077 570	39,1

Source: Resolution Fund data in K HUF

The other realized exchange rate loss was related to the assessment of the agency fee billed to K&H Bank for 2018 (and booked as cost that year) and paid in foreign currency in January, 2019 (by the MNB and CIB Bank exchange rates).

As a difference between income and expenses from financial operations, the financial result for 2019 was a profit of HUF 5,831,747 thousand, excluding dividend income, HUF 431,747 thousand.

4.2.1. DEVELOPMENT OF OPERATING EXPENSES PLANNED FOR 2019

Operating expenses were HUF 139,526 thousand in 2019. The development of the actual costs of the Resolution Fund in 2019 was compared to the 2019 plan. Overall, the actual operating costs are 80,3% of planned for 2019. The discrepancy between the factual and plan data was mainly due to the significant discrepancy between the services provided by the NDIF and the amount reimbursed for it.

1. Personnel costs

Personnel costs (HUF 46,534 thousand) - including honoraria and their contributions - were 99% of the planned costs for 2019. The amount incurred on the budget line is shown in the Income Statement under personnel expenses.

2. Labor costs related to the operational operation of the Resolution Fund.

Act XXXVII of 2014 on the further development of the institutional system strengthening the security of certain actors of the financial intermediation system. Pursuant to Section 132 (7) of the Act, the Fund does not have an independent work organization, the operational tasks are performed separately by the work organization of the NDIF under the direction of the managing director of the NDIF. According to the cooperation agreement between the Resolution Fund and the NDIF in force in 2019, the costs incurred on the basis of the performance of tasks and debited for the year 2019 under the agreement were invoiced and reimbursed to the NDIF.

The labor cost related to the operative operation of the Resolution Fund (HUF 64,405 thousand) is the amount of costs transferred to the Fund by the NDIF, increased by VAT, based on the cooperation agreement between the NDIF and the Resolution Fund.

The fulfilment of expenses (70.1%) is lower than planned, the implementation of some target tasks has been postponed to 2020.

3. Auditor's fee, internal audit fee

The line includes only the audit fee. The internal audit of the Fund was performed by the NDIF's internal auditor in 2019 as well, the incurred costs were transferred to the Fund within the framework of the NDIF service.

4. Stationery, infrastructure costs, IT costs

The expense accounted for in the cost group is HUF 21,867 thousand, which is 77.8% of the annual planned amount. Expenditure is detailed in Table 13. The cost of portfolio management (HUF 11,887 thousand) was 84.9% of the plan (HUF 14,000 thousand). Of this, HUF 134 thousand is the fee charged for 2017 and 2018, which was subsequently invoiced by KELER Zrt. In 2019.

As planned, the costs of postal and courier services, professional translation and foreign currency bank accounts were met (within +/- 5%), with a small difference (within +/- 10%) for entertainment expenses.

The HUF bank accounts and other material and service costs were fulfilled to a greater extent than planned, the office rent, website maintenance, other communication, legal and other expert services costs and fees (as detailed below) were lower than planned.

Office rent and operating costs (Directorate General for Public Procurement and Supply - KEF) were accounted for under office, warehouse, room and other rental fees and operating costs. Expenditures consist of regular, flat-rate monthly fees (January-December), which were planned with fees under the contract with KEF and which were increased during the planning process (based on the information available at the time) with the expected additional rent and operating fees of the new office. The difference between the flat rate invoiced for the previous year (2018) and the operating costs actually incurred is calculated and invoiced by KEF afterwards, the amount of which was HUF 1,465 thousand

by 2018. There were no costs associated with the placement in the new office in the year under review, so fulfilment fell short of plan.

Among the communication costs, we planned HUF 350 thousand for the design costs of the annual report and business report, and HUF 300 thousand for the translation of the professional report into English, which expenses were lower than planned (HUF 227 thousand and HUF 286 thousand).

Legal services and expert fees include HUF 1,000 thousand for possible legal proceedings and other possible legal expenses related to the copyright of the Resolution Fund's logo, and HUF 3,100 thousand for the accounting and payroll administration fee (assuming an external service provider and a contract starting in March). We planned HUF 220 thousand for graphic services.

Among the legal expert expenses, the cost of the industrial property protection service incurred in connection with the copyright of the Fund's logo (Danubia Patent and Legal Office Ltd.) was HUF 432 thousand, the cost of the lawyer's letter issued by the Gárdos Mosonyi Tomori Law Office was HUF 27 thousand. The cost of accounting and payroll administration was HUF 2,248 thousand. The cost of accounting and payroll was below budget, while the accounting service started 1 month later than planned and the payroll started 3 months later than planned and the services partner waived the one-time fee of the handover of the accounting.

The information technology services (Netlock), the cost of encryption of bank signatures were below planned (HUF 153 k), as well as the website maintenance (HUF 459 k).

Among the costs of HUF accounts (HUF 683 thousand), the cost of MNB forint account management was HUF 85 thousand, the cost of bank confirmations requested for audit was HUF 67 thousand, and the cost of transactions and signing instruments was HUF 315 thousand. The negative interest charged on the account was HUF 216 thousand, which was debited from the assets in the bank account until March 2019, and due to the change in the Accounting Act, from 2019 it will be recorded not in financial expenses but in bank costs.

From the second quarter onwards, assets not invested in account money and income received (membership fees, dividends) were invested due to previous negative returns.

Representation expenses (HUF 327 thousand) included the costs of the event related to the 5th anniversary of the Fund and the refreshments purchased for the December Board meeting, as well as their public charges. The amount incurred on the budget line is shown in the Income Statement under personnel expenses.

The fee of HUF 6 thousand / official fee is the cost of notarial certification.

Other material and service costs (HUF 56 thousand) are administrative expenses related to the audit service.

5. Other operating expenses

In this cost group, the cost of liability insurance (HUF 3,790 thousand) was booked on the basis of the invoice received.

4.2.2. DEVELOPMENT OF OTHER EXPENSES

Based on the information available during 2019 and at the time of preparing the balance sheet, the total membership fee receivable in the amount of HUF 137 thousand was written off as other expenses from the current year's profit due to its uncollectability.

Table 13: Operating-related ongoing costs

Description	2019 plan,	01-12 2019 actual	01-12 2019 actual /2019 plan %
1) Personnel expenses: remuneration of Board members	47 006 520	46 533 581	99,0
2) Labour costs relating to the operation of the Resolution Fund	91 922 600	64 405 260	70,1
3) Remuneration of the auditor and internal controller	2 794 000	2 929 469	104,8
4) Office equipment, infrastructure expenses, IT expenses	28 115 093	21 867 190	77,8
5) Other costs of operation	3 990 000	3 790 000	95,0
Total regularly incurred costs of operation	173 828 213	139 525 500	80,3
ITEMIZED BREAKDOWN OF COST GROUP DEFINED IN SECTION 4	0	0	0,0
a) Office equipment	0	0	N/A
b) forms, printed publications, technical books, official gazette, subscription fees of industry periodicals	100 000	0	0,0
c) IT materials	0	0	N/A
d) office, warehouse, room and other rents and operating expenses	6 824 577	4 095 788	60,0
e) document storage	0	0	N/A
f) mailing costs, courier service fees	800 000	811 878	101,5
g) taxi expenses	20 000	0	0,0
h) telephone expenses	0	0	N/A
i) printing and photocopying expenses	0	0	N/A
j) website maintenance	512 516	459 484	89,7
k) other communication expenses	350 000	226 695	64,8
l) legal services, other expert fees	4 320 000	2 706 935	62,7
m) translation	300 000	286 476	95,5
n) program expert services (Netlock)	200 000	152 214	76,1
o) program upgrade fees	0	0	N/A
p) bank charges, portfolio management fees,	14 268 000	12 738 674	89,3
= of which bank charges relating to the foreign currency account	168 000	169 000	100,6
= bank charges of HUF account	100 000	682 665	682,7
= portfolio management fees	14 000 000	11 887 009	84,9
q) duties, transaction levies, administrative fees	100 000	6 000	6,0
r) property insurance premium	0	0	N/A
s) computer insurance	0	0	N/A
t) entertainment costs	300 000	327 166	109,1
u) other materials and service expenses	20 000	55 880	279,4
TOTAL EXPENSES OF OPERATION LISTED IN SECTION 4)	28 115 093	21 867 190	77,8
ITEMIZED BREAKDOWN OF COST GROUP DEFINED IN SECTION 5	0	0	0,0
a) costs of conferences in Hungary/abroad	100 000	0	0,0
b) travel expenses	100 000	0	0,0
c) membership fees in professional organizations	0	0	N/A
d) liability insurance of Board members	3 790 000	3 790 000	100,0
e) cost of patenting the Resolution Fund logo	0	0	N/A
TOTAL EXPENSES OF OPERATION LISTED IN SECTION 5)	3 990 000	3 790 000	95,0

Source: Resolution Fund

data in HUF

5. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

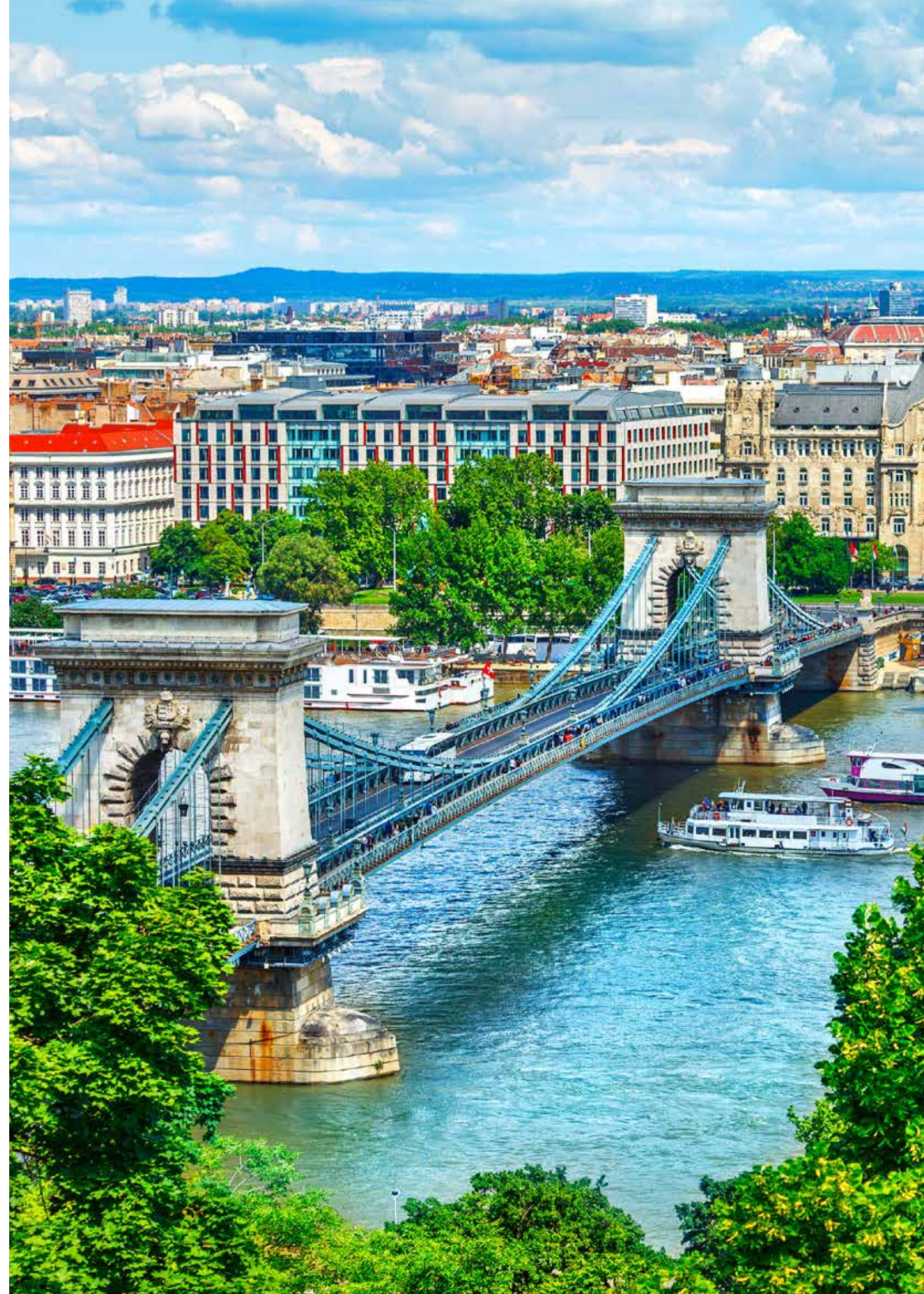
The number of member institutions of the Fund decreased by one after the balance sheet date until close of balance sheet, no institution joined the Fund during this period. As of March 2020, the circumstances and risks affecting the continuation of the Fund's operations and assets have been reviewed in connection with the pandemic situation due to COVID-19; the impact of these circumstances is not fully known at time of the closure of the balance sheet, significant impact on the legal operation and financial situation is detected at the time. The NDIF reorganized the processes of the work organization performing the operational tasks of the Fund and performed them continuously, largely in the framework of working remotely from home.

Based on our current information and reconsidered plans, the events related to COVID-19 will not have a material or material adverse effect on the Fund and will therefore not impact negatively the Fund's ability to continue operations. We are able to meet our obligations in the next 12 months, with an adequate level of cash flow and funding available. We do not consider the revaluation of assets or the booking of unplanned depreciation to be justified. The Fund does not have a bank loan and is not subject to a loan repayment moratorium.

There were no other significant events after the balance sheet date that would have a material effect on the financial statements.

Budapest, May 26, 2020

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Gábor Gion
Chairman of the Board of the Resolution Fund





2019 ANNUAL REPORT OF THE RESOLUTION FUND

RESOLUTION FUND ANNUAL REPORT

1. SIGNIFICANT EVENTS OF 2019 AND FUTURE GOALS

A significant event in 2019 was the HUF 5.4 billion dividend paid by MSZVK Zrt. The future priority goal is for the Fund's assets to reach at least 1% of the amount of insured deposits at credit institutions authorized in Hungary that do not exceed the indemnity limit by 31 December 2024 at the latest (target level). On 31 December 2019, the target level was HUF 113.1 billion. The assets of the Fund, excluding its share in MSZVK Zrt., calculated on the basis of the market value of invested financial assets and securities, were HUF 53.6 billion, the leverage level was 0.47%.

2. SIGNIFICANT EVENTS AFTER THE BALAN- CE SHEET DATE

The number of member institutions of the Fund decreased by one after the balance sheet date until the balance sheet date, no institution joined the Fund during this period. As of March 2020, the circumstances and risks affecting the continuation of the Fund's operations and assets have been reviewed in connection with the pandemic situation due to COVID-19; the impact of these circumstances is not fully known at time of the closure of the balance sheet, significant impact on the legal operation and financial situation is detected at the time. The NDIF reorganized the processes of the work organization performing the operational tasks of the Fund and performed them continuously, largely in the framework of working remotely from home. Based on our current information and reconsidered plans, the events related to COVID-19 will not have a material or material adverse effect on the Fund and will therefore not impact negatively the Fund's ability to continue operations. We are able to meet our obligations in the next 12 months, with an adequate level of cash flow and funding available. We do not consider the revaluation of assets or the booking of unplanned depreciation to be justified. The Fund does not have a bank loan and is not subject to a loan repayment moratorium. There were no other significant events after the balance sheet date that would have a material effect on the financial statements.

3. DEVELOPMENT OF THE FUND’S PROPERTY AND INCOME SITUATION

The balance sheet total of the Resolution Fund as at 31 December 2019 was HUF 55,773,104 thousand, which is HUF 17,814,922 thousand higher than in the previous year. The change on the Asset side was caused by the following major factors:

- An increase in the stock of fixed financial assets, which was HUF 28,746,197 thousand, which is the book value of securities with a maturity of more than one year in the Individual Portfolio at the end of the year. The Fund reorganized the membership fees received in December 2018 and then in 2019 (part of the temporarily uninvested assets in the MNB account), the dividend of HUF 5.4 billion paid by MSZVK Zrt. in 2019, and the reclassified from current assets (withdrawn from the CMAX Portfolio) and invested an additional HUF 7.3 billion in the Individual Portfolio, partly in fixed financial assets which are held-to-maturity securities with a maturity of more than one year.
- Decrease in the stock of securities recorded as current assets HUF 2,408,771 thousand, value. We state in Securities the year and amount of the Government bonds and zero-coupon treasury bills in CMAX portfolio and the zero-coupon bills in the Unique Portfolio on book value with the booked impairment amount.
- The decrease of funds is HUF 8,632,857k. The Fund invested the amounts not invested in anything temporarily but existing on its bank account held at the MNB in 2019 to mitigate the risk of negative profits (CMAX Portfolio).
- Accruals assets increased by HUF 106,461k, due to the increase of the pro-rata accrued interests of the government bonds.

Table 1: Development of the Fund ‘s Assets and Liabilities

Description	Amount 31.12.2018.	Amount 31.12.2019.	Change HUF'000	31.12.2019 / 31.12.2018 %	Distribution % 31.12.2019
Fixed assets	2 000 000	30 746 197	28 746 197	1537,3	55,1
including:				N/A	0,0
= Equity participations	2 000 000	2 000 000		100,0	3,6
= Long-term loan	51 407 071	0,0	- 51 407 071	0,0	0,0
= Government bonds		28 746 197	28 746 197	N/A	51,5
Current assets	35 638 388	24 600 652	- 11 037 736	69,0	44,1
including:				N/A	0,0
= Stocks	0,0	0,0		N/A	0,0
= Fees receivable from member institutions	221	4 113	3 892	1861,1	0,0
= Other receivables	0,0	0,0		N/A	0,0
= Securities	26 839 141	24 430 370	- 2 408 771	91,0	43,8
= Liquid assets	8 799 026	166 169	- 8 632 857	1,9	0,3
Prepayments and accrued income	319 794	426 255	106 461	133,3	0,8
TOTAL ASSETS	37 958 182	55 773 104	17 814 922	146,9	100,0
Equity	37 939 127	55 746 525	17 807 398	146,9	100,0
Provisions	2 577	2 577		100,0	0,0
Payables	14 663	21 879	7 216	149,2	0,0
Including:				N/A	0,0
= Loans taken out	12 473	19 941	7 467	159,9	0,0
Accruals and deferred income	1 815	2 123	308	117,0	0,0
TOTAL LIABILITIES	37 958 182	55 773 104	17 814 922	146,9	100,0

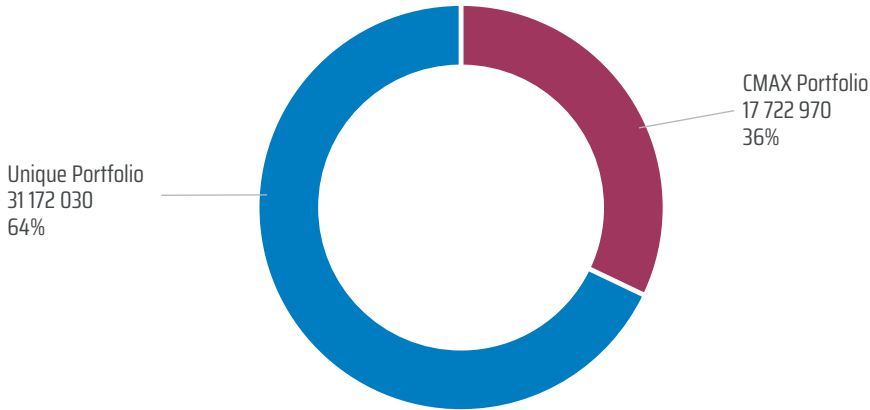
Source: Resolution Fund

data in K HUF

On the Liability side of the balance sheet, the Equity was increased by the 2019 result of HUF 17,806,398k and the accession fee of 1 member by HUF 100,000k to HUF 55,746,525k. The amount of the HUF 2,577 thousand provision created by the Fund in 2018 did not change. Payables and Accrued expenses and deferred income increased by HUF 7,216 thousand and HUF 308 thousand, respectively.

At the end of 2019, the Fund held 36.3 per cent (in nominal value) of government securities in the CMAX Portfolio and 63.8 per cent in the Individual Portfolio. At the end of the year, the portfolio was not rebooked. There was no investment in foreign government securities in the fiscal year.

1. figure: Distribution of the CMAX Portfolio and the Individual Portfolio by nominal value as at 31 December 2019 (HUF thousand;%)



Source: ÁKK, Szanálási Alap

The Resolution Fund does not apply fair valuation, government securities are recorded in the books at purchase value reduced by impairment. The impairment recognized in 2019 amounted to HUF 214,916 thousand, which reduces the book value of the Hungarian government bonds in the CMAX Portfolio that have been in the books for at least one year and have a maturity of more than one year at the balance sheet date and the reduces Fund's profit. 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 89.5%, and that of zero-coupon treasury bills was 10.5%.

Table 2: Change in book value of securities (data in k HUF, in %)

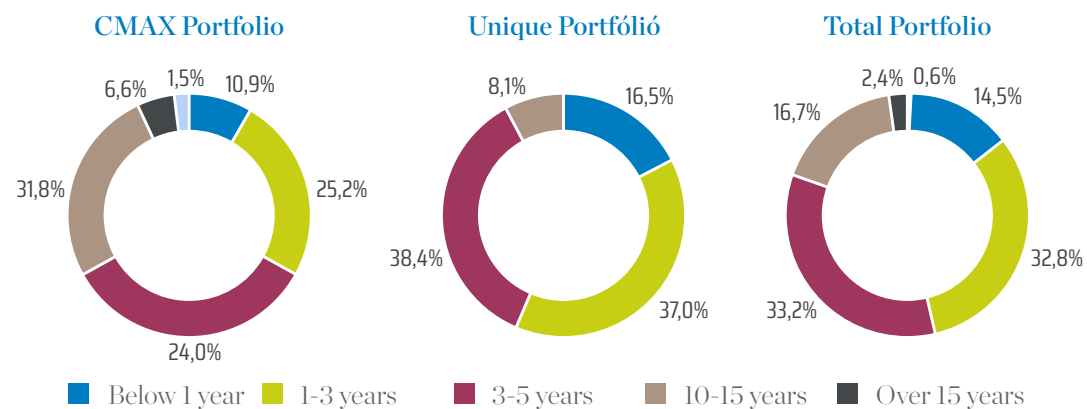
Securities volume			Amount	Share of total
Openning value (01.01.2019.)	CMAX Portfolio	Fixed interest bonds	25 707 190	95,8%
		Discount treasury bills	1 131 951	4,2%
		Total	26 839 141	100,0%
	Egyedi Portfolio	Fixed interest bonds	0	0,0%
		Discount treasury bills	0	0,0%
		Total	0	0,0%
	Total Portfolio	Fixed interest bonds	25 707 190	95,8%
		Discount treasury bills	1 131 951	4,2%
		Total	26 839 141	100,0%
Closing value (31.12.2019.)	CMAX Portfolio	Fixed interest bonds	18 863 801	97,8%
		Discount treasury bills	417 975	2,2%
		Total	19 281 776	100,0%
	Egyedi Portfolio	Fixed interest bonds	28 746 197	84,8%
		Discount treasury bills	5 148 593	15,2%
		Total	33 894 790	100,0%
	Total Portfolio	Fixed interest bonds	47 609 998	89,5%
		Discount treasury bills	5 566 568	10,5%
		Total	53 176 567	100,0%

Source: ÁKK, Szanálási Alap

data in k HUF, 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 1-3 years, 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 remaining maturity of more than 10 years in the total portfolio was negligible (3.0%).

Figure 2: Distribution of the CMAX Portfolio, the Individual Portfolio and the entire portfolio by remaining maturity by nominal value on 31 December 2019

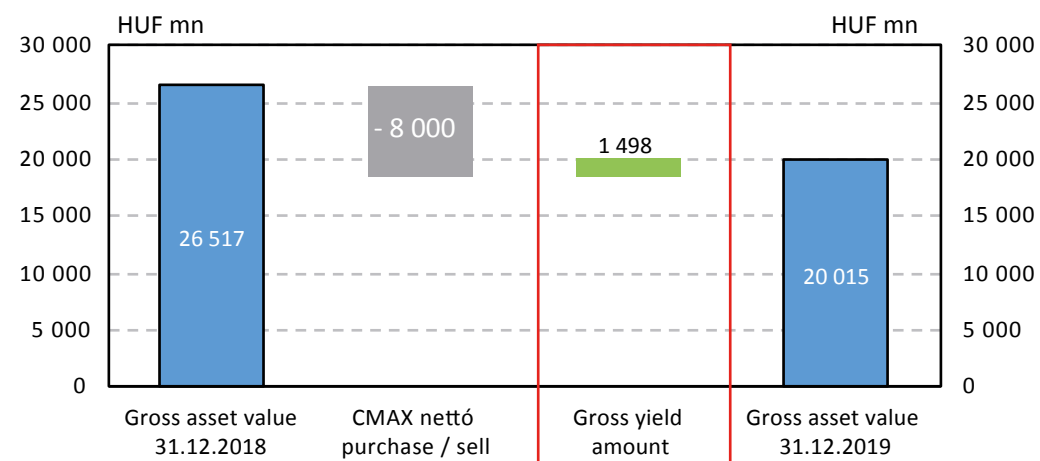


Source: ÁKK, Szanálási Alap

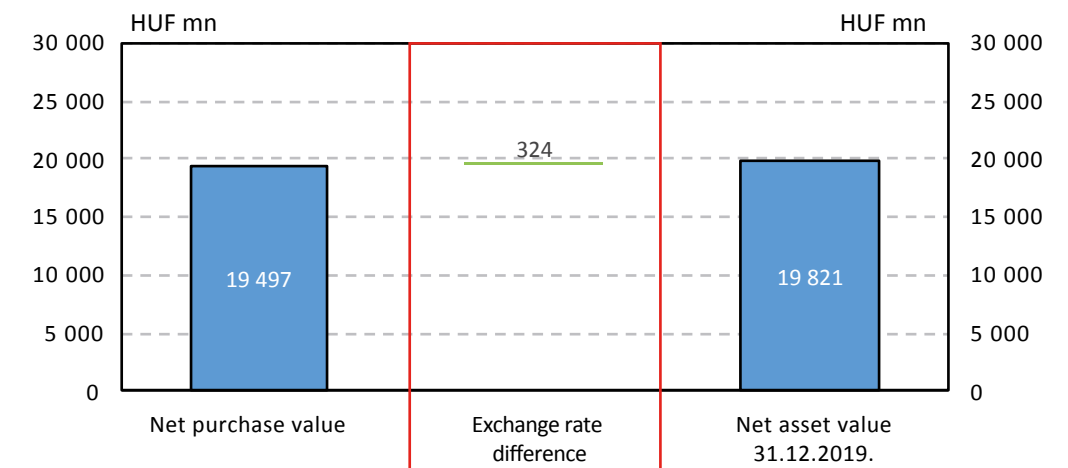
In 2019, the market value of the CMAX Portfolio increased in parallel with the one-year rise in the CMAX index. The CMAX Portfolio generated a gross return of HUF 1,497,914 thousand in one year, which corresponds to an annual return of 7.32%. The net market value of the CMAX Portfolio exceeded the net historical cost by HUF 324,302 thousand on 31 December 2019.

figure 3: The performance of the CMAX Portfolio

CMAX Portfolio market value gains/losses Q12019-Q42019



CMAX Portfolio net asset value compared to net purchase value



Notes: gross asset value based on BAMOSZ assessment

Source: ÁKK, Szanálási Alap

The costs of managing the CMAX Portfolio in 2019 amounted to HUF 9,291 thousand in portfolio management and HUF 2,462 thousand in custody fees, which together (HUF 11,753 thousand) accounted for 0.05% of the average gross portfolio.

table 3: Costs related to CMAX Portfolio

	Cost	Ratio to average gross asset value
ÁKK portfolio management fee	9 291	0,04%
KELER deposit management fee	618	0,00%
Other KELER fees and commissions	1 844	0,01%
Total	11 753	0,05%

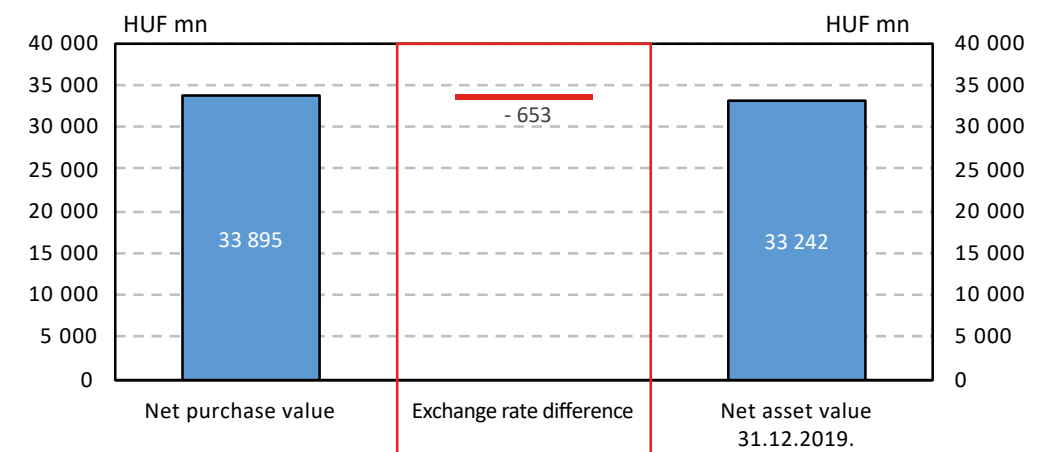
Source: Resolution Fund

data in K HUF

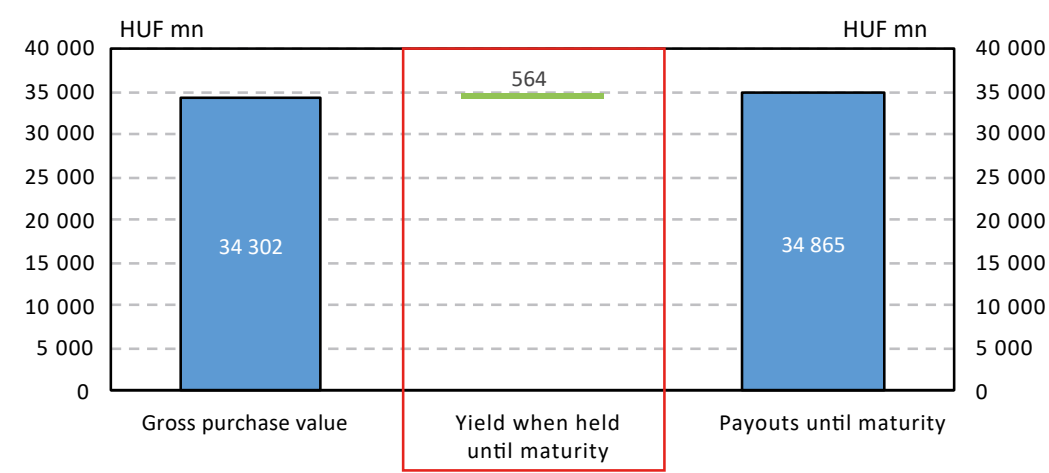
The unrealized net market return of the Individual Portfolio purchased to be held until maturity on 31 December 2019 is negative compared to the value at the time of purchase (HUF -653,218 thousand). This is due to the fact that the MÁK selling rate is higher than the one at which the MÁK repurchases the security, and on the other hand, the Fund bought the majority of government bonds above the nominal value, the 100 per cent net price which is compensated by higher yields on these assets than the market yields at the time of purchase. In case of holding to maturity, a gross return of HUF 563,719 thousand is expected to be realized.

figure4 : The performance of the Unique Portfolio

Unique Portfolio net exchange rate difference compared to purchase value



Yield on Unique Portfolio when held until maturity



Notes: net asset value based is rates of exchange published by MÁK
Source: Resolution Fund

The management of the Individual Portfolio and the management of the MÁK securities account are free of charge.

4. INDICATORS CHARACTERIZING THE FINANCIAL AND ASSET SITUATION

Current assets decreased, while fixed assets increased in the Fund's assets and in asset to equity ratios. While the ratio of equity and liabilities to total assets did not change (equity and liabilities ratio), the ratio of profit for the year to equity increased. The liquidity ratio of the Fund remains high, the return on equity and asset is practically the same, it is satisfactory, it has slightly increased compared to the previous year. The ratio of operating expenses in 2019 is 1.2% of membership fee revenues, 0.7% of total revenues and 0.8% of the result. The ratio of total expenses is 4.5% of revenues and 4.7% of the result.

table 4: Indicators characterizing the financial and asset situation

Indicator	Baseline year 31.12.2018	Current year 31.12.2019
Share of fixed assets = Fixed assets x 100 Total assets	5,27%	55,13%
Share of current assets = Current assets + prepayments x 100 Total assets	94,73%	44,87%
Equity ratio = Equity Balance sheet total	99,95%	99,95%
Balance sheet profit/loss to equity ratio= Profit/loss for the year x 100 Equity	29,46%	31,94%
Share of liabilities = Liabilities x 100 Balance sheet total	0,04%	0,04%
Coverage of fixed assets = Equity x 100 Fixed assets	1897%	181%
Current assets to equity ratio = Current assets x 100 Equity	93,90%	44,09%
Liquidity ratio =Current assets x 100 Short-term liabilities	243049,77%	112439,56%
Return on assets = Pre-tax profit/loss x 100 Total assets	29,44%	31,93%

5. PLANNED COSTS RELATED TO THE OPERATION IN 2020, THE FUND'S 2020 BUDGET

A The main assumptions taken into account when compiling the 2020 budget were:

- Resolution No. 9/2014 of the Board of Directors of the Resolution Fund. (VII. 28.) on the guidelines for the eligibility of operating costs of the Fund, other decisions of the Board of Directors,
- the state of the legislation in force by 2020,
- forecasts of changes in the financial and economic environment, in particular the MNB Inflation Report of March 2020, the MNB Financial Stability Report of December 2019, the press release of the MNB Monetary Council meeting of 24 March 2020, in addition to the above measures Press release on the meeting of the MNB Monetary Council on 7 April 2020, reports of ÁKK for the NDIF of 2019 and the first quarter of 2020,
- plans, internal analyzes of expected revenues and expenditures and risks associated with their realization (conservative estimate),
- the expected number of members of the work organization of the National Deposit Insurance Fund (hereafter NDIF) by 2020 and the plans for the location of the work organization - in April 2020 it was decided that the Resolution Fund will not rent an office either directly or through the NDIF, therefore the cost level it will not increase, it will decrease,
- the tasks and transferable costs set out in the planned cooperation agreement between the NDIF and the Resolution Fund - no changes have been made to the hourly rate for 2020 (ie the hourly rate for 2019 has been taken into account when drawing up the budget); an hourly plan has been defined for the basic tasks in 2020,
- the estimated risk of exchange rate effects on financial income and expense plans, assuming a split of investments between CMAX and the Individual Portfolio,
- when planning the value of goods and services the existing contracts, draft contracts, available offers or analyses, inflation risk,
- the budget has been prepared on an accrual basis, using the classification of expenses by nature also applied to the financial statements, considering the accounting principle of accruals.

In drawing up the budget, **the Fund's tasks for 2020** have been taken into account as follows:

- we do not expect a resolution order and a task requiring external funding,
- According to the rules governing the operation of the Resolution Fund, the work organization of the NDIF must also perform a number of **basic tasks** in “peacetime” (eg collecting regular annual fees, preparing annual reports, reviewing regulations, reporting obligations, preparing, documenting and filing board meetings); moreover there are **target tasks**, which do not serve the “peacetime” operation of the Resolution Fund, but support the preparation for and the capacity to act for the tasks required by the law as part of the resolution activities of the Resolution Fund. In this round, the following objectives have been defined for the current year:
 - o preparation of a plan with strategic or scheduled tasks for 3 years in advance facing the Resolution Fund for the period 2020-2022,
 - o a timetable for the development of the international relations system of the Resolution Fund in several phases.

A detailed proposal for the budget figures is provided in **Annexes 3 and 4**.

1. Operating costs

1.1 Personnel costs: remuneration of board members

Remuneration of the members of the Board of Directors is based on the relevant decision of the Board of Directors in accordance with Decree 367/2019 on the establishment of the mandatory minimum wage (minimum wage) and the guaranteed minimum wage in accordance with Government Decree 367/2020(XII. 30.) is planned for **HUF 49,942 thousand**.

1.2 Labor costs related to the operational operation of the Resolution Fund

The operational tasks of the Resolution Fund will be performed by the NDIF in 2020 as well, and the NDIF will provide the personnel and material and technical conditions for the performance of the tasks. The legal basis for the passing on and payment of costs is Act CCXXXVII of 2013 on Credit Institutions and Financial Undertakings Section 226 / A. § Article (1) - (2) and the Act XXXVII of 2014 on the development of the institution system strengthening the safety of certain players of the financial intermediary system Section 132 Article (7) and the Cooperation Agreement between the Resolution Fund and the NDIF regarding the performance of tasks in 2019. Based on the approved version of the cooperation agreement, the planned amount of costs that can be transferred in 2020, including the value added tax, is **HUF 59,879 thousand**. Under the agreement, the tasks performed by the NDIF are transferred at the agreed hourly rate, therefore the total amount to be transferred is planned under the line "Labor costs related to the operational operation of the Resolution Fund", it will not be included in the material expenses (stationery, IT materials, telephone, photocopying) in the budget or accounting in 2020.

1.3 Auditor's fee

Given that the tender has not yet been evaluated at the time of compiling the budget, the cost line includes the average of the audit fees according to the two best bids received for the audit tender announced for 2020 (HUF 3,112 thousand), which is 6% increase compared to the 2019 booked amount.

1.4 Stationery, infrastructure costs, IT costs

Details of the costs (**total HUF 26,363 thousand**) can be found in Appendix 3.

- We planned HUF 20 thousand in the form of printed matter.
- The rental and operating fee (HUF 3,923 thousand) was planned with a 6-month fee according to the contract signed with the Directorate General for Public Procurement and Supply, as well as the 2019 settlement difference, which was increased by HUF 150 thousand for other purposes (reserve for possible events).
- In the line of post and courier services, we planned HUF 1,030 thousand for 2020, which includes the postage cost plus with the calculated rate of the service provider's annual fee increase in 2019, and the additional cost due to postal diversion due to the change of registered office.
- We planned HUF 20 thousand for taxi costs.
- The maintenance fee of the website is HUF 600 thousand, the amount of the expected cost for 2019 calculated by the service provider increase.
- Among the communication costs, we planned HUF 300 thousand for the costs of the annual report and business report.
- In the line of legal services and expert fees (HUF 5,596 thousand), any legal proceedings related to the protection of the resolution fund's logo, other possible legal expenses in the amount of HUF 2,000 thousand, for the accounting and payroll administration fee (external service provider, RSM Hungary 2020, based on the prices valid for the year) we planned HUF 3,596 thousand.
- The planned cost line for professional translation is the amount planned for the fee for translating the annual report into English, HUF 300 thousand.

- The cost related to Netlock encryption (HUF 334 thousand) is based on the price increase in 2020, in which the President's expanded digital signature costs suitable for company registration are also planned, this is a new element compared to the previous Netlock costs.
- The planned amount on the line of portfolio management fee and bank costs, the portfolio management fees is HUF 13,000 thousand, in this case we calculated an increase in line with an increase in assets, the bank costs are HUF 990 thousand.

The Board of Directors considered the bank charges to be high, therefore from May 2020 we will close the MNB's foreign currency accounts, which will result in a decrease of HUF 79 thousand. However, due to the bank tender announced in 2020, bank charges will be slightly higher for a transitional period (expected for a maximum of 2 months) until the new accounts our set up with the winner of the tender and the old bank account agreements are terminated.

- We planned HUF 100 thousand for official fees, HUF 100 thousand for entertainment expenses (including taxes) and HUF 50 thousand for other materials based on the 2019 factual data. Representation expenses are the budget for refreshments provided for board meetings, plus public charges, and other material are the cost of operating the petty cash and for contingent forms essential for the operation of the fund and any other tasks.

1.5 Other operating expenses

Under other operating expenses, foreign travel and accommodation costs and conference fees were not planned, only the liability insurance costs of the members of the Board of Directors were planned in accordance with the amount of the concluded contract (HUF 3,790 thousand).

2. Costs related to MSZVK Zrt

We have no planned costs or revenues for 2020.

3. Revenues, expenses

- From the indicative figures in Annexes 3 and 4, revenue and expenses have been planned as follows:
- fee income (HUF 16,575,922 thousand) is the final data sent by the MNB on the ERA system on 30 April 2020, taking into account that it will be determined by the resolution authority by 1 May 2020,
 - the planned figures for financial income (HUF 1,524,800 thousand) and expenses (HUF 130,000 thousand), realized gains and losses on government securities were based on prudently calculated yields, where exchange rate effects are estimated,
 - as other income, no dividend is expected to be paid to the Fund based on the information provided by the MNB. Income from late payment fees was determined in HUF 100 thousand based on the actual data of 2019,
 - foreign exchange futures were not planned for 2020.

In the financial income and expenses, we accounted for the impairment and reversal of impairment required by the Accounting Act of the Fund for government bonds in the CMAX Portfolio recorded in current assets in 2019, taking into account the Fund's effective accounting policy. For 2020, we only planned to reverse an impairment loss, considering the change in the Fund's accounting policy, which raises the previous HUF 5 million materiality threshold to 10%. The reversal of impairment will have to be assessed on the basis of exchange rate data existing at the balance sheet date of 2020, therefore the data is an estimate. The Fund's financial result excluding dividend income is expected to be higher than in the previous year, unless the Fund's restricted assets are resolved and the government securities in the Individual Portfolio remain the property of the Fund throughout the year and their fixed interest rates are realized.

4. Summary

The 2020 budget plan of the Resolution Fund envisages HUF 18,100,822 thousand in revenue, HUF 273,087 thousand in expenses, including HUF 143,087 thousand in operating expenses and HUF 17,827,735 thousand in planned profit for the current year.

6. COMPLIANCE WITH THE DECISIONS OF THE BOARD OF DIRECTORS

In 2019, the Board of Directors of the Resolution Fund adopted 50 resolutions, of which 9 were taken outside meetings. The decisions of the Board of Directors are based on the Szantv. and on the major issues affecting the organization and operation of the Fund, including the following topics:

- approval of amendments to the Fund's accounting rules (Accounting Policy, Chart of Accounts, Valuation Rules and Chart of Accounts);
- amendment of the Fund's Procurement Rules;
- amendment of the Fund's Fee Payment Regulations;
- amendment of the rules of procedure of the Management Board;
- approval of the Fund's amended Investment Regulations;
- approval of the Fund's annual report and income report for 2018;
- approval of the Fund's budget for 2019;
- accepting the outsourcing of the Fund's accounting and payroll activities;
- approval of the amendment to the Cooperation Agreement between the Fund and the National Deposit Insurance Fund;
- the decision to extend the Cooperation Agreement between the MNB and the National Deposit Insurance Fund to the Resolution Fund;
- taking note of the prospectus of MSZVK Zrt. 2018. IV. quarterly report, as well as I, II. and III. 2019 its quarterly accounts;
- taking note of the prospectus related to the individual and consolidated annual report of MSZVK Zrt. for 2018;
- approval of the Fund's budget theses for 2020;
- taking note of the January-December 2018 and 2019 quarterly prospectuses on the Fund's financial position and Fund's portfolio management performance;
- the adoption of the Fund's 2018 internal audit report and the internal auditor's reports and related action plans;
- adoption of the amendment to the Internal Auditor's work plan for 2019;
- took note of the information on developments in the trademark application procedure for the Fund's English logo;
- contributions to the appointment of permanent deputies of the members of the Management Board;
- taking note of information on the implementation of Management Board decisions.

Budapest, 26 May, 2020

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Gábor Gion
Chairman of the Board of
Management of the Resolution Fund

Annex I Development of the annual fee payment to the Resolution Fund for 2019

Number	Name of member institution	2019 yearly fee
1	Aegon Lakástakarék Zrt.	316
2	Bank of China (Hungária) Zrt.	91 709
3	Bank of China Limited Magyarországi Fióktelepe	0
4	Budapest Bank Zrt.	446 553
5	CEE Active Asset Management Zrt.	200
6	CIB Bank Zrt.	823 674
7	CODEX Értéktár Zrt.	200
8	Commerzbank Zrt.	116 254
9	CONCORDE Értékpapír Zrt.	2 215
10	Duna TakaréK Bank Zrt.	633
11	eBrókerház Befektetési Szolgáltató Zrt.	200
12	EQUILOR Befektetési Zrt.	633
13	Erse Jelzálogbank Zrt.	15 820
14	Erste Bank Hungary Zrt.	847 168
15	Erste Befektetési Zrt.	54 742
16	Erste Lakástakarék Zrt.	633
17	Fundamenta-Lakáskassza Zrt.	92 850
18	Gránit Bank Zrt.	229 193
19	HOLD Alapforgalmazó Zrt.	200
20	K&H Bank Zrt.*	1 388 300
21	K&H Jelzálogbank Zrt.	8 226
22	KDB Bank Európa Zrt.	164 145
23	KELER Zrt.	15 820
24	Kinizsi Invest Zrt.	0
25	MagNet Bank Zrt.	165 167
26	MagNet Magyar Közösségi Bank Zrt.	4 746
27	Magyar Cetelem Bank Zrt.**	8 226
28	MKB Bank Nyrt.	1 425 342
29	NHB Növekedési Hitel Bank Zrt.	0
30	OTP Bank Nyrt.	2 135 217
31	OTP Jelzálogbank Zrt.	259 390
32	OTP Lakástakarék Zrt.	0
33	Polgári Bank Zrt.	316
34	Porsche Bank Zrt.	2 215
35	QUANTIS Alpha Befektetési Zrt.	0
36	Raiffeisen Bank Zrt.	1 261 544
37	Random Capital Zrt.	316
38	Sberbank Magyarország Zrt.	172 098
39	SINUS-FAIR Corporate Zrt.	200
40	Sopron Bank Zrt.	633
41	SPB Befektetési Zrt.	316
42	SZHISZ (konszolidált)	885 147
43	UniCredit Bank Hungary Zrt.	1 470 246
44	UniCredit Jelzálogbank Zrt.	22 742
45	Vertis Zrt.	606
	TOTAL	12 114 150

Source: Resolution Fund data in K HUF
*Magyar Cetelem Bank Zrt. 2019. II. half-year fee, HUF 4,113 thousand was received in January 2020.

Annex 2 The member institution of the Resolution Fund on 31 December 2019

I. BANKS (22):

1. Bank of China (Hungaria) Zrt.

2. Bank of China Limited Magyarországi Fióktelepe

3. Budapest Bank Zrt.

4. CIB Bank Zrt.

5. Commerzbank Zrt.

6. DUNA TAKARÉK BANK Zrt.

7. ERSTE BANK HUNGARY Zrt.

8. GRÁNIT Bank Zrt.

9. KDB Bank Európa Zrt.

10. K&H Bank Zrt.

11. MagNet Bank Zrt.

12. Magyar Cetelem Zrt.

13. Merkantil Bank Zrt.

14. MKB Bank Nyrt.

15. MTB Zrt.

16. OTP Bank Nyrt.

17. Polgári Bank Zrt.

18. Raiffeisen Bank Zrt.

19. Sberbank Magyarország Zrt.

20. SOPRON BANK ZRT.

21. Takarékbank Zrt.

22. UniCredit Bank Zrt.

5. KELER Zrt.

6. K&H Jelzálogbank Zrt.

7. OTP Jelzálogbank Zrt.

8. OTP Lakástakarék Zrt.

9. TakarékJelzálogbank Nyrt.

10. UniCredit Jelzálogbank Zrt.

III. CREDIT INSTITUTION OPERATING IN THE FORM OF A COOPERATIVE (COOPERATIVE SAVINGS BANK) (1):

1. Bóly és Vidéke Takarékszövetkezet

IV. INVESTMENT FIRMS (13):

1. CEE Active Asset Management Zrt.

2. CODEX Értéktár Zrt.

3. Concorde Értékpapír Zrt.

4. eBrókerház Zrt.

5. EQUILOR ZRT.

6. Erste Befektetési Zrt.

7. HOLD Alapfőigazgató Zrt.

8. Random Capital Zrt.

9. SINUS-FAIR Corporate Zrt.

10. SPB Zrt.

11. Vertis Zrt.

II. SPECIALIZED CREDIT INSTITUTIONS (10):

1. AEGON Lakástakarék Zrt.

2. ERSTE Jelzálogbank Zrt.

3. ERSTE Lakástakarék Zrt.

4. Fundamenta-Lakáskassza Zrt.

Annex 3 2020 operating costs of the Resolution Fund

Definition	2019 Budget HUF	01-12 2019 actual HUF	"2020 Budgeted countinuously arising costs HUF"	2020 Budget/2019 Actual %
1) Personnel expenses: remuneration of Board members	47 006 520	46 533 581	49 942 200	107,3
2) Labour costs relating to the operation of the Resolution Fund	91 922 600	64 405 260	59 878 981	93,0
3) Remuneration of the auditor and internal controller	2 794 000	2 929 469	3 112 000	106,2
4) Office equipment, infrastructure expenses, IT expenses	28 115 093	21 867 121	26 363 000	120,6
5) Other costs of operation	3 990 000	3 790 000	3 790 000	100,0
Total regularly incurred costs of operation	173 828 213	139 525 431	143 086 181	102,6
Itemized breakdown of cost group defined in Section 4				
a) Office equipment	0	0	0	N/A
b) forms, printed publications, technical books, official gazette, subscription fees of industry periodicals	100 000	0	20 000	N/A
c) IT materials	0	0	0	N/A
d) office, warehouse, room and other rents and operating expenses	6 824 577	4 095 788	3 923 000	95,8
e) document storage	0	0	0	N/A
f) mailing costs, courier service fees	800 000	811 878	1 030 000	126,9
g) taxi expenses	20 000	0	20 000	N/A
h) telephone expenses	0	0	0	N/A
i) printing and photocopying expenses	0	0	0	N/A
j) website maintenance	512 516	459 484	600 000	130,6
k) other communication expenses	350 000	226 695	300 000	132,3
l) legal services, other expert fees	4 320 000	2 706 935	5 596 000	206,7
m) translation	300 000	286 476	300 000	104,7
n) program expert services (Netlock)	200 000	152 214	334 000	219,4
o) program upgrade fees	0	0	0	N/A
p) bank charges, portfolio management fees,	14 268 000	12 738 605	13 990 000	109,8
= of which bank charges relating to the foreign currency account	168 000	169 000	90 000	53,3
= bank charges of HUF account	100 000	682 596	900 000	131,8
= portfolio management fees	14 000 000	11 887 009	13 000 000	109,4
q) duties, transaction levies, administrative fees	100 000	6 000	100 000	1666,7
r) property insurance premium	0	0	0	N/A
s) computer insurance	0	0	0	N/A
t) entertainment costs	300 000	327 166	100 000	30,6
u) other materials and service expenses	20 000	55 880	50 000	89,5
Total expenses of operation listed in Section 4)	28 115 093	21 867 121	26 363 000	120,6
Itemized breakdown of cost group defined in Section 5				
a) costs of conferences in Hungary/abroad	100 000	0	0	N/A
b) travel expenses	100 000	0	0	N/A
c) membership fees in professional organizations	0	0	0	N/A
d) liability insurance of Board members	3 790 000	3 790 000	3 790 000	100,0
e) cost of patenting the Resolution Fund logo	0	0	0	N/A
Total expenses of operation listed in Section 5)	3 990 000	3 790 000	3 790 000	100,0

Source: Resolution Fund

data in HUF

Annex 4 2020 revenues and expenses of the Resolution Fund

Definition	2019 Budget HUF	01-12 2019 actual HUF	"2020 Budgeted continuously arising costs HUF"	2020 Budget / 2019 Actual %
Fee income	10 552 562 000	12 114 149 638	16 575 922 026	136,8
Financial income	300 100 000	6 524 510 210	1 524 800 000	23,4
Other income (late charges, rounding, penalty)	6 000 100 000	164 178	100 000	60,9
Total income	16 852 762 000	18 638 824 026	18 100 822 026	97,1
Details of income	2019 Budget HUF	01-12 2019 actual HUF	"2020 Budgeted continuously arising costs HUF"	2020 Budget / 2019 Actual %
Fee income	10 552 562 000	12 114 149 638	16 575 922 026	136,8
Other income	6 000 100 000	164 178	100 000	60,9
Financial income	300 100 000	6 524 510 210	1 524 800 000	23,4
Received income on current account	100 000	722 120	800 000	110,8
Realized gains and interests on government bonds	300 000 000	1 002 472 310	1 342 000 000	133,9
Reversed impairment loss on Hungarian government bonds	0	121 315 780	182 000 000	150,0
Recieved dividend	0	5 400 000 000	0	0,0
Total income	16 852 762 000	18 638 824 026	18 100 822 026	97,1
Details of expenditures and costs	2019 Budget HUF	01-12 2019 actual HUF	"2020 Budgeted continuously arising costs HUF"	2020 Budget / 2019 Actual %
Total continuously arising costs related to operation	173 828 213	139 525 431	143 086 181	102,6
Other costs and expenditures (state guarantee, MSZVK costs, losses on loans, rounding)	0	137 004	1 000	0,7
Operating costs and other expenditures total	173 828 213	139 662 435	143 087 181	102,5
Realized exchange rate losses and interest to be paid	0	19 709	0	0,0
Realized losses on government bonds	270 000 000	356 512 080	130 000 000	36,5
Impairment loss on Hungarian government bonds	0	336 231 429	0	0,0
Total financial expenditure	270 000 000	692 763 218	130 000 000	18,8
Provision (actual)	0	0	0	N/A
Total expenditures and operating costs	443 828 213	832 425 653	273 087 181	32,8
Actual year earnings	16 408 933 787	17 806 398 373	17 827 734 845	100,1

Source: Resolution Fund

data in HUF





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