Sberbank Hungary Private Company Limited by Shares

Stand-alone Financial Statements

31 December 2019

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholders of Sberbank Magyarország Zrt.

Report on the audit of the annual financial statements

Opinion

We have audited the accompanying 2019 annual financial statements of Sberbank Magyarország Zrt. ("the Company"), which comprise the statement of financial position as at 31 December 2019 - showing a balance sheet total of HUF 423,401 million and a total comprehensive income for the year of HUF 2,129 million -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion the annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the annual financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Credit Impairment

The Company calculates credit impairment in accordance with IFRS9 Financial instruments. Credit impairment is a highly subjective area due to the level of judgement applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, are unsecured or are subject to potential collateral shortfalls. These ECL models require the significant judgment of management regarding correct segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay to reflect on	We involved valuation specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures. We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans and receivables to customers and controls over ECL calculations including the quality of underlying data and systems. For ECL for loans and receivables to customers calculated on an individual basis, we tested the assumptions underlying the impairment identification and quantification focusing both on loan cases with the most significant potential impact on the annual financial statements and random samples. We assessed the Company's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery on default based on our own understanding and available market information.

circumstances beyond the modelling capabilities. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions.

Due to the significance of loans and receivables to customers (representing 63% of Total Assets as at 31 December 2019) and the related estimation uncertainty, this is considered a key audit matter.

For ECL for loans and receivables to customers calculated on a collective basis we evaluated the model governance, methodologies, inputs and assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements) including model validations and backtesting.

We also assessed whether the disclosures in the annual financial statement appropriately reflect the Company's exposure to credit risk and are compliant with the EU IFRSs.

The Company's disclosures about its risk management policies are included in Note 6.4 - Accounting policies which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 6.6.4 - Loans to customers and Note 6.11.3 Credit risk.

Information Technology (IT) systems

A significant part of the Company's financial reporting process and interest and fee revenue recognition is heavily reliant on IT systems with automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist, and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort was in this area.

We focused our audit on those IT systems and controls that are significant for the Company's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists in our audit procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

Furthermore the complexity of IT systems and nature of application controls requires special expertise to be involved in the audit. We therefore consider this as a key audit matter.	As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit. The Company's disclosures about its IT Systems are included in Note 6.4B - IT systems used by the Company.

Other information

Other information consists of the 2019 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements does not cover the business report.

In connection with our audit of the annual financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

We are required to confirm also whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

In our opinion, the business report of the Company for 2019 is consistent, in all material respects, with the 2019 annual financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with the EU IFRSs and the supplementary requirements of the Hungarian Accounting Law relevant for annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as statutory auditor by the General Assembly of Shareholders of the Company on 28 May 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for eight year.

Building a better working world

Consistency with Additional Report to Audit Committee

Our audit opinion on the annual financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the annual financial statements, no other services were provided by us to the Company.

The engagement partner on the audit resulting in this independent auditor's report is Szabó Gergely.

Budapest, 21 April 2020

Szabó Gergely
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

SBERBANK HUNGARY
private company limited by shares

Stand-alone Financial Statements
31 December 2019

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1. STATEMENT OF FINANCIAL POSITION

data in HUF million

	Note	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents	6.6.1	98 846	61 808
Securities	6.6.2	31 016	43 884
Receivables from credit institutions	6.6.3	14 111	22 455
Loans and advances to customers	6.6.4	265 637	228 635
Plant, property and equipment	6.6.5	2 237	1 408
Right-of use assets	6.6.6	3 076	0
Intangible assets	6.6.7	5 577	4 069
Equity investments	6.6.8	767	605
Investment property		0	0
Tax assets	6.6.9	25	12
Derivative assets	6.6.10	228	1 219
Other assets	6.6.11	1 868	1 869
Non-current assets and disposal groups held for sale	6.6.12	13	13
Total Assets		**423 401**	**365 977**
Liabilities			
Liabilities due to banks	6.6.13	52 697	34 938
Liabilities due to customers	6.6.14	302 038	265 461
Debt securities in issue	6.6.15	1 310	4 177
Subordinated liabilities	6.6.16	9 313	9 062
Provisions	6.6.17	1 232	749
Tax liabilities	6.6.9	21	36
Derivative liabilities	6.6.10	1 255	732
Other liabilities	6.6.18	8 636	6 288
Non-current liabilities and disposal groups held for sale		0	0
Total Liabilities		**376 502**	**321 443**
Equity			
Share capital	6.6.19	3 727	3 727
Share premium	6.6.20	94 416	94 416
Other reserves	6.6.21	421	185
Other comprehensive income	6.8	261	257
Retained earnings		-51 926	-54 051
Total equity		**46 899**	**44 534**
Total liabilities and equity		**423 401**	**365 977**

Budapest, 21 April 2020

Richard Szabó
Chairman - CEO

Éva Tudisconé Gyöngyösy
CFO

2. INCOME STATEMENT

data in HUF million

	Note	2019	2018
Profit or loss for the year			
Interest receivable and similar income	6.7.1	11 916	11 739
Interest payable and similar expense	6.7.2	-2 437	-2 357
Net provision charge for loan impairment	6.7.3	-846	-893
Net interest income minus risk provisions		8 633	8 489
Fee and commission income	6.7.4	9 206	8 346
Fee and commission expense	6.7.5	-1 422	-1 208
Net fee and commissions income		7 784	7 138
Net trading income	6.7.6	394	1 651
Net gain or loss on securities	6.7.7	-109	-633
Changes in allowances for other risks	6.7.8	-420	-235
Other operating income	6.7.9	2 660	784
Other operating expenses	6.7.10	-16 113	-15 350
Result before tax		2 829	1 844
Income tax	6.7.11	-468	-497
Profit or loss after tax from continuing operations		2 361	1 347
Profit or loss after tax from discontinued operations		0	0
Profit or loss after tax		**2 361**	**1 347**
Charges in general reserves		-236	-135
Profit or loss for the year		**2 125**	**1 212**

Other comprehensive income for the year	6.8	4	-493
Total comprehensive income for the year		**2 129**	**719**

Budapest, 21 April 2020

Richard Szabó
Chairman - CEO

Éva Tudiscóné Gyöngyösy
CFO

3. STATEMENT OF OTHER COMPREHENSIVE INCOME

data in HUF million

	Note	31.12.2019	31.12.2018
Other comprehensive income			
Other comprehensive results not to be reclassified to profit or loss		0	0
Changes in fair value of equity instruments designated at FVOCI		0	0
Changes in fair value of financial liabilities measured at FVTPL due to changes in credit risks		0	0
Other items		0	0
Related taxes		0	0
Other comprehensive results to be reclassified to profit or loss		4	-447
Changes in fair value of debt instruments measured at FVOCI	6.8	4	-447
Changes in fair value of loans measured at FVOCI	6.8	0	0
Reclassification to profit or loss		0	0
Net gain or loss from sale of debt instruments measured at FVOCI		0	0
Impact of transition from IAS 39 to IFRS 9		0	-46
Other items		0	0
Related taxes		0	0
Other comprehensive income		4	-493

Budapest, 21 April 2020

Richard Szabó
Chairman - CEO

Éva Tudiscóné Gyöngyösy
CFO

data in HUF million

4. STATEMENT OF CHANGES IN EQUITY

data in MHUF

	Note	Share capital	Share premium	Other reserves	Other comprehensive income	Retained earnings	Total
Balance at 1. January 2018		**3 727**	**91 500**	**50**	**750**	**-54 439**	**41 588**
Impact of transition to IFRS		0	0	0	-46	-824	-870
Profit for the year		0	0	0	0	1 347	1 347
Other comprehensive income for the year		0	0	0	-447	0	-447
Increase in general reserves		0	0	135	0	-135	0
Increase in share capital		0	2 916	0	0	0	2 916
Dividend payments		0	0	0	0	0	0
Total changes		0	2 916	135	-493	388	2 946
Balance at 31. December 2018		**3 727**	**94 416**	**185**	**257**	**-54 051**	**44 534**
Impact of transition from IAS 17 to IFRS 16		0	0	0	0	0	0
Profit for the year	6.7	0	0	0	0	2 361	2 361
Other comprehensive income for the year	6.8	0	0	0	4	0	4
Increase in general reserves	6.6.21	0	0	236	0	-236	0
Increase in share capital		0	0	0	0	0	0
Dividend payments		0	0	0	0	0	0
Total changes		0	0	236	4	2 125	2 365
Balance at 31. December 2019		**3 727**	**94 416**	**421**	**261**	**-51 926**	**46 899**

Budapest, 21 April 2020

Richard Szabó
Chairman - CEO

Éva Tudiscóné Gyöngyösy
CFO

5. STATEMENT OF CASH FLOWS

data in HUF million

	Note	2019	2018
Cash flows from operating activities			
Interest income	6.7.1	12 779	11 191
Interest expense (without lease liabilities)	6.7.2	-2 804	-2 131
Fees and commissions received	6.7.4	9 215	8 346
Fees and commissions paid	6.7.5	-1 422	-1 208
Net gains realised on FVTPL securities	6.7.7	1	-1
Dividends received from FVTPL securities	6.7.7	0	0
Net gains realised on derivatives	6.7.6	-250	701
Other operating income received	6.7.9	7 024	1 219
Operating expenses paid	6.7.10	-14 560	-14 722
Income tax paid	6.7.11	-468	-497
Cash received from operating activities of discontinued operations		0	0
Net changes in trading securities (increase: -, decrease: +)		0	0
Net changes in securities designated at FVTPL (increase: -, decrease: +)	6.6.2	10 000	0
Net changes in loans and advances to banks (increase: -, decrease: +)	6.6.3	8 363	9 524
Net changes in loans and advances to customers (increase: -, decrease: +)	6.6.4	-41 764	-30 611
Net changes in other financial instruments (increase: -, decrease: +)	6.6.11	6	-52
Net changes in other non-financial instruments (increase: -, decrease: +)	6.6.11	-1	41
Net changes in due to banks (increase: +, decrease: -)	6.6.13	17 828	-7 799
Net changes in due to customers (increase: +, decrease: -)	6.6.14	36 540	20 232
Net changes in debt securities in issue (increase: +, decrease: -)	6.6.15	-2 129	-880
Net changes in other financial liabilities (increase: +, decrease: -)	6.6.18	-809	1 634
Net changes in other non-financial liabilities (increase: +, decrease: -)	6.6.18	52	-74
Net changes in FVTPL financial assets (increase: -, decrease: +)	6.6.10	1 255	415
Net changes in FVTPL financial liabilities (increase: +, decrease: -)	6.6.10	-226	-1 316
Paid interest on lease contracts	6.7.2	-119	0
Cash flows from operating activities		**38 511**	**-5 988**

Cash flows from investing activities			
Acquisition of investment securities	6.6.2	-19 504	-62 060
Proceeds from disposal and maturity of investment securities	6.6.2	21 791	70 100
Interest received on investment securities	6.7.1	580	728
Acquisition of plant, property and equipment and intangible assets	6.6.7	-3 537	-2 983
Proceeds from disposal of plant, property and equipment including insurance payments and intangible assets	6.7.9	4	9
Acquisition of associates and subsidiaries		0	0
Proceeds from disposal of associates and subsidiaries		0	0
Dividends received from subsidiaries	6.7.7	35	36
Acquisition of investment property		0	0
Proceeds from disposal of investment property		0	1 056
Cash flows from investing activities		**-631**	**6 886**

data in HUF million

	Note	2019	2018
Cash flows from financial activities			
Loans received		0	0
Redemption of loans		0	0
Interest paid on loans		0	0
Subordinated debts received		0	0
Redemption of subordinated debts		0	0
Interest paid on subordinated debts	6.7.2	-301	-299
Dividends paid		0	0
Acquisition of own shares		0	0
Proceeds from disposal of own shares purchased from shareholders		0	0
Cash received from shareholders		0	2 916
Currency exchange rates		-6	0
Effect of exchange rate changes on cash and cash equivalents	6.9.1	-535	0
Cash flows from financial activities		**-842**	**2 617**

Cash flows		**37 038**	**3 515**
Cash and cash equivalents at 1. January	6.6.1	61 808	58 293
Cash and cash equivalents at 31. December	6.6.1	98 846	61 808
Changes in Cash and cash equivalents		37 038	3 515

Budapest, 21 April 2020

Richard Szabó
Chairman - CEO

Éva Tudiscone Gyöngyösy
CFO

Sberbank Hungary Ltd. data in HUF million

6. NOTES

The notes in this chapter form part of the financial statements.

6.1 General information

Sberbank Magyarország Zrt. (the Bank) started operations as Magyarországi Volksbank Ltd. on 27 August 1993. Its subscribed capital upon foundation was HUF 1,000 million and its sole owner was Österreichische Volksbanken AG (ÖVAG). Since 1996 the main shareholder of the Bank had been Volksbank International AG (VBI), a subsidiary of ÖVAG. On 15 February 2012 the full acquisition of VBI was completed and as a result a subsidiary of the Russian Sberbank became the majority shareholder of the Bank, which has been operating under the name of Sberbank Europe AG since 5 November 2012. The ultimate parent company of the Bank is Sberbank of Russia.

The new name of the Bank (Sberbank Magyarország Zártkörűen Működő Részvénytársaság) is effective from 1 November 2013.

General information on the Bank:

Registered office:	1088 Budapest, Rákóczi út 1-3.
Registration number:	01-10-041720
Tax number:	10776999-2-44
Statistical code:	10776999-6419-114-01
Account number at MNB:	19017004-00201414
Website:	www.sberbank.hu

The Bank is authorised to perform the following registered activities:

As per TEÁOR (Standard Sector Classification of Business Activities):

- 6419 '08 Other monetary intermediation - Core activity
- 6492 '08 Other lending
- 6499 '08 Other financial intermediation elsewhere not classified
- 6612 '08 Security and commodity contracts brokerage
- 6619 '08 Other activities auxiliary to financial services
- 6622 '08 Insurance agent and broker activities
- 6629 '08 Other activities auxiliary to insurance and pension funding

Sberbank Europe AG (Schwarzenberg Street 3. 1010 Vienna Austria) prepares consolidated financial statements in accordance with IFRS for the smallest unit of the Group which includes Sberbank Magyarország Ltd. as a subsidiary. Sberbank of Russia (Vavilova Street 19. 117997 Moscow, Russia) has 100% of the Sberbank Europe AG shares and prepares the consolidated financial statements for the largest unit of the Group.

The annual financial statements of the Bank must be audited. Audit is performed by Ernst & Young Könyvvizsgáló Kft. (Váci út 20. 1132 Budapest, Registration number: 01-09-267553; Chamber of Hungarian Auditors registration number: 001165).

The (natural) person responsible for the audit: Gergely Szabó (CHA registration number: 005676).

Person responsible for the Bank's accounting records: Mrs. Éva Gyöngyösy Tudisco Finance Director. (CHA registration number: 005792).

Richard Szabó Chief Executive Officer and Mrs. Éva Gyöngyösy Tudisco Finance Director are authorised to sign jointly the financial statements of the Bank.

6.2 Senior executives

Senior executives of the Bank as at 31 December 2019:

Supervisory Board members	Function	Company
Alexander Witte	chairman	Sberbank Europe AG
Sonja Sarközi	deputy chairman	Sberbank Europe AG
Martin Frank	deputy chairman	Sberbank Europe AG
Kornél Halmos	member	Sberbank Europe AG
Michael Oberhummer	member	independent
dr. Zoltán Fényi	member	employee delegate
Tibor Bodnár	member	employee delegate

Members of the Board of Directors	Function
Richard Szabó	chairman
Éva Tudisconé Gyöngyösy	member
Bence Kalmár	member
Tamás Fodor	member

6.3 Statement of compliance

As at 1 January 2018 the Bank switched from applying Hungarian accounting regulations to the application of international accounting standards, thus these financial statements, based on the option provided by Section 10 (2) of Act C of 2000, have been prepared in accordance with International Financial Reporting Standards as announced as a regulation in the official gazette of the European Union.

The Bank also prepares consolidated financial statements, in which it applies the same accounting policies as in the preparation of the stand-alone financial statements.

6.4 Accounting policies

Data in these financial statements are in Hungarian forints, which is the functional and bookkeeping currency of the Bank. Unless otherwise indicated, data disclosed in the financial statements are presented in Hungarian forints rounded to the nearest million.

The reporting date in the financial statements is 31. December 2019.

When preparing the financial statements and during bookkeeping the Bank assumes that the *going concern principle* is met, that is, the Bank intends and is able to maintain its operations for the foreseeable future, can continue its activity, and a closure of operations or any significant reduction therein is not expected.

Section 6.9.14 Subsequent events contains analysis of the situation caused by the coronavirus in the first quarter of 2020.

As a conclusion it can be stated that Management of the Bank believes that going concern assumption does exist. Cessation of the operation or significant reduction thereof for whatsoever reason is not expected in the foreseeable future.

Basic measurement principles

In accordance with the *fair presentation principle*, the Bank presents its financial position, financial performance and cash flows fairly. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in IFRSs.

Assets and equity and liabilities are reported in the financial statements basically at cost or amortised cost, except for financial instruments held for trading, derivatives and available-for-sale assets and financial assets failed at SPPI test, which are presented at fair value.

Revaluation of foreign currency assets and foreign currency liabilities

Foreign currency assets, liabilities, income and expenses are booked in the currency of the transaction, but are recognised in the financial statements in HUF.

Foreign currency assets and liabilities are converted to HUF on a daily basis at the middle rate published by the Bank.

Foreign currency assets and liabilities are measured in the financial statements at the exchange rate published by MNB and valid on the last day of the year.

Measurement estimates

As a result of inherent uncertainties in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available information and does not undermine the reliability of the financial statements.

The Bank applies accounting estimates when quantifying the following items:

- determining doubtful receivables, impairment and provisions;
- obsolescence of inventories;
- useful lives, residual values and depreciation of depreciable assets;
- calculation of amortised cost;
- determining the fair value of financial instruments.

An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error, thus the effect of the change shall be recognised in the period of the change and future periods (prospective recognition). Prospective recognition means that the change is applied to transactions and business events from the date of the change in estimate.

Estimating impairment and provisions

Information relating to measuring and assessing credit risk are presented in Section 6.11.3 Credit risk.

Estimating depreciation

The Bank records depreciation on property, plant and equipment as well as amortisation on intangible assets from the first day after such are ready for use. The depreciation on property, plant and equipment and the amortisation on intangible assets are recognised on a straight-line basis, taking into account the expected duration of use and the residual value.

The Bank assumes that the commissioning date and the date assets become available for use is one and the same, given that the business model followed by the Bank means the commissioning of assets is not preceded by a lengthy stockpiling period.

Intangible assets always have definite useful lives. Straight-line rates used considering useful lives determined individually:

a.) rights and concessions	15%
b.) goodwill	15%
c.) software	max. 25%
d.) other intellectual property	max. 25%

Sberbank Hungary Ltd. data in HUF million

Straight-line rates used for property, plant and equipment:

Land and buildings	
Buildings, parts of buildings. held by own	2,00%
Investment of buildings held by own	depending on use, max 10,00%
Investment of buildings. rented	according to lease contracts (20%)
Plant and other machinery	
Office assets and equipment	14,50%
Copying machines and equipment	14,50%
Other office equipment	14,50%
Telecommunications equipment	14,50%
Administration and other (office) fittings	14,50%
Tools	14,50%
Computers and IT equipment	max. 20,00%
Security equipment	14,50%
Vehicles	
Vehicles	20,00%

The depreciation rates of right-of-use assets are determined according to the length of the related contracts.

Calculation of amortised cost

Amortised cost is calculated using the effective interest method, which is also used to determine interest income.
Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Bank shall estimate the expected cash flows by considering all the contractual terms of the financial instrument but shall not consider the expected credit losses.

The calculation includes all fees and commissions related to the creation of the deal and paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

During the calculation the Bank applies the effective interest rate to the gross carrying amount of the financial assets, except for:
- purchased or originated credit-impaired financial assets. For these assets the Bank applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit-impaired financial assets, but subsequently became credit-impaired financial assets. For these financial assets the Bank applies the effective interest rate to the amortised cost of the financial assets in subsequent reporting periods.

By applying the effective interest method the Bank identifies the fees that are an integral part of the financial instrument's effective interest rate. Fees that are an integral part of the effective interest rate of a financial instrument include:
- origination fees received by the Bank relating to the creation or acquisition of a financial asset. Such fees include for example compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction;

- commitment fees received by the Bank to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is probable that the Bank will enter into a specific lending arrangement. If the commitment expires without the Bank making the loan, the fee is recognised as income on expiry;
- origination fees paid on issuing financial liabilities measured at amortised cost.

These fees are an integral part of generating an involvement with the resulting financial instrument.

The Bank distinguishes fees and costs that are an integral part of the effective interest rate for the financial liability from origination fees and transaction costs relating to the right to provide services, such as investment management services.

When applying the effective interest method the Bank generally amortises any fees, points paid or received, transaction costs and other premiums or discounts that are included in the effective interest rate calculation over the expected life of the financial instrument.

For floating-rate financial assets and floating-rate financial liabilities, the periodic re-estimation of cash flows to reflect the movements in the market rate of interest alters the effective interest rate.

In some cases the financial asset is considered credit-impaired at initial recognition because the credit risk is very high, and in the case of a purchase it is acquired at a deep discount. The Bank includes the initial expected credit losses in the estimated cash flows when calculating the credit-adjusted effective interest rate for financial assets that are considered to be purchased or originated credit-impaired at initial recognition.

For the Bank, the transactions that do not have a cash flow which can be reliably estimated in advance are not included in the amortised cost calculation, i.e. their effective interest rate is the same as the transaction rate, and the amortised cost is the same as the outstanding contractual amount. Such transactions include current account overdrafts and revolving loans, credit lines and guarantees.

Estimating the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price).

The inputs to valuation techniques used to measure fair value can be categorised into a fair value hierarchy which includes the following levels:

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Such as for example:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active

- other observable inputs:
  - interest rates and yield curves observable at commonly quoted intervals
  - implied volatilities
  - credit spreads
- market-corroborated inputs.

Level 3 inputs: Unobservable inputs. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Where possible, the Bank uses principal market prices to determine fair value.

Given the Bank's low market share on principal markets and its relatively low total assets, the Bank does not adjust observed prices. The IFRS allow both call prices and bid prices to be used for valuations, so in line with the consolidated accounting policies of its owner the Bank

- uses bid prices for debt securities
- and mid prices in all other instances for valuations.

If there are no observable prices on the principal markets then to determine the fair value of receivables from customers and credit institutions with terms of more than 90 days the Bank uses the DCF (discounted cash flow) method to estimate fair value with due consideration of the following:

- The Bank adjusts future cash flows from the Core Banking System so they reflect estimates of future interest rates. This adjustment appears in the cash flows with the help of projected (forward and FRA) curves.
- When discounting the Bank uses money-market reference rates in line with the nature of the transaction (for example: BUBOR3M or LIBOR3M).
- The Bank takes liquidity costs into account too by adjusting the discount rate as appropriate. These are key parts of asset and liability pricing, and can be derived from market parameters under Level 1 inputs (for example: material asset swap spreads).
- When pricing assets (specifically in the case of loans), the price has to include compensation for expected losses stemming from any non-payment by the debtor. Alongside the cash flows the Bank adjusts the discount curve as well in line with the expected loss, so the fair value is not distorted.
- The Bank's internal rating system furnishes faithful information on credit risk premiums in relation to expected credit risks; the adjustment applied is calculated from the product of PD x LGD, where the LGD data comprises various collateral levels.

The fair value of receivables from credit institutions with terms of less than 90 days is determined based on the present value calculated in the Murex system.

If the carrying amount is a good approximation of the fair value (for example, current receivables and liabilities of no more than 90 days: sight deposits and short-term deposits), IFRS does not require any fair value measurement or calculation; in these cases the Bank considers the carrying amount to be the fair value.

Although the Baby loan product launched in 2019 based on the Government Decree on supporting child-bearing and child-raising is classified in 'hold' business model, because of the special conditions of the product (see below) the SPPI test provided the result that the contractual cash flows are not consistent with a basic lending arrangement. Therefore these loans are not allowed to be measured at amortised cost.

During SPPI test, the Bank detected the following critical contractual conditions:

- the reference interest rate published by the Hungarian State Treasury is calculated from the government yields of the previous 3 months and is applicable from the first day of the month after publication therefore it does not reflect the yields available on the date of disbursement, but it reflects an average from a significantly earlier time period
- in the formula for determining the interest rate of the deal the 130% of the reference rate shall be applied therefore the above mentioned effect is multiplied by 1,3 and so enhanced
- in the formula for determining the interest rate of the deal the margin rise significantly by 300 basis points independently of credit risk of the customer when no child is conceived within 5 years after the disbursement

The Bank uses the DCF (discounted cash flow) method to estimate fair value of Baby loans with the following amendments:

- future cash flows are determined as expected values based on the data from studies analysing fertility rates and actual birth data and published by the Hungarian Central Statistical Office (KSH).

  During calculating future cash flows, the possible outcomes are classified into two scenarios as follows:
  - the first cycle lasts until maturity or the conception of the second child, when the government grant for 30% of principal outstanding are drawn down
  - the second cycle lasts from the conception of the second child until maturity or the conception of the third child, when the government grant for the whole remaining principal outstanding are drawn down
- the calculation model takes into account the repricing of the deal in every 5 year and derives the future reference interest rates on which the nominal interest rate of the deal is based from yield curves as forward/forward interest rates

The Bank measures financials assets/liabilities on fair value which are: debt securities (Hungarian government bonds) designated at fair value under fair value option, and held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, loans and advances in the same business model, loans and advances which failed at SPPI test, other (not consolidated) equity investments and derivatives. The Bank uses the following inputs for the fair value calculation of these instruments:

- Fair value hierarchy 1 (level 1)

  The Bank calculates the fair value of the Hungarian government bonds using the directly observed composition of quotes of contributors on the active market.

- Fair value hierarchy 2 (level 2)

  The Bank deals with derivatives (swaps, forward, options) only on the OTC markets, meaning there is no directly observable market quotation in this case. However, the fair value calculation is made with using input data which are observable on active markets (yield curves, volatility surface) discounted cash flow method and option price models (Black-Scholes, Garman-Kolhaegen).

- Fair value hierarchy 3 (level 3)

  Only the fair value of Visa Inc. investment can be defined reliably from the other equity investments of the Bank: the Bank has „C" series convertible stocks, which can be converted to „A" series common stocks on a specified rate. The Bank calculates the fair value of the „C" series convertible stocks as the multiplication of the directly observable market price of the „A" series common stocks and the fixed conversion rate.

The fair value of the Bank's remaining other equity investments cannot be defined reliably after the initial recognition, therefore, in accordance with the Accounting Policy of the Bank, the equity investments are measured on their initial costs less accumulated impairment after the initial recognition. In these cases, the fair value difference of the equity investments is calculated as a difference between the Banks' portion of investment's equity and the historical cost and recognized as impairment, which is not directly observable input data. According to the impairment tests performed at the reporting date and the comparative reporting periods, there were no indication of impairment so no impairment was recognized for these investments.

The calculation of the fair value is similar for the non-performing loans which are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In these cases the past due days of receivables are more than 90 days, therefore the general cash flow method cannot be applied because estimated cash flows are not reliable. The net carrying value of these loans equals the gross value of the loans reduced with accumulated impairment, as a directly non-observable input data, that Bank considers the realistic fair value of non-performing loans. The impairment movement and its causes for these loans are disclosed in the impairment movement table of chapter 6.6.4.

The classification in the fair value hierarchy may change on account of changing market conditions, modernised models and the sensitivity of input factors. If the market becomes inactive for instance, the input parameters previously observable on the market may become unobservable parameters. If a new fair value measurement model is applied that uses several input factors observable on the market, this can refine the fair value calculation. The impact of a used input parameter can become significant or insignificant.

This is why the Bank revises the fair value calculation methodology and hierarchical classification at the end of each reporting period.

Principles of presenting financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash, nostro accounts, the minimum reserve placed with MNB as well as overnight deposits placed with National Bank of Hungary (MNB) and other credit institutions and accrued interest thereof.

Initial recognition

The Bank treats all contracts as financial instruments that give rise to a financial asset for one entity and to a financial liability or an equity instrument for another entity.

The Bank treats all contracts as equity instruments that evidence a residual interest for the Bank in the assets of an entity after deducting all of its liabilities.

The Bank recognises financial instruments in the statement of financial position when it becomes a party to the contractual provisions of the instrument.
Except for derivatives, the Bank recognises regular way purchase or sale of financial assets using settlement date accounting, while in the case of derivatives it accounts for the transactions on the trade date.

At initial recognition the Bank measures financial assets and financial liabilities at their fair value plus or minus, in the case of a financial asset or financial liability is not valued at FVTPL transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. An exception to this are trade receivables that do not have a significant financing component. These receivables are measured at their transaction price as defined in IFRS 15.

If the Bank originates a loan that bears an off-market interest rate, and receives an upfront fee as compensation, the Bank recognises the loan at its fair value, i.e. net of the fee it receives.

If it is determined that the fair value at initial recognition differs from the transaction price, the difference is accounted for as follows:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 1 input) or based on a valuation technique that uses only data from observable markets (Level 2 input). The Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases the fair value at initial recognition shall be adjusted by the deferred amount of the difference between the fair value and the transaction price. After initial recognition, the Bank shall recognise the deferred difference as a gain or loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

Classification and measurement - business model for managing the financial asset

Based on the business model for managing the financial asset, specified in a resolution by the Board of Directors, the Bank classifies financial assets upon initial recognition into one of the following models:

a) business model whose objective is to hold financial assets to collect contractual cash flows;
b) business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
c) other business models, of which one is a business model, in which the Bank manages the financial assets with the objective of realising cash flows through the sale of the assets.

The business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification but can be determined on a higher level of aggregation, and more than one business model can be used for managing financial instruments. The portfolio segmentation of the Bank is decided on by the Board of Directors.

When assessing its business model, the Bank considers all relevant information that is available at the date of the assessment, which includes, but is not limited to:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within the model), and particularly the method for managing these risks;
- how managers of the business are compensated.

The Bank classifies financial assets at initial recognition into the following categories based on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

- financial assets measured at amortised cost;

- assets measured at fair value through other comprehensive income;
- assets measured at fair value through profit or loss;
- purchased or originated credit-impaired financial assets.

Financial assets are measured by the Bank at amortised cost, if both of the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured by the Bank at fair value through other comprehensive income, if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank examines whether the cash flows of a financial asset are solely payments of principal and interest on the principal amount outstanding by using a decision tree designed for this purpose (contractual cash flow test, SPPI test).

Based on the SPPI test, it can be decided whether contractual cash flows are consistent with basic lending arrangements.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest; however, interest can also include consideration for other basic lending risks and costs, as well as a profit margin. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement give rise to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. In this case the Bank measures the financial asset at fair value through profit or loss.

Of equity instruments, the Bank records interests in subsidiaries under IAS 27 at cost less booked impairment in its books, while other investments that do not qualify as related companies are measured at fair value through profit or loss. However, if at initial recognition it is likely that the fair value of an investment cannot be measured reliably in the future, then these interests are classified into assets measured at fair value through comprehensive income upon initial recognition of interests. If the fair value of such interests cannot be determined reliably after initial recognition, these interests are recorded in the books at cost less accumulated impairment at measurements after initial recognition.

According to the principals above the Bank evaluates its other equity investments as follows:

Equity investment	Valuation method
Fundamenta- Lakáskassza Lakástakarékpénztár Zrt	Fair value through Other Comprehensive Income
Garantiqa Hitelgarancia Zrt.	Fair value through Other Comprehensive Income
S.W.I.F.T.	Fair value through Other Comprehensive Income
Visa Inc.	Fair value through Profit or Loss

The Bank may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- a group of financial assets or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

Financial liabilities

All financial liabilities shall be classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities include for example derivative instruments that shall be measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate. An issuer of such a contract shall subsequently measure it at the higher of the following two options:
    - the amount of the loss allowance;
    - the amount initially recognised less the cumulative amount of income.

The Bank may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel of the Bank.

Modification of contractual terms for financial instruments

If a transaction is modified because of a customer request, and not because the customer is struggling with financial difficulties (performing customer), and the new conditions are measured at market price, then the modification is deemed market-driven.

In this case, if the impact of the modification is significant, the old instrument has to be derecognised and the renegotiated loan treated as a new instrument. If the net effect of the derecognition and the new recognition is not zero, this impact has to be recognised through profit and loss upon derecognition. The Bank recognises the impact of the derecognition under Other operating income.

Among other things, the Bank considers the following to be a significant modification of contract:

- change in debtor
- change in contract currency
- increase in loan amount, refinancing

- change in SPPI-critical condition
- significant change in term (at least 100%, but no less than 2 years)

If the modification does not count as significant, the instrument is not derecognised; the modification gain or loss is accounted for separately in the net interest income/expense, and it also adjusts the amortised cost of the instrument. This gain or loss is subsequently amortised over the life of the transaction using the effective interest method.

Write-off of financial assets

The Bank writes off the amount of unrecoverable receivables against profit or loss.

A receivable is considered unrecoverable if,
- there is no collateral for it during enforcement;
- it was released in the framework of an agreement;
- there is no collateral for it according to the written statement issued by the liquidator;
- there is no collateral for it based on the proposal for the distribution of assets;
- the costs of collection are not in proportion to the amount of the receivable;
- the debtor cannot be located and this is "documented";
- it cannot be enforced in a court of law;
- it has expired.

Reclassification

Financial assets may be reclassified when, and only when, the Bank changes its business model for managing financial assets. A change in the business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations (e.g.: a business line). The following for example are not changes in business model: a change in intention related to particular financial assets or the temporary disappearance of a particular market for financial assets.

Reclassification shall be applied prospectively from the reclassification date. This means that any previously recognised gains, losses or interest shall not be restated.

Financial liabilities may not be reclassified.

Financial assets pledged as collateral

Under financial assets used as collateral, the Bank discloses collateral placed at other banks to cover losses from derivative transactions as well as securities and SME loans used to cover FGS refinancing sources.

The Bank retained all the risks and rewards related to ownership of the financial assets used as collateral, so these assets remain part of the Bank's balance sheet. Their presentation is based on the accounting policies of cash and securities.

Interest income and interest expense on derivative transactions

For derivative transactions the Bank presents the related interest income and interest expense broken down by the transaction objective:
- for derivatives in the trading book, the related interest income and interest expense are recognised in the Net trading income/expense;

- for transactions in the banking book, the related interest income and interest expense form part of the net interest income/expense.

Accounting for leases

As of 1 January 2019 the Bank adopted IFRS 16 instead of IAS 17. During transition the Bank used the option provided by the standard and applies the requirements of the standard prospectively. As a result, reporting-year data and comparative information have been prepared based on different rules: at the end of the reporting year (2019) figures are presented under IFRS 16, while comparative information includes data under IAS 17.

The Bank applies the rules of IFRS 16 standard as follows:

- the Bank does not apply the standard to intangible assets
- the Bank does not apply the recognition and measurement requirements of the standard to right-of-use asset and lease liability to
    - leases with a lease term less than 12 months, and
    - leases for which the underlying asset is of low value. The Bank sets the threshold for low-value assets in the context of this standard at EUR 4,000.
- for short-term leases and leases for which the underlying asset is of low value, the Bank recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.
- at the commencement date, the Bank recognises
    - a right-of-use asset at cost, which comprises
        - the amount of the initial measurement of the lease liability
        - any lease payments made at or before the commencement date, less any lease incentives received
        - any initial direct costs incurred by the lessee
        - an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset
    - a lease liability in the amount of the present value of the future lease payments
- the Bank applies the rules relating to short-term leases to operating leases for which the lease term ends within 12 months of the date of initial application
- The Bank applies a single discount rate to a portfolio of leases with similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- for vehicle leases the Bank uses the interest rate implicit in the lease, while for property lease contracts, considering that determining the market value of leased parts of property would cause unnecessary costs and effort to the Bank, it uses the lessee's incremental borrowing rate
- the Bank does not consider non-reclaimable VAT part of the lease liability and the right-of-use asset
- the Bank determines the lease term as follows:
    - the non-cancellable period of a lease
    - increased by the periods by an option to extend the lease if the Bank is reasonably certain to exercise that option
    - decreased by the periods covered by an option to terminate the lease if the Bank is reasonably certain to exercise that option
- the Bank revises the lease term if there is a change in the non-cancellable period of lease (e.g. the Bank exercises an option not previously included in the determination of the lease term)
- after the commencement date, the Bank measures the right-of-use asset applying a cost model and determines its book value as follows:
    - cost of the asset

  - less any accumulated depreciation and any accumulated impairment losses
  - adjusted for any remeasurement of the lease liability
- to calculate the depreciation of the right-of-use assets the Bank applies the general rules of depreciation
- the Bank depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, however, if the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or if the Bank is reasonably certain to exercise a purchase option, the Bank depreciates the right-of-use asset until the end of the useful life of the underlying asset
- the Bank applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified
- after the commencement date, the Bank determines the book value of the lease liability as the sum of the followings:
  - lease liability at inception
  - increased by the amount of the interest on the lease liability
  - decreased by the lease payments made
  - modified by any remeasurement or lease modifications
- the Bank determines the interest on the lease liability as the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability
- during lease term, the Bank recognises the interest on the lease liability and variable lease payments not included in the measurement of the lease liability in profit or loss
- the Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change either
  - in the lease term, or
  - in the assessment of an option to purchase the underlying asset
- the Bank remeasures the lease liability by discounting the revised lease payments, if there is a change either
  - in the amount expected to be payable under a residual value guarantee, or
  - in future lease payments resulting from a change in an index or a rate used to determine those payments

  in this case, the Bank uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates
- the Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset, however, if the carrying amount of the right-of-use asset is reduced to zero, the Bank recognises any remaining amount of the remeasurement in profit or loss
- the Bank accounts for a lease modification as a separate lease if both
  - the modification increases the scope of the lease by adding the right to use one or more underlying assets, and
  - the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract
- for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate and makes a corresponding adjustment to the right-of-use asset for the lease modifications

Before 1 January 2019 IAS 17 was in force, therefore comparative data included in the financial statements are presented under IAS 17, whereby rules are as follows.

Under IAS 17 a lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, irrespective of the form of the contract. An operating lease is a lease other than a finance lease.

A lease can be a finance lease if

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The Bank treats assets obtained under finance lease as if they were own assets: they are recorded at cost and are amortised over their useful lives.

The amount of future lease liabilities is recorded as lease liability when the asset is capitalised. The principal portion of lease payments made during the term reduces this liability, while the interest portion is accounted for under interest paid.

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term.

The Bank does not lease out assets as part of its normal course of business.

Accounting for government grants

Government grants are transfers of resources to an entity in return for past or future compliance with certain conditions.

In accordance with IAS 20, the Bank recognises government grants only if there is reasonable assurance that it will comply with the conditions attaching to them and the grants will be received. Receipt of a grant does not of itself provide conclusive evidence, especially if compliance with the conditions is checked subsequently.

In accordance with the provisions of IAS 20, the Bank treats the benefit of a government loan at a below-market rate of interest as a government grant.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Bank recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet as deferred income and not by deducting the grant in arriving at the carrying amount of the asset.

Government grants related to income are presented in the same profit or loss category that includes the expenses for which the grants are intended to compensate.

The Bank accounts for government grants for the following items:

- MNB interest rate swaps conditional on lending activity (HIRS)
- Preferential deposits at the MNB.

In contrast to the above, the Bank accounts for its HUF monetary policy interest rate swaps with the MNB (MIRS) under IFRS 9 using the practice that has developed in the Hungarian banking sector based on the opinion of the Chamber of Hungarian Auditors and as approved by the MNB as the supervisory authority; here the government grant is not separated during the presentation, and its impact on fair value is immediately recognised through profit or loss as the day-one gain or loss.

Accounting for hedges

The Bank did not apply hedge accounting until the end of 2019.

Fair value option

Under IFRS 9 an entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different bases. The application of the fair value option shall result in the financial statements providing reliable and more relevant information about the effects of transactions on the entity's financial position, financial performance and cash flows. The fair value option may be applied for example when an entity has financial assets that share a risk, such as interest rate risk, and that gives rise to opposite changes in fair value that tend to offset each other. In such cases the entity may measure the asset that otherwise is measured at amortised cost at fair value.

The Bank chose to apply the fair value option for disclosure of Hungarian treasury bond portfolio (amounts to 10 billion HUF at face value) whose interest rate risk is hedged by interest rate swap transactions concluded in the frame of HIRS (MNB Market-Based Lending Scheme). The deal expired in 2019.

Treatment of events after the reporting period

Events after the reporting period are events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

The amounts included in the financial statements shall be adjusted for events that provide evidence of conditions that existed at the reporting date.
Such events include for example the receipt of information after the reporting date indicating that an asset was impaired at the reporting date.

If after the reporting date the management of the Bank decides to liquidate the entity or to cease operations, or has no realistic alternative but to do so, the financial statements may not be prepared using the going concern basis of accounting. This fact must be disclosed in the notes to the financial statements.

The amounts recognised in the financial statements shall not be adjusted to reflect those events that are indicative of conditions that arose after the reporting date. However, additional disclosure may be necessary in the notes to the financial statements.
Such event is for example a decline in the market value of investments after the reporting date.

Dividends approved after the reporting period shall be treated as a non-adjusting event, thus these shall not be recognised as a liability at the reporting date. If dividends are declared before the financial statements are authorised for issue, this fact shall be disclosed in the notes.

Rules relating to corrections of accounting errors

Financial statements do not comply with IFRSs if
- they contain either material errors
- or immaterial errors made intentionally.

The Bank considers an error material, if its aggregate amount together with any other errors exceeds 2% of the balance sheet total, or HUF 1 million, if such 2% of the balance sheet total does not reach HUF 1 million.

Current period errors discovered in that period are corrected in the current period.

Significant errors made in financial statements for previous years are corrected by retrospective restatement in the first set of financial statements after the discovery of the errors.

During retrospective restatement comparative amounts for the prior period(s) presented in which the error occurred shall be restated. If the error occurred before the earliest prior period presented, the opening balances for the earliest prior period presented shall be restated.

An exception to this is when retrospective restatement is impracticable; in this case opening balances shall be stated for the earliest period for which it is practicable (which may be the current period).

The effect of insignificant errors on assets, liabilities and equity shall be corrected in the current period. Opening balances are not restated. The effect of insignificant errors on prior-year profit or loss is accounted for through current-year profit or loss.

Changes in accounting policies

As of 1 January 2019 the Bank adopted IFRS 16 instead of IAS 17.

Due to application of IFRS 16 Leases the Bank as lessee supplemented its accounting policies as follows:
- the Bank recognises the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application in the 2019 financial statements, and it does not recognise comparative information;
- the Bank only applies the standard to contracts existing on the date of transition that were previously identified as leases applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*;
- the Bank does not apply the standard to intangible assets
- the Bank does not apply the recognition and measurement requirements of the standard to right-of-use asset and lease liability to
    - leases with a lease term less than 12 months, and
    - leases for which the underlying asset is of low value. The Bank sets the threshold for low-value assets in the context of this standard at EUR 4,000.
- for short-term leases and leases for which the underlying asset is of low value, the Bank recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

- at the commencement date, the Bank recognises
    - a right-of-use asset at cost, which comprises
        - the amount of the initial measurement of the lease liability
        - any lease payments made at or before the commencement date, less any lease incentives received
        - any initial direct costs incurred by the lessee
        - an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset
    - a lease liability in the amount of the present value of the future lease payments
- for leases previously classed as operating leases under IAS 17, as of the date of initial application the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- at initial application of the standard the Bank does not make such adjustment for leases for which the underlying asset is of low value;
- the Bank applies the rules relating to short-term leases to operating leases for which the lease term ends within 12 months of the date of initial application;
- for operating leases the Bank excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- it uses hindsight in determining the lease term if the contract contains options to extend or terminate the lease
- The Bank applies a single discount rate to a portfolio of leases with similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- for vehicle leases the Bank uses the interest rate implicit in the lease, while for property lease contracts, considering that determining the market value of leased parts of property would cause unnecessary costs and effort to the Bank, it uses the lessee's incremental borrowing rate
- the Bank does not consider non-reclaimable VAT part of the lease liability and the right-of-use asset

The impact of transition from IAS 17 to IFRS 16 on the assets, liabilities, equity and comprehensive income of the Bank is presented in chapter 6.5 Transition to IFRS 16.

Standards issued by IASB and adopted by the European Union not yet effective, and their expected effect

<u>IFRS 17 Insurance Contracts</u>

IFRS 17 Insurance Contracts issued in May 2017 and effective from 1 January 2021 regulates accounting for and recognising insurance and re-insurance contracts.
Considering that the Bank does not provide insurance services, the introduction of the new standard has no effect on the financial statements and bookkeeping of the Bank.

Amendments not yet adopted by the European Union

- Amendments to the Framework
  effective from 1 January 2020
- Amendments to IFRS 3 Business Combinations
  effective from 1 January 2020
- Amendments to IAS 1 and IAS 8, Definition of Material
  effective from 1 January 2020

The Bank plans to apply the above amendments after they are adopted by the EU.

The Bank's IT systems supporting bookkeeping processes

The Bank's books are kept in an integrated core banking system (MIDAS) recording loans and deposits with related sub-ledgers, running on an AS/400 server:

Clavis – securities

Spectrum – derivatives, MM transactions

SAP FI – customers, suppliers, property, plant and equipment records, mixed accounting

ABC Card management – bankcards

BW3 – credit cards

Smartleaser – lease transactions

Appello – collateral, guarantees, letters of credit

These sub-ledger systems – with the exception of Appello – provide electronic ledger postings on a daily basis to the MIDAS general ledger via the GPSI interface as part of the daily close; Appello prepares its bookkeeping file once a month, at the end of the reporting month.

Purchased and issued securities are recorded in the Clavis Securities settlement and registration programme, which posts electronically to MIDAS.

Derivative and money-market transactions are settled, recorded and booked in the Spectrum registration and bookkeeping system, which sends electronic postings on a daily basis to MIDAS.

Deposit, loan and interbank transactions as well as account-management bookkeeping take place in MIDAS.

Petty cash items related to cash transactions are also booked in the integrated MIDAS system, thereby ensuring that cash balances recorded by denomination in the sub-ledgers tally with the balance of petty cash accounts in the general ledger.

Given that MIDAS only records the contractual transactions and balances of transactions, the Bank uses an application called IFRS Tool to calculate effective interest rates and the corresponding amortised costs; as part of the closing procedure it calculates the necessary adjustments once a month, on the second day after the end of the month, before sending them to the MIDAS general ledger through the GPSI interface.

Bankcard settlements take place via the *Card booking* card management system, which automatically prepares GPSI postings to MIDAS every day.

The integrated SAP application facilitates the settlement of operating costs and income arising during non-banking business, and the booking of related accruals/deferrals.

GL items for payroll settlements are posted to SAP by the external sub-ledger payroll system operated by the HR Department on the last working day of the reporting month (the sub-ledger payroll system used is NexonBér, owned by NEXON Kft.).

SAP compiles the payment files for the payment of trade payable invoices and tax liabilities, etc., and connects – via an interface – to the MIDAS GIRO module.

The general ledger data of business events booked in SAP are posted to MIDAS – via the GPSI interface – during the daily GL close.

Following the daily close, data is transferred from MIDAS to the data warehouse (DWH), from which a full general ledger statement along with other sub-ledger transactions and data can be retrieved using Cognos.

Sberbank Hungary Ltd. data in HUF million

6.5 Transition to IFRS 16

As a result of transitioning from IAS 17 to IFRS 16, the Bank's balance sheet changes as follows from 1 January 2019:

Changes in assets		
Right-of-use assets (property)	a	3 451
Right-of-use assets (vehicles)	b	26
Plant	b	-31
Total		3 446

Changes in liabilities		
Lease liabilities	a, b	3 530
Accrued discount from leasing fee	a	-84
Total		3 446

a. Properties

In case of property rental contracts previously identified as operative lease the Bank records the lease liability in its books at the discounted present value of future lease payments (HUF 3 535 million).

Prior to 2019, property-related rental fees were recognised under IAS 17 in such a manner that all the discounts received during the lease term were accounted for on a straight-line basis in profit or loss over the term of the contract, regardless of which period's rental fee the discount was taken into account. According to the requirements of IFRS 16, these accrued discounts decrease the value of the right-of-use assets at transition.

The Bank does not consider non-reclaimable VAT to be part of the lease liability and the right-of-use asset.

b. Vehicles

The leased vehicles were considered as finance lease before transition and were recognised as leased assets in the balance sheet of the Bank (HUF 31 million at the end of 2018). The transition brought a change to the accounting methodology as follows:

- the assets previously recorded as leased assets are recognised from 2019 as right-of-use assets in the financial statements of the Bank
- the Bank does not consider non-reclaimable VAT (HUF 5 million) to be part of the lease liability and the right-of-use asset.

Sberbank Hungary Ltd. data in HUF million

6.6 Notes to the Balance Sheet

6.6.1. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash and cash equivalents		
Cash in hand	4 665	3 632
Current account with Central Bank	1 637	2 841
Impairment for current account with Central Bank	0	-7
Deposits with Central Bank	84 453	21 400
Impairment for deposits with Central Bank	-1	0
Nostro accounts and overnight loans	8 092	33 943
Impairment for nostro accounts and overnight loans	0	-1
Total of cash and cash equivalents	**98 846**	**61 808**

The balance of the account held at the National Bank of Hungary (MNB) includes a minimum reserve of HUF 1 633 million, which the Bank does not use during its day-to-day operations.

In order to the increase the Banks's cash equivalents the Bank significantly raised the amount of deposits with the MNB, in contrast reduced the volume of nostro accounts compared to the previous year. At the end of 2019, no impairment is reported for the balance of current account including minimum reserves.

In 2018, collective impairment of HUF 1 million was recorded for the balance of nostro accounts and overnight deposits at other banks, with a view of the partner banks' standard risk rating. In 2019, this impairment did not reach the amount of HUF 1 million.

	31.12.2019			
Changes in expected credit loss (ECL) during the year	**Current account with Central Bank**	**Deposits with Central Bank**	**Nostro accounts, overnight loans**	**Total**
opening balance	**-7**	**0**	**-1**	**-8**
allocation	-11	-1	0	-12
release	18	0	1	19
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation)	0	0	0	0
closing balance	**0**	**-1**	**0**	**-1**

data in HUF million

Changes in expected credit loss (ECL) during the year	31.12.2018 Current account with Central Bank	Deposits with Central Bank	Nostro accounts, overnight loans	Total
opening balance	0	0	-167	-167
allocation	-16	0	-6	-22
release	9	0	167	176
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation)	0	0	5	5
closing balance	-7	0	-1	-8

6.6.2. Securities

In this section the Bank's portfolio of debt securities is presented. In this portfolio the Bank holds, on the one hand, government bonds and zero-coupon treasury bills issued by the Hungarian State, primarily for managing surplus liquidity but also for managing interest income and partially hedging interest risks.

On the other hand, the bank also holds corporate bonds in its portfolio of debt securities. The bonds were issued in the framework of the Bond Funding for Growth Scheme started on 1 July 2019 by the MNB. The Bond Funding for Growth Scheme launched and supported by the MNB – besides facilitates the development of the Hungarian corporate bond market – provides a lasting and stable lending opportunity towards large corporate clients with fix interest income for the Bank. Besides this, participating in the issuance of corporate bonds also strengthens the existing customer relationships.

Debt securities	31.12.2019	31.12.2018
Government bonds and zero-coupon treasury bills	27 156	43 975
impairment of government bonds and zero-coupon treasury bills	-49	-91
Corporate bonds	3 953	0
impairment of corporate bonds	-44	0
Total of debt securities	**31 016**	**43 884**

The Bank had no securities held for trading at either the end of the reporting year or at the end of the comparative year, although there were small purchases during the year but these stocks were sold before the year-end.

Securities purchased under the HIRS programme to hedge at portfolio level the risk arising from the decrease in variable interest rates were designated by the Bank at fair value through profit or loss using the fair value option to eliminate the inconsistency between the measurement of the derivative at fair value through profit or loss and the measurement of the securities at amortised cost (see also Section 6.9.7. Fair value option). This deal matured in 2019.

The government bonds classified in "hold" business model on the date of transition to IFRS 9, (i.e. 1 January 2018), and measured at amortised cost after the date of transition matured by the end of 2019.

On the date of transition to IFRS 9, i.e. 1 January 2018, the Bank reclassified its securities held in the available-for-sale category to the "hold and sell" business model, and since Hungarian government bonds only pay principal and interest cash flows to their owners, the

Sberbank Hungary Ltd. data in HUF million

Bank recognises these in its books as financial assets measured at fair value through other comprehensive income after the transition.

Among the corporate bonds purchased in 2019, there are bonds measured at amortised cost (classified in "hold" business model) and bonds measured at fair value through other comprehensive income (classified in "hold and sell business model).

Book value of debt securities broken-down by valuation categories	31.12.2019	31.12.2018
Government bonds and zero-coupon treasury bills		
At fair value through profit and loss	0	10 641
Trading	0	0
Designated at fair value through profit or loss	0	10 641
At fair value through other comprehensive income	27 107	32 234
At amortised cost	0	1 009
Corporate bonds		
At fair value through profit and loss	0	0
Trading	0	0
Designated at fair value through profit or loss	0	0
At fair value through other comprehensive income	144	0
At amortised cost	3 765	0
Total debt securities	**31 016**	**43 884**

The designated at fair value through profit and loss row contains the government bond portfolio whose interest rate risk is hedged by the HIRS deal. The deal expired in 2019.

The following table shows the maximum credit risk exposure of the Bank's securities portfolio, broken down according to the Bank's internal credit rating system and the expected credit loss categories at the end of the reporting year.

Fair value/gross value of debt securities broken down by the categories of internal credit rating system Government bonds and discount treasury bills	31.12.2019 12 month ECL	lifetime ECL	impaired assets	Total
Debt Securities at fair value through other comprehensive income				
high grade	27 107	0	0	27 107
standard grade	0	0	0	0
average grade	0	0	0	0
sub-standard grade	0	0	0	0
impaired	0	0	0	0
Total	**27 107**	**0**	**0**	**27 107**
Debt Securities at amortised cost				
high grade	0	0	0	0
standard grade	0	0	0	0
average grade	0	0	0	0
sub-standard grade	0	0	0	0
impaired	0	0	0	0
Total	**0**	**0**	**0**	**0**

data in HUF million

Fair value/gross value of debt securities broken down by the categories of internal credit rating system Government bonds and zero-coupon treasury bills	31.12.2018 12 month ECL	lifetime ECL	impaired assets	Total
Debt Securities at fair value through other comprehensive income				
high grade	32 234	0	0	32 234
standard grade	0	0	0	0
average grade	0	0	0	0
sub-standard grade	0	0	0	0
impaired	0	0	0	0
Total	**32 234**	**0**	**0**	**32 234**
Debt Securities at amortised cost				
high grade	1 022	0	0	1 022
standard grade	0	0	0	0
average grade	0	0	0	0
sub-standard grade	0	0	0	0
impaired	0	0	0	0
Total	**1 022**	**0**	**0**	**1 022**

Fair value/gross value of debt securities broken down by the categories of internal credit rating system Corporate bonds	31.12.2019 12 month ECL	lifetime ECL	impaired assets	Total
Debt Securities at fair value through other comprehensive income				
high grade	144	0	0	144
standard grade	0	0	0	0
average grade	0	0	0	0
sub-standard grade	0	0	0	0
impaired	0	0	0	0
Total	**144**	**0**	**0**	**144**
Debt Securities at amortised cost				
high grade	3 804	0	0	3 804
standard grade	0	0	0	0
average grade	0	0	0	0
sub-standard grade	0	0	0	0
impaired	0	0	0	0
Total	**3 804**	**0**	**0**	**3 804**

The Bank did not hold corporate bonds in 2018.

Sberbank Hungary Ltd. data in HUF million

The following table shows the volume changes in the Bank's securities portfolio, broken down according to the Bank's internal credit rating system and the expected credit loss categories at the end of the reporting year. For securities measured at fair value through other comprehensive income the table contains changes to fair value, while for securities measured at amortised cost the table shows changes to gross carrying amounts.

Changes in fair value/gross value of debt securities broken down by the categories of expected credit loss (ECL) Government bonds and zero-coupon treasury bills	31.12.2019 12 month ECL	lifetime ECL	impaired assets	Total
Debt Securities at fair value through other comprehensive income				
opening balance	**32 234**	**0**	**0**	**32 234**
purchases during the year	15 148	0	0	15 148
derecognised or matured (excluding write offs)	-20 479	0	0	-20 479
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
change in fair value	-276	0	0	-276
other movements (foreign currency translation)	480	0	0	480
closing balance	**27 107**	**0**	**0**	**27 107**
Debt Securities at amortised cost				
opening balance	**1 022**	**0**	**0**	**1 022**
purchases during the year	0	0	0	0
derecognised or matured (excluding write offs)	-1 059	0	0	-1 059
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
other movements (foreign currency translation, accrued interest)	37	0	0	37
closing balance	**0**	**0**	**0**	**0**

data in HUF million

Changes in fair value/gross value of debt securities broken down by the categories of expected credit loss (ECL) Government bonds and zero-coupon treasury bills	31.12.2018 12 month ECL	lifetime ECL	impaired assets	Total
Debt Securities at fair value through other comprehensive income				
opening balance	**41 181**	**0**	**0**	**41 181**
purchases during the year	62 060	0	0	62 060
derecognised or matured (excluding write offs)	-70 100	0	0	-70 100
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
change in fair value	-1 410	0	0	-1 410
other movements (foreign currency translation)	503	0	0	503
closing balance	**32 234**	**0**	**0**	**32 234**
Debt Securities at amortised cost				
opening balance	**999**	**0**	**0**	**999**
purchases during the year	0	0	0	0
derecognised or matured (excluding write offs)	0	0	0	0
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
other movements (foreign currency translation, accrued interest)	23	0	0	23
closing balance	**1 022**	**0**	**0**	**1 022**

Changes in fair value/gross value of debt securities broken down by the categories of expected credit loss (ECL) Corporate bonds	31.12.2019 12 month ECL	lifetime ECL	impaired assets	Total
Debt Securities at fair value through other comprehensive income				
opening balance	**0**	**0**	**0**	**0**
purchases during the year	575	0	0	575
derecognised or matured (excluding write offs)	-431	0	0	-431
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
change in fair value	0	0	0	0
other movements (foreign currency translation)	0	0	0	0
closing balance	**144**	**0**	**0**	**144**
Debt Securities at amortised cost				
opening balance	**0**	**0**	**0**	**0**
purchases during the year	3 780	0	0	3 780
derecognised or matured (excluding write offs)	0	0	0	0
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
other movements (foreign currency translation, accrued interest)	24	0	0	24
closing balance	**3 804**	**0**	**0**	**3 804**

Sberbank Hungary Ltd. data in HUF million

The Bank did not hold corporate bonds in 2018.

The decline in the portfolio related to the derecognition of securities measured at fair value through other comprehensive income stems from maturity and sale. Because of the sales, HUF 1 million was transferred from other comprehensive income to the profit or loss.

The government bonds measured at amortised cost matured during 2019. The year-end portfolio consists of corporate bonds issued in the Bond Funding for Growth Scheme.

The following table shows the reporting-year changes in expected credit loss. For securities measured at fair value through other comprehensive income, these movements reflect changes during the reporting year to the portfolio's fair value due to credit risks. These fair value changes were transferred from other comprehensive income to risk costs in the income statement.

Changes in expected credit loss (ECL) of debt securities during the year Government bonds and zero-coupon treasury bills	**31.12.2019** 12 month ECL	lifetime ECL	impaired assets	Total
Debt securities at fair value through other comprehensive income				
opening balance	**78**	**0**	**0**	**78**
purchases during the year	29	0	0	29
derecognised or matured (excluding write offs)	-6	0	0	-6
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	-53	0	0	-53
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation, rounding)	1	0	0	1
closing balance	**49**	**0**	**0**	**49**
Debt securities at amortised cost				
opening balance	**13**	**0**	**0**	**13**
purchases during the year	0	0	0	0
derecognised or matured (excluding write offs)	-2	0	0	-2
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	-11	0	0	-11
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation, rounding)	0	0	0	0
closing balance	**0**	**0**	**0**	**0**

data in HUF million

Changes in expected credit loss (ECL) of debt securities during the year Government bonds and zero-coupon treasury bills	31.12.2018 12 month ECL	lifetime ECL	impaired assets	Total
Debt securities at fair value through other comprehensive income				
opening balance	**46**	**0**	**0**	**46**
purchases during the year	70	0	0	70
derecognised or matured (excluding write offs)	-16	0	0	-16
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	-23	0	0	-23
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	**0**	**0**	**0**	**0**
other movements (foreign currency translation, rounding)	1	0	0	1
closing balance	**78**	**0**	**0**	**78**
Debt securities at amortised cost				
opening balance	**1**	**0**	**0**	**1**
purchases during the year	0	0	0	0
derecognised or matured (excluding write offs)	0	0	0	0
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	12	0	0	12
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation, rounding)	0	0	0	0
closing balance	**13**	**0**	**0**	**13**

data in HUF million

Changes in expected credit loss (ECL) of debt securities during the year Corporate bonds	31.12.2019 12 month ECL	lifetime ECL	impaired assets	Total
Debt securities at fair value through other comprehensive income				
opening balance	**0**	**0**	**0**	**0**
purchases during the year	5	0	0	5
derecognised or matured (excluding write offs)	0	0	0	0
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	0	0	0	0
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation, rounding)	0	0	0	0
closing balance	**5**	**0**	**0**	**0**
Debt securities at amortised cost				
opening balance	**0**	**0**	**0**	**0**
purchases during the year	39	0	0	39
derecognised or matured (excluding write offs)	0	0	0	0
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	0	0	0	0
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation, rounding)	0	0	0	0
closing balance	**39**	**0**	**0**	**39**

The Bank did not hold corporate bonds in 2018

The following table shows the Bank's debt securities broken down by their original maturity.

Book value of debt securities broken-down by original maturity categories Government bonds and discount treasury bills	31.12.2019	31.12.2018
securities with original maturity within 1 year	3 692	0
securities with original maturity over 1 year	23 415	43 884
of which due within 1 year	8 393	14 712
Total debt securities	**27 107**	**43 884**

Book value of debt securities broken-down by original maturity categories Corporate bonds	31.12.2019	31.12.2018
securities with original maturity within 1 year	0	0
securities with original maturity over 1 year	3 909	0
of which due within 1 year	0	0
Total debt securities	**3 909**	**0**

data in HUF million

Neither in the reporting year nor in the comparative year does the Bank's balance sheet contain overdue receivables related to any of the securities presented here.

6.6.3. Receivables from credit institutions

Changes to receivables from credit institutions:

Receivables from credit institutions	31.12.2019	31.12.2018
Receivables from Central Bank	1 319	697
Impairment for receivables from Central Bank	-3	-19
Receivables from credit institutions	12 829	21 812
Impairment for receivables from credit institutions	-34	-35
Total receivables from credit institutions	**14 111**	**22 455**

The Bank classified all of its receivables from credit institutions in the 'hold' business model. In compliance with the SPPI tests performed, these receivables are recognised at amortised cost.

Changes to gross values:

Gross book value of receivables from credit institutions broken down by the categories of internal credit rating system	31.12.2019			
	12 month ECL	lifetime ECL	impaired assets	Total
Performing receivables	14 148	0	0	14 148
high grade	13 845	0	0	13 845
standard grade	0	0	0	0
average grade	303	0	0	303
past due, but not impaired	0	0	0	0
Non-performing receivables	0	0	0	0
individually impaired	0	0	0	0
collectively impaired	0	0	0	0
Total gross book value	**14 148**	**0**	**0**	**14 148**

Gross book value of receivables from credit institutions broken down by the categories of internal credit rating system	31.12.2018			
	12 month ECL	lifetime ECL	impaired assets	Total
Performing receivables	22 509	0	0	22 509
high grade	1 147	0	0	1 147
standard grade	21 362	0	0	21 362
average grade	0	0	0	0
past due, but not impaired	0	0	0	0
Non-performing receivables	0	0	0	0
individually impaired	0	0	0	0
collectively impaired	0	0	0	0
Total gross book value	**22 509**	**0**	**0**	**22 509**

data in HUF million

Changes in gross value broken down by the categories of internal credit rating system and the expected credit loss (ECL) categories	31.12.2019			
	12 month ECL	lifetime ECL	impaired assets	Total
opening balance	**22 509**	**0**	**0**	**22 509**
placements and purchases during the year	3 614	0	0	3 614
derecognised or matured (excluding write offs)	-422	0	0	-422
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
change in volume in the same ECL category	-11 958	0	0	-11 958
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification impaired category	0	0	0	0
other movements (foreign currency translation)	405	0	0	405
closing balance	**14 148**	**0**	**0**	**14 148**

Changes in gross value broken down by the categories of internal credit rating system and the expected credit loss (ECL) categories	31.12.2018			
	12 month ECL	lifetime ECL	impaired assets	Total
opening balance	**31 742**	**0**	**0**	**31 742**
placements and purchases during the year	156 943	285	0	157 228
derecognised or matured (excluding write offs)	-166 694	0	0	-166 694
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
change in volume in the same ECL category	-449	0	0	-449
reclassification to 12 month ECL category	574	-574	0	0
reclassification to lifetime ECL category	-291	291	0	0
reclassification impaired category	0	0	0	0
other movements (foreign currency translation)	684	-2	0	682
closing balance	**22 509**	**0**	**0**	**22 509**

Changes to expected credit loss:

Changes in expected credit loss (ECL) during the year	31.12.2019			
	12 month ECL	lifetime ECL	impaired assets	Total
opening balance	**54**	**0**	**0**	**54**
purchases during the year	88	0	0	88
derecognised or matured (excluding write-offs)	0	0	0	0
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	-88	-21	0	-109
due to unwinding of discount	3	0	0	3
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	-21	21	0	0
reclassification to impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation)	1	0	0	1
closing balance	**37**	**0**	**0**	**37**

data in HUF million

Changes in expected credit loss (ECL) during the year	31.12.2018 12 month ECL	lifetime ECL	impaired assets	Total
opening balance	114	0	0	114
purchases during the year	7	7	0	14
derecognised or matured (excluding write-offs)	-12	0	0	-12
write-offs	0	0	0	0
modifications without derecognition	0	0	0	0
due to change in credit risk	-55	-7	0	-62
due to unwinding of discount	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0
reclassification to impaired category	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0
other movements (foreign currency translation)	0	0	0	0
closing balance	54	0	0	54

Receivables from credit institutions by remaining maturity:

	31.12.2019						
Receivables from credit institutions	without maturity	≤ 30 days	31-90 days	91 days -1 year	1-5 year	> 5 year	Total
Receivables from Central Bank	1 316	0	0	0	0	0	1 316
Receivables from credit institutions	1 471	87	5 423	0	0	5 814	12 795
Total receivables from credit institutions	2 787	87	5 423	0	0	5 814	14 111

	31.12.2018						
Receivables from credit institutions	without maturity	≤ 30 days	31-90 days	91 days -1 year	1-5 year	> 5 year	Total
Receivables from Central Bank	678	0	0	0	0	0	678
Receivables from credit institutions	943	3 136	9 863	383	1 041	6 411	21 777
Total receivables from credit institutions	1 621	3 136	9 863	383	1 041	6 411	22 455

Receivables from credit institutions by geographic region:

	31.12.2019				
Receivables from credit institutions	Domestic	Russia	EU	Other	Total
Receivables from Central Bank	1 316	0	0	0	1 316
Receivables from credit institutions	1 461	6 035	4 996	303	12 795
Total receivables from credit institutions	2 777	6 035	4 996	303	14 111

	31.12.2018				
Receivables from credit institutions	Domestic	Russia	EU	Other	Total
Receivables from Central Bank	678	0	0	0	678
Receivables from credit institutions	13 179	8 160	438	0	21 777
Total receivables from credit institutions	13 857	8 160	438	0	22 455

Sberbank Hungary Ltd. data in HUF million

6.6.4. Loans and advances to customers

This section presents receivables from customers broken down by following segments:

Loans and advances to customers	31.12.2019	31.12.2018
corporate loans	175 819	157 007
impairment for corporate loans	-7 637	-7 928
private loans	102 344	88 131
impairment for private loans	-4 889	-8 575
Total loans and advances to customers	**265 637**	**228 635**

Loans measured at fair value through profit and loss

The Bank measures only the Baby loan product launched in 2019 based on the Government Decree on supporting child-bearing and child-raising at fair value through profit or loss. While the Baby loan product is classified in 'hold' business model, the SPPI test provided the result that the contractual cash flows are not consistent with a basic lending arrangement due to the special conditions of the product. Therefore these loans are not allowed to be measured at amortised cost.

Loans and advances to customers	31.12.2019	31.12.2018
corporate loans	0	0
private loans	19 147	0
Total loans and advances to customers	**19 147**	**0**

The product was launched only in July 2019, but thanks to its popularity the Bank could build up a portfolio significant both in units and in value by the end of the year.

The following table shows the changes to fair value of the portfolio in reporting year.

Changes in the fair value of the loans	2019.12.31
opening	**0**
purchases during the year	18 981
derecognised or matured (excluding write-offs)	-158
write-offs	0
changes in fair value	323
modifications without derecognition	0
other movements (FX translation, interest accruals)	1
closing balance	**19 147**

data in HUF million

Loans measured at fair value through other comprehensive income

On transition to IFRS 9 the Bank classified a non-performing part of the portfolio into 'hold and sell' business model, for which it was known at the date of transition that it will be recovered by the revenue from the planned sale of receivables rather than by future cash flows of principal and interest.

These loans have been held in the FVOCI category since the date of transition.

Loans and advances to customers	31.12.2019	31.12.2018
corporate loans	52	84
private loans	0	43
Total loans and advances to customers	**52**	**127**

The volume of the portfolio and the number of transactions therein dropped significantly during the reporting year as a result of the intensive selling activity. Section 6.9.17 Result on sales of receivables contains detailed information of the selling activity.

The following table shows the maximum credit risk exposure of the Bank's portfolio measured at fair value through other comprehensive income, broken down according to the Bank's internal credit rating system and the expected credit loss categories at the end of the reporting year.

	31.12.2019					
Fair value broken down by the categories of internal credit rating system and impairment categories	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets	Total
corporate loans	**0**	**0**	**41**	**11**	**0**	**52**
Performing	0	0	0	0	0	0
standard grade	0	0	0	0	0	0
average grade	0	0	0	0	0	0
Non-performing	0	0	41	11	0	52
impaired	0	0	41	11	0	52
private loans	**0**	**0**	**0**	**0**	**0**	**0**
Non-performing	0	0	0	0	0	0
impaired	0	0	0	0	0	0
Total fair value	**0**	**0**	**41**	**11**	**0**	**52**

data in HUF million

Fair value broken down by the categories of internal credit rating system and impairment categories	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets	Total
corporate loans	**0**	**0**	**73**	**11**	**0**	**84**
Performing	0	0	0	0	0	0
standard grade	0	0	0	0	0	0
average grade	0	0	0	0	0	0
Non-performing	0	0	73	11	0	84
impaired	0	0	73	11	0	84
private loans	**0**	**0**	**43**	**0**	**0**	**43**
Non-performing	0	0	43	0	0	43
impaired	0	0	43	0	0	43
Total fair value	**0**	**0**	**116**	**11**	**0**	**127**

The next tables show the changes to fair value of the portfolio in the reporting year. The fair value of the portfolio during the reporting year was largely influenced by the increased sales of receivables: the decrease in volume owing to such derecognitions amounted to HUF 249 million, while other amounts received mainly due to claiming collateral totalled HUF 18 million. This trend is continuing in the following year, and will ultimately lead to the complete elimination of the portfolio.

Changes in the fair value of the loans broken down by the expected credit loss (ECL) categories corporate loans	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	**0**	**0**	**193**	**162**	**0**	**0**	**355**
purchases during the year	**0**	**0**	0	0	**0**	**0**	0
derecognised or matured (excluding write-offs)	**0**	**0**	-46	-1	**0**	**0**	-47
write-offs	**0**	**0**	0	0	**0**	**0**	0
changes in fair value	**0**	**0**	7	0	**0**	**0**	7
modifications without derecognition	**0**	**0**	0	0	**0**	**0**	0
reclassification to 12 month ECL category	**0**	**0**	0	0	**0**	**0**	0
reclassification to lifetime ECL category	**0**	**0**	0	0	**0**	**0**	0
reclassification to impaired category	**0**	**0**	0	0	**0**	**0**	0
other movements (FX translation, interest accruals)	**0**	**0**	0	9	**0**	**0**	9
closing balance	**0**	**0**	**154**	**170**	**0**	**0**	**324**

data in HUF million

Changes in the fair value of the loans broken down by the expected credit loss (ECL) categories corporate loans	12 month ECL collective	lifetime ECL collective	31.12.2018 impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	0	0	283	407	0	0	690
purchases during the year	0	0	0	0	0	0	0
derecognised or matured (excluding write-offs)	0	0	-54	-251	0	0	-305
write-offs	0	0	0	0	0	0	0
changes in fair value	0	0	-36	4	0	0	-32
modifications without derecognition	0	0	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	0	2	0	0	2
closing balance	0	0	193	162	0	0	355

Changes in the fair value of the loans broken down by the expected credit loss (ECL) categories private loans	12 month ECL collective	lifetime ECL collective	31.12.2019 impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	0	0	257	0	0	0	257
purchases during the year	0	0	0	0	0	0	0
derecognised or matured (excluding write-offs)	0	0	-220	0	0	0	-220
write-offs	0	0	0	0	0	0	0
changes in fair value	0	0	10	0	0	0	10
modifications without derecognition	0	0	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	6	0	0	0	6
closing balance	0	0	53	0	0	0	53

Changes in the fair value of the loans broken down by the expected credit loss (ECL) categories private loans	12 month ECL collective	lifetime ECL collective	31.12.2018 impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	0	0	345	0	0	0	345
purchases during the year	0	0	0	0	0	0	0
derecognised or matured (excluding write-offs)	0	0	-60	0	0	0	-60
write-offs	0	0	-1	0	0	0	-1
changes in fair value	0	0	-29	0	0	0	-29
modifications without derecognition	0	0	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	2	0	0	0	2
closing balance	0	0	257	0	0	0	257

Sberbank Hungary Ltd. data in HUF million

The following tables show the reporting-year changes in portfolio fair value due to credit risks. These fair value changes were transferred from other comprehensive income to risk costs in the income statement.

Changes in the fair value of the loans due to change in credit risk broken down by the expected credit loss (ECL) categories corporate loans	**31.12.2019** **12 month ECL collective**	**lifetime ECL collective**	**impaired assets collective**	**impaired assets individual**	**POCI assets collective**	**POCI assets individual**	**Total**
opening balance	**0**	**0**	**-120**	**-151**	**0**	**0**	**-271**
purchases during the year	**0**	**0**	0	0	**0**	**0**	0
derecognised or matured (excluding write-offs)	**0**	**0**	14	0	**0**	**0**	14
write-offs	**0**	**0**	0	0	**0**	**0**	0
modifications without derecognition	**0**	**0**	0	1	**0**	**0**	1
due to change in credit risk	**0**	**0**	-2	7	**0**	**0**	5
due to unwinding of discount	**0**	**0**	-5	-7	**0**	**0**	-12
reclassification to 12 month ECL category	**0**	**0**	0	0	**0**	**0**	0
reclassification to lifetime ECL category	**0**	**0**	0	0	**0**	**0**	0
reclassification to impaired category	**0**	**0**	0	0	**0**	**0**	0
changes in ECL measurement model, assumptions and inputs	**0**	**0**	0	0	**0**	**0**	0
other movements (FX translation, interest accruals)	**0**	**0**	0	-9	**0**	**0**	-9
closing balance	**0**	**0**	**-113**	**-159**	**0**	**0**	**-272**

Changes in the fair value of the loans due to change in credit risk broken down by the expected credit loss (ECL) categories corporate loans	**31.12.2018** **12 month ECL collective**	**lifetime ECL collective**	**impaired assets collective**	**impaired assets individual**	**POCI assets collective**	**POCI assets individual**	**Total**
opening balance	**0**	**0**	**-197**	**-359**	**0**	**0**	**-546**
purchases during the year	0	0	0	0	0	0	0
derecognised or matured (excluding write-offs)	0	0	77	219	0	0	296
write-offs	0	0	0	0	0	0	0
modifications without derecognition	0	0	0	0	0	0	0
due to change in credit risk	0	0	-4	-8	0	0	-12
due to unwinding of discount	0	0	4	7	0	0	11
reclassification to 12 month ECL category	0	0	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	0	-10	0	0	-10
closing balance	**0**	**0**	**-120**	**-151**	**0**	**0**	**-271**

data in HUF million

Changes in the fair value of the loans due to change in credit risk broken down by the expected credit loss (ECL) categories private loans	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	0	0	-214	0	0	0	-214
purchases during the year	0	0	0	0	0	0	0
derecognised or matured (excluding write-offs)	0	0	177	0	0	0	177
write-offs	0	0	0	0	0	0	0
modifications without derecognition	0	0	0	0	0	0	0
due to change in credit risk	0	0	-1	0	0	0	-1
due to unwinding of discount	0	0	-9	0	0	0	-9
reclassification to 12 month ECL category	0	0	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	-6	0	0	0	-6
closing balance	0	0	-53	0	0	0	-53

Changes in the fair value of the loans due to change in credit risk broken down by the expected credit loss (ECL) categories private loans	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	0	0	-267	0	0	0	-267
purchases during the year	0	0	0	0	0	0	0
derecognised or matured (excluding write-offs)	0	0	71	0	0	0	71
write-offs	0	0	20	0	0	0	20
modifications without derecognition	0	0	0	0	0	0	0
due to change in credit risk	0	0	-41	0	0	0	-41
due to unwinding of discount	0	0	7	0	0	0	7
reclassification to 12 month ECL category	0	0	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	-4	0	0	0	-4
closing balance	0	0	-214	0	0	0	-214

The ageing of overdue receivables by the maximum days in default is presented below at the end of the reporting year.

Ageing of fair value of overdue loans broken down by the categories of internal credit rating system	31.12.2019 ≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
corporate loans	0	0	0	0	0	52	52
Non-perfoming	0	0	0	0	0	52	52
impaired	0	0	0	0	0	52	52
private loans	0	0	0	0	0	0	0
Non-performing	0	0	0	0	0	0	0
impaired	0	0	0	0	0	0	0
Total fair value	0	0	0	0	0	52	52

data in HUF million

Ageing of fair value of overdue loans broken down by the categories of internal credit rating system	31.12.2018						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
corporate loans	**0**	**0**	**0**	**0**	**6**	**78**	**84**
Non-performing	0	0	0	0	6	78	84
impaired	0	0	0	0	6	78	84
private loans	**2**	**0**	**0**	**0**	**1**	**40**	**43**
Non-performing	2	0	0	0	1	40	43
impaired	2	0	0	0	1	40	43
Total fair value	**2**	**0**	**0**	**0**	**7**	**118**	**127**

Loans measured at amortised cost

The following table shows loans measured at amortised cost, broken down by business segments.

Loans and advances to customers	31.12.2019	31.12.2018
corporate loans	175 767	156 923
impairment for corporate loans	-7 637	-7 928
private loans	83 197	88 088
impairment for private loans	-4 889	-8 575
Total loans and advances to customers	**246 438**	**228 508**

The Bank's lending portfolio displayed stable growth over the last two years, which is primarily down to increases at two business divisions, the commercial loans of the corporate customers division and the personal loans of the retail division. Retail overdrafts – though starting from a lower level – also produced significant growth (25%). The portfolio of private mortgage loans is declining, partly due to the sale of the non-performing loans, partly because the Bank's management intentionally concentrates less on this business due to its lower profitability.

In the corporate division, project-financing loans increased by 47%, overdraft loans by 15 % and investment loans by 5%. On the whole, the corporate loan portfolio rose by HUF 18,8 billion (12%).

In the years presented in these financial statements the Bank only has originated credit-impaired loans it disbursed, it did not purchase such loans. The portfolio of originated credit impaired loans stems from the non-performing foreign currency loans converted into Hungarian forints during the 2015 debtor relief programme.

<u>Corporate loans</u>

The following tables show the maximum credit risk exposure of loans measured at amortised cost, broken down according to the Bank's internal credit rating system and the expected credit loss categories at the end of the reporting year.

data in HUF million

Gross book value broken down by the categories of internal credit rating system and the expected credit loss (ECL) categories	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
Performing	**155 027**	**11 007**	**0**	**0**	**649**	**0**	**166 683**
high grade	9 751	61	0	0	0	0	9 812
standard grade	88 462	6 941	0	0	0	0	95 403
average grade	50 646	2 814	0	0	649	0	54 109
below average grade	6 168	1 191	0	0	0	0	7 359
Non-performing	**0**	**0**	**2 197**	**6 887**	**0**	**0**	**9 084**
standard grade	0	0	25	0	0	0	25
average grade	0	0	53	0	0	0	53
below average grade	0	0	7	0	0	0	7
impaired	0	0	2 112	6 887	0	0	8 999
Total corporate loans	**155 027**	**11 007**	**2 197**	**6 887**	**649**	**0**	**175 767**

Gross book value broken down by the categories of internal credit rating system and the expected credit loss (ECL) categories	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
Performing	**135 623**	**10 883**	**0**	**0**	**0**	**0**	**146 506**
high grade	5 987	0	0	0	0	0	5 987
standard grade	39 475	7 068	0	0	0	0	46 543
average grade	85 791	2 005	0	0	0	0	87 796
below average grade	4 370	1 810	0	0	0	0	6 180
Non-performing	**0**	**0**	**2 170**	**7 526**	**0**	**721**	**10 417**
standard grade	0	0	29	0	0	0	29
average grade	0	0	47	0	0	0	47
below average grade	0	0	47	0	0	0	47
impaired	0	0	2 047	7 526	0	721	10 294
Total corporate loans	**135 623**	**10 883**	**2 170**	**7 526**	**0**	**721**	**156 923**

The reporting-year changes in the gross carrying amounts of the loans measured at amortised cost are shown in the following tables broken down by the expected credit loss categories at the end of the reporting year.

Changes in the gross book value broken down by the expected credit loss (ECL) categories	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	**135 623**	**10 883**	**2 170**	**7 526**	**0**	**721**	**156 923**
purchases during the year	45 271	187	1	522	0	0	45 981
derecognised or matured (excluding write-offs)	-7 349	-646	-613	-1 871	0	0	-10 479
write-offs	0	0	-120	-411	0	0	-531
changes within the same ECL category	-14 289	-726	-607	-556	-71	0	-16 249
modifications without derecognition	0	0	2	8	720	-721	9
reclassification to 12 month ECL category	6 432	-6 427	-5	0	0	0	0
reclassification to lifetime ECL category	-8 647	9 131	-484	0	0	0	0

data in HUF million

reclassification to impaired category	-246	-1 509	1 755	0	0	0	0
other movements (FX translation, interest accruals)	-1 768	114	98	1 669	0	0	113
closing balance	**155 027**	**11 007**	**2 197**	**6 887**	**649**	**0**	**175 767**

Changes in the gross book value broken down by the expected credit loss (ECL) categories	**31.12.2018**						
	12 month ECL collective	**lifetime ECL collective**	**impaired assets collective**	**impaired assets individual**	**POCI assets collective**	**POCI assets individual**	**Total**
opening balance	**106 976**	**12 733**	**2 362**	**7 705**	**0**	**791**	**130 567**
purchases during the year	64 079	685	0	452	0	0	65 216
derecognised or matured (excluding write-offs)	-30 379	-2 546	-465	-220	0	0	-33 610
write-offs	-1	0	-133	-1 929	0	0	-2 063
changes within the same ECL category	-2 600	-1 145	-492	-1 101	0	-71	747
modifications without derecognition	0	0	0	0	0	0	0
reclassification to 12 month ECL category	2 545	-2 442	-45	-58	0	0	-6 156
reclassification to lifetime ECL category	-5 023	5 416	-298	-95	0	0	0
reclassification to impaired category	-1 541	-2 145	1 170	2 516	0	0	0
other movements (FX translation, interest accruals)	1 567	327	71	256	0	1	2 222
closing balance	**135 623**	**10 883**	**2 170**	**7 526**	**0**	**721**	**156 923**

The following tables reveal the reporting-year changes in the expected credit loss of the loans measured at amortised cost, broken down by category of expected credit loss.

Changes in the expected credit loss broken down by the expected credit loss (ECL) categories	**31.12.2019**						
	12 month ECL collective	**lifetime ECL collective**	**impaired assets collective**	**impaired assets individual**	**POCI assets collective**	**POCI assets individual**	**Total**
opening balance	**-1 068**	**-113**	**-908**	**-5 575**	**0**	**-264**	**-7 928**
purchases during the year	-381	-16	-1	-239	0	0	-637
derecognised or matured (excluding write-offs)	426	76	789	1 213	14	0	2 518
write-offs	0	0	144	394	0	0	538
modifications without derecognition	0	0	-340	340	-264	264	0
due to change in credit risk	-72	-71	-854	-990	240	0	-1 747
due to unwinding of discount	0	0	-38	-116	-5	0	-159
reclassification to 12 month ECL category	-42	41	1	0	0	0	0
reclassification to lifetime ECL category	104	-138	34	0	0	0	0
reclassification to impaired category	3	51	-51	-3	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	-12	-2	-26	-180	-2	0	-222
closing balance	**-1 042**	**--172**	**-1 250**	**-5 156**	**-17**	**0**	**-7 637**

Sberbank Hungary Ltd. data in HUF million

Changes in the expected credit loss broken down by the expected credit loss (ECL) categories	31.12.2018						
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	-755	-261	-1 173	-6 192	0	-206	-8 587
purchases during the year	-574	-19	-1	-227	0	0	-821
derecognised or matured (excluding write-offs)	361	120	398	787	0	18	1 684
write-offs	0	0	114	1 929	0	0	2 043
modifications without derecognition	0	0	0	0	0	0	0
due to change in credit risk	-78	14	-236	-1 441	0	-69	-1 810
due to unwinding of discount	0	0	-22	-147	0	-7	-176
reclassification to 12 month ECL category	-45	27	18	0	0	0	0
reclassification to lifetime ECL category	26	-117	86	5	0	0	0
reclassification to impaired category	6	131	-54	-83	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	-9	-8	-38	-206	0	0	-261
closing balance	-1 068	-113	-908	-5 575	0	-264	-7 928

Taking collateral into account may result in that while some or all of a receivable may be overdue, there is still no need to record impairment. The following tables break down such overdue receivables by age.

Ageing of the gross value of overdue but not impaired loans broken down by the categories of the internal credit rating system	31.12.2019						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	0	0	0	0	0	0	0
high grade	0	0	0	0	0	0	0
standard grade	0	0	0	0	0	0	0
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
Non-performing	0	0	0	0	0	1	1
standard grade	0	0	0	0	0	0	0
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
impaired	0	0	0	0	0	0	0
Total corporate loans	0	0	0	0	0	1	1

data in HUF million

Ageing of the gross value of overdue but not impaired loans broken down by the categories of the internal credit rating system	31.12.2018						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	**1**	**0**	**0**	**0**	**0**	**0**	**1**
high grade	0	0	0	0	0	0	0
standard grade	1	0	0	0	0	0	1
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
Non-performing	**0**	**0**	**0**	**0**	**0**	**2**	**2**
standard grade	0	0	0	0	0	0	0
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
impaired	0	0	0	0	0	2	2
Total corporate loans	**1**	**0**	**0**	**0**	**0**	**2**	**3**

The ageing of overdue receivables by the maximum days in default is presented below at the end of the reporting year and in the previous year.

Ageing of the gross value of overdue loans broken down by the categories of the internal credit rating system	31.12.2019						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	**257**	**46**	**5**	**0**	**0**	**0**	**308**
high grade	7	0	0	0	0	0	7
standard grade	94	0	0	0	0	0	94
average grade	141	40	2	0	0	0	183
below average grade	15	6	3	0	0	0	24
Non-performing	**43**	**6**	**365**	**217**	**582**	**3 825**	**5 038**
standard grade	0	0	0	0	0	0	0
average grade	0	0	0	0	0	1	1
below average grade	0	0	0	1	0	3	4
impaired	43	6	365	216	582	3 821	5 033
Total corporate loans	**300**	**52**	**370**	**217**	**582**	**3 825**	**5 346**

Ageing of the gross value of overdue loans broken down by the categories of the internal credit rating system	31.12.2018						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	**237**	**14**	**1**	**0**	**1**	**0**	**253**
high grade	40	0	0	0	0	0	40
standard grade	33	0	0	0	0	0	33
average grade	143	10	0	0	1	0	154
below average grade	21	4	1	0	0	0	26
Non-performing	**22**	**103**	**0**	**393**	**173**	**4 712**	**5 403**
standard grade	0	0	0	1	0	0	1
average grade	0	0	0	4	0	1	5
below average grade	4	0	0	0	1	2	7
impaired	18	103	0	388	172	4 709	5 390
Total corporate loans	**259**	**117**	**1**	**393**	**174**	**4 712**	**5 656**

data in HUF million

The ageing of the expected credit loss by the maximum days in default of the related overdue receivable is presented below at the end of the reporting year and in the previous year.

Ageing of the expected credit loss broken down by the categories of the internal credit rating system	31.12.2019			
	overdue	<=1 year	> 1 year	Total
Performing	**-11**	**-394**	**-827**	**-1 232**
high grade	0	-5	-8	-13
standard grade	-1	-132	-394	-527
average grade	-7	-218	-360	-585
below average grade	-3	-39	-65	-107
Non-performing	**-3 737**	**-1 562**	**-1 106**	**-6 405**
standard grade	0	0	-5	-5
average grade	-1	-12	0	-13
below average grade	-4	0	-1	-5
impaired	-3 732	-1 550	-1 100	-6 382
Total impairment for corporate loans	**-3 748**	**-1 956**	**-1 933**	**-7 637**

Ageing of the expected credit loss broken down by the categories of the internal credit rating system	31.12.2018			
	overdue	<=1 year	> 1 year	Total
Performing	**-4**	**-226**	**-950**	**-1 180**
high grade	0	-2	-5	-7
standard grade	0	-39	-171	-210
average grade	-3	-161	-727	-891
below average grade	-1	-24	-47	-72
Non-performing	**-4 093**	**-1 019**	**-1 636**	**-6 748**
standard grade	0	-2	0	-2
average grade	-1	-3	0	-4
below average grade	-2	-3	-1	-6
impaired	-4 090	-1 011	-1 635	-6 736
Total impairment for corporate loans	**-4 097**	**-1 245**	**-2 586**	**-7 928**

data in HUF million

Private loans

The following tables show the maximum credit risk exposure of loans measured at amortised cost, broken down according to the Bank's internal credit rating system and the expected credit loss categories at the end of the reporting year.

Gross book value broken down by the categories of internal credit rating system and the expected credit loss (ECL) categories	31.12.2019						
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
Performing	**74 061**	**2 703**	**0**	**0**	**281**	**0**	**77 045**
high grade	0	0	0	0	0	0	0
standard grade	50 580	498	0	0	149	0	51 227
average grade	18 847	477	0	0	10	0	19 334
below average grade	4 634	1 728	0	0	122	0	6 484
Non-performing	**0**	**0**	**3 716**	**0**	**2 340**	**96**	**6 152**
standard grade	0	0	22	0	3	0	25
average grade	0	0	43	0	0	0	43
below average grade	0	0	132	0	35	0	167
impaired	0	0	3 519	0	2 302	96	5 917
Total private loans	**74 061**	**2 703**	**3 716**	**0**	**2 621**	**96**	**83 197**

Gross book value broken down by the categories of internal credit rating system and the expected credit loss (ECL) categories	31.12.2018						
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
Performing	**69 697**	**2817**	**0**	**0**	**92**	**0**	**72 606**
high grade	0	0	0	0	0	0	0
standard grade	40 764	558	0	0	45	0	41 367
average grade	21 564	1 186	0	0	33	0	22 783
below average grade	7 369	1 073	0	0	14	0	8 456
Non-performing	**0**	**0**	**5 959**	**1**	**9 047**	**475**	**15 482**
standard grade	0	0	15	0	76	0	91
average grade	0	0	32	0	89	0	121
below average grade	0	0	93	0	43	0	136
impaired	0	0	5 819	1	8 839	475	15 134
Total private loans	**69 697**	**2 817**	**5 959**	**1**	**9 139**	**475**	**88 088**

data in HUF million

The reporting-year changes in the gross carrying amounts of the loans measured at amortised cost are shown in the following tables broken down by the expected credit loss categories at the end of the reporting year.

Changes in the gross book value broken down by the expected credit loss (ECL) categories	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	**69 697**	**2 817**	**5 959**	**1**	**9 139**	**475**	**88 088**
purchases during the year	20 567	73	104	0	0	0	20 744
derecognised or matured (excluding write-offs)	-5 990	-165	-5 352	0	-11 367	-722	-23 596
write-offs	0	0	-105	0	213	0	108
changes within the same ECL category	-9 126	-225	2 002	0	4 657	345	-2 347
modifications without derecognition	0	0	4	0	-17	-2	-15
reclassification to 12 month ECL category	5 381	-4 984	-397	0	0	0	0
reclassification to lifetime ECL category	-6 158	6 912	-754	0	0	0	0
reclassification to impaired category	-553	-1 747	2 300	0	0	0	0
other movements (FX translation, interest accruals)	243	22	-45	-1	-4	0	215
closing balance	**74 061**	**2 703**	**3 716**	**0**	**2 621**	**96**	**83 197**

Changes in the gross book value broken down by the expected credit loss (ECL) categories	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	**63 008**	**3 116**	**6 741**	**1**	**12 140**	**437**	**85 443**
purchases during the year	19 779	331	133	0	0	0	20 243
derecognised or matured (excluding write-offs)	-4 829	-254	-1 899	0	-4 080	0	-11 062
write-offs	0	0	-150	0	-75	0	-225
changes within the same ECL category	-7 577	-299	218	0	1 105	39	-6 514
modifications without derecognition	0	0	-1	0	0	0	-1
reclassification to 12 month ECL category	5 066	-4 526	-540	0	0	0	0
reclassification to lifetime ECL category	-5 464	6 059	-595	0	0	0	0
reclassification to impaired category	-381	-1 625	2 006	0	0	0	0
other movements (FX translation, interest accruals)	95	15	46	0	49	-1	204
closing balance	**69 697**	**2 817**	**5 959**	**1**	**9 139**	**475**	**88 088**

data in HUF million

The following tables reveal the reporting-year changes in the expected credit loss of the loans measured at amortised cost, broken down by category of expected credit loss.

Changes in the gross book value broken down by the expected credit loss (ECL) categories	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	**-1 101**	**-382**	**-2 488**	**0**	**-4 374**	**-230**	**-8 575**
purchases during the year	-430	-6	-76	0	0	0	-512
derecognised or matured (excluding write-offs)	343	88	1 820	0	3 501	195	5 947
write-offs	0	0	110	0	148	0	258
modifications without derecognition	0	0	0	0	0	0	0
due to change in credit risk	-30	-616	-420	1	-442	7	-1 500
due to unwinding of discount	0	0	-108	-1	-400	-19	-528
reclassification to 12 month ECL category	-443	312	131	0	0	0	0
reclassification to lifetime ECL category	396	-586	190	0	0	0	0
reclassification to impaired category	10	791	-801	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	4	-1	-5	0	22	1	21
closing balance	**-1 251**	**-400**	**-1 647**	**0**	**-1 545**	**-46**	**-4 889**

Changes in the gross book value broken down by the expected credit loss (ECL) categories	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	POCI assets collective	POCI assets individual	Total
opening balance	**-893**	**-353**	**-2 653**	**0**	**-4 945**	**-85**	**-8 929**
purchases during the year	-387	-28	-33	0	0	0	-448
derecognised or matured (excluding write-offs)	226	93	982	0	1 768	0	3 069
write-offs	0	0	132	0	356	0	488
modifications without derecognition	0	0	0	0	0	0	0
due to change in credit risk	-53	-477	-407	0	-927	-130	-1 994
due to unwinding of discount	0	0	-108	0	-626	-15	-749
reclassification to 12 month ECL category	-408	249	159	0	0	0	0
reclassification to lifetime ECL category	375	-521	146	0	0	0	0
reclassification to impaired category	7	654	-661	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0	0	0
other movements (FX translation, interest accruals)	32	1	-45	0	0	0	-12
closing balance	**-1 101**	**-382**	**-2 488**	**0**	**-4 374**	**-230**	**-8 575**

data in HUF million

Taking collateral into account may result in that while some or all of a receivable may be overdue, there is still no need to record impairment. The following tables break down such overdue receivables by age.

Ageing of the gross value of overdue but not impaired loans broken down by the categories of the internal credit rating system	31.12.2019						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	579	0	0	0	0	0	579
high grade	0	0	0	0	0	0	0
standard grade	579	0	0	0	0	0	579
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
Non-performing	0	0	0	0	0	17	17
standard grade	0	0	0	0	0	0	0
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
impaired	0	0	0	0	0	17	17
Total private loans	579	0	0	0	0	17	596

Ageing of the gross value of overdue but not impaired loans broken down by the categories of the internal credit rating system	31.12.2018						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	418	0	0	0	0	0	418
high grade	0	0	0	0	0	0	0
standard grade	418	0	0	0	0	0	418
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
Non-performing	0	0	0	0	0	4	4
standard grade	0	0	0	0	0	0	0
average grade	0	0	0	0	0	0	0
below average grade	0	0	0	0	0	0	0
impaired	0	0	0	0	0	4	4
Total private loans	418	0	0	0	0	4	422

The ageing of overdue receivables by the maximum days in default is presented below at the end of the reporting year and in the previous year.

Ageing of the gross value of overdue loans broken down by the categories of the internal credit rating system	31.12.2019						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	1 424	25	12	0	0	0	1 461
high grade	0	0	0	0	0	0	0
standard grade	1 059	4	2	0	0	0	1 065
average grade	300	8	3	0	0	0	311
below average grade	65	13	7	0	0	0	85
Non-performing	10	11	6	71	171	2 603	2 872
standard grade	0	0	0	2	0	1	3
average grade	0	0	0	4	0	2	6
below average grade	0	0	0	4	1	8	13
impaired	10	11	6	61	170	2 592	2 850
Total private loans	1 434	36	18	71	171	2 603	4 333

data in HUF million

Ageing of the gross value of overdue loans broken down by the categories of the internal credit rating system	31.12.2018						
	≤ 30 days	31-60 days	61-90 days	91-180 days	181 days -1 year	> 1 year	Total
Performing	**1 089**	**20**	**12**	**0**	**0**	**0**	**1 121**
high grade	0	0	0	0	0	0	0
standard grade	653	4	2	0	0	0	659
average grade	301	6	3	0	0	0	310
below average grade	135	10	7	0	0	0	152
Non-performing	**12**	**13**	**12**	**59**	**178**	**9 945**	**10 219**
standard grade	1	0	0	2	1	1	5
average grade	0	0	0	2	1	2	5
below average grade	0	0	0	3	1	3	7
impaired	11	13	12	52	175	9 939	10 202
Total private loans	**1 101**	**33**	**24**	**59**	**178**	**9 945**	**11 340**

The ageing of the expected credit loss by the maximum days in default of the related overdue receivable is presented below at the end of the reporting year and in the previous year.

Ageing of the expected credit loss broken down by the categories of the internal credit rating system	31.12.2019			
	overdue	<=1 year	> 1 year	Total
Performing	**-31**	**-299**	**-1 332**	**-1 662**
high grade	0	0	0	0
standard grade	-11	-156	-651	-818
average grade	-10	-84	-389	-483
below average grade	-10	-59	-292	-316
Non-performing	**-1 933**	**-222**	**-1 072**	**-3 227**
standard grade	-2	-3	-11	-16
average grade	-4	-6	-22	-32
below average grade	-10	-7	-46	-63
impaired	-1 917	-206	-993	-3 116
Total impairment for private loans	**-1 964**	**-521**	**-2 404**	**-4 889**

Ageing of the expected credit loss broken down by the categories of the internal credit rating system	31.12.2018			
	overdue	<=1 year	> 1 year	Total
Performing	**-27**	**-252**	**-1 208**	**-1 487**
high grade	0	0	0	0
standard grade	-5	-101	-471	-577
average grade	-13	-89	-436	-538
below average grade	-9	-62	-301	-372
Non-performing	**-5 230**	**-266**	**-1 592**	**-7 088**
standard grade	-2	-1	-8	-11
average grade	-4	-3	-20	-27
below average grade	-5	-7	-35	-47
impaired	-5 219	-255	-1 529	-7 003
Total impairment for private loans	**-5 257**	**-518**	**-2 800**	**-8 575**

data in HUF million

Loans and advances to customer – other information

Receivables from customers by country or group of countries of origin of the customers are presented below.

Net book value broken down by country	31.12.2019				
	Domestic	Russia	EU	Other	Total
Loans measured at fair value though profit and loss	**19 028**	**0**	**85**	**34**	**19 147**
private loans	19 028	0	85	34	19 147
Loans measured at fair value through other comprehensive income	**52**	**0**	**0**	**0**	**52**
corporate loans	52	0	0	0	52
private loans	0	0	0	0	0
Loans measured at amortised cost	**228 390**	**189**	**12 869**	**4 990**	**246 438**
corporate loans	151 855	0	12 328	3 947	168 130
private loans	76 535	189	541	1 043	78 308
Total	**247 470**	**189**	**12 954**	**5 024**	**265 637**

Net book value broken down by country	31.12.2018				
	Domestic	Russia	EU	Other	Total
Loans measured at fair value though profit and loss	**0**	**0**	**0**	**0**	**0**
private loans	0	0	0	0	0
Loans measured at fair value through other comprehensive income	**127**	**0**	**0**	**0**	**127**
corporate loans	84	0	0	0	84
private loans	43	0	0	0	43
Loans measured at amortised cost	**210 904**	**15 204**	**2 209**	**191**	**228 508**
corporate loans	132 510	14 625	1 860	0	148 995
private loans	78 394	579	349	191	79 513
Total	**211 031**	**15 204**	**2 209**	**191**	**228 635**

Receivables from customers by industry:

Net book value **Loans measured at fair value through other comprehensive income** **corporate loans**	31.12.2019	31.12.2018
Agriculture, forestry and fishing	1	1
Manufacturing	9	34
Water supply	0	0
Construction	2	1
Wholesale and retail trade	19	21
Transport and storage	1	6
Accommodation and food service activities	12	12
Information and communication	2	2
Real estate activities	0	0
Professional, scientific and technical activities	6	7
Arts, entertainment and recreation	0	0
Total	52	84

data in HUF million

Net book value Loans measured at amortised cost corporate loans	31.12.2019	31.12.2018
Agriculture, forestry and fishing	5 742	4 716
Mining and quarrying	35	6
Manufacturing	26 742	25 325
Electricity, gas, steam and air conditioning supply	7 242	7 171
Water supply	439	873
Construction	7 186	6 089
Wholesale and retail trade	30 933	26 895
Transport and storage	6 076	5 179
Accommodation and food service activities	4 521	3 489
Information and communication	15 698	16 972
Financial and insurance activities	3 773	1 827
Real estate activities	46 484	36 730
Professional, scientific and technical activities	3 594	4 154
Administrative and support service activities	2 310	2 779
Public administration and defence, compulsory	2 446	2 792
Education	1 581	1 980
Human health services and social work activities	1 712	1 181
Arts, entertainment and recreation	648	273
Other services	998	564
Foreign organizations, bodies	0	0
Total	**168 130**	**148 995**

6.6.5. Plant, property and equipment

The Bank measures its plant, property and equipment using the cost model.

Changes to plant, property and equipment:

	Land	Buildings	Hardware	Equipments	Vehicles	Total
Acquisition cost						
Opening balance as at 01.01.2018	**38**	**1 293**	**907**	**1 002**	**205**	**3 445**
Addition	0	169	369	52	35	625
Disposal	0	0	-4	-12	-26	-42
Reclassification	-16	16	0	0	0	0
Closing balance as at 31.12.2018	**22**	**1 478**	**1 272**	**1 042**	**214**	**4 028**
Addition	0	197	664	155	0	1 016
Disposal	0	-35	-12	-89	-15	-151
Reclassification	0	0	0	0	-199	-199
Closing balance as at 31.12.2019	**22**	**1 640**	**1 924**	**1 108**	**0**	**4 694**

data in HUF million

	Land	Buildings	Hardware	Equipments	Vehicles	Total
Accumulated depreciation						
Opening balance as at 01.01.2018	**0**	**-584**	**-698**	**-847**	**-164**	**-2 293**
Regular depreciation for the year	0	-76	-78	-50	-45	-249
Extraordinary depreciation for the year	0	0	0	0	0	0
Disposal	0	0	3	12	25	40
Reclassification	0	0	0	0	0	0
Closing balance as at 31.12.2018	**0**	**-660**	**-773**	**-885**	**-184**	**-2 502**
Regular depreciation for the year	0	-92	-81	-56	0	-229
Extraordinary depreciation for the year	0	0	0	0	0	0
Disposal	0	30	8	79	15	132
Reclassification	0	0	0	0	169	169
Closing balance as at 31.12.2019	**0**	**-722**	**-846**	**-862**	**0**	**-2 430**

	Land	Buildings	Hardware	Equipments	Vehicles	Total
Accumulated impairment						
Opening balance as at 01.01.2018	**-5**	**-108**	**0**	**-3**	**0**	**-116**
Addition	0	-2	0	0	0	-2
Release	0	0	0	0	0	0
Disposal	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Closing balance as at 31.12.2018	**-5**	**-110**	**0**	**-3**	**0**	**-118**
Addition	0	0	0	0	0	0
Release	0	91	0	0	0	91
Disposal	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Closing balance as at 31.12.2019	**-5**	**-19**	**0**	**-3**	**0**	**-27**

	Land	Buildings	Hardware	Equipments	Vehicles	Total
Net book value						
01.01.2018	33	601	209	152	41	1 036
31.12.2018	17	708	499	154	30	1 408
31.12.2019	17	899	1 078	243	0	2 237

Plant, property and equipment rose by HUF 830 million in net terms in 2019. The main reasons for this change are hardware (server and network assets) purchase and development.

The Bank carried out renovation and development works on the properties in a total amount of HUF 191 million in 2019.

The contractual commitments for the acquisition of plant, property and equipment amounted to HUF 314 million at the end of 2019. All of these were completed and capitalised at the beginning of the following year.

data in HUF million

The Bank received HUF 0.6 million in 2019 and HUF 0.5 million in 2018 in the form of compensation related to damage from third parties.

The Bank does not have any plant, property and equipment that has temporarily been withdrawn from use.

Gross carrying amounts of property, plant and equipment still in use but completely written off:

	31.12.2019	31.12.2018
Land	0	0
Buildings	87	99
Hardware	696	625
Equipments	722	745
Vehicles	0	179
Total	**1 505**	**1 648**

The market value of assets still in use but completely written off is not significant.

The fair value of property, plant and equipment measured using the cost model is the same as the net carrying amount since the Bank regularly adjusts the carrying amount to market value by means of impairment.

6.6.6. Right-of-use assets

Book value of the right-of-use assets by the categories of the underlying assets:

	31.12.2019	31.12.2018
Acquisition cost		
Buildings	3 477	0
Vehicles	189	0
Total	**3 666**	**0**

	31.12.2019	31.12.2018
Accumulated depreciation		
Building	-559	0
Vehicles	-31	0
Total	**-590**	**0**

	31.12.2019	31.12.2018
Net book value		
Buildings	2 918	0
Vehicles	158	0
Total	**3 076**	**0**

Sherbank Hungary Ltd. data in HUF million

The value changes of the right-of-use assets in 2019:

	Opening balance*	Initial recognition	Revaluation	Modification	Disposal	Closing balance
Right-of-use assets						
Buildings	3 451	265	-21	-204	-14	3 477
Vehicles	26	163	0	0	0	189
Total	**3 477**	**428**	**-21**	**-204**	**-14**	**3 666**

*Opening balance according to IFRS 16

Modification was necessary, since the Bank moved its Retek street branch to a new place, therefore the old lease contract was modified then terminated.

6.6.7. Intangible assets

The Bank measures its intangible assets using the cost model.

Changes to intangible assets:

	Software	Other intangibles	Total
Acquisition cost			
Opening balance as at 01.01.2018	**6 780**	**14**	**6 794**
Addition	2 358	0	2 358
Separate acquisition	0	0	0
Internally generated	2 358	0	2 358
Business combination	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
Closing balance as at 31.12.2018	**9 138**	**14**	**9 152**
Addition	2 492	0	2 492
Separate acquisition	0	0	0
Internally generated	2 492	0	2 492
Business combination	0	0	0
Disposal	-1 461	-13	-1 474
Reclassification	0	0	0
Closing balance as at 31.12.2019	**10 169**	**1**	**10 170**

	Software	Other intangibles	Total
Accumulated depreciation			
Opening balance as at 01.01.2018	**-4 354**	-13	**-4 367**
Regular depreciation for the year	-668	-1	-669
Extraordinary depreciation for the year	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
Closing balance as at 31.12.2018	**-5 022**	**-14**	**-5 036**
Regular depreciation for the year	-703	0	-703
Extraordinary depreciation for the year	0	0	0
Disposal	1 180	13	1193
Reclassification	0	0	0
Closing balance as at 31.12.2019	**-4 545**	**-1**	**-4 546**

Sherbank Hungary Ltd. data in HUF million

	Software	Other intangibles	Total
Accumulated impairment			
Opening balance as at 01.01.2018	-47	0	-47
Addition	0	0	0
Release	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
Closing balance as at 31.12.2018	-47	0	-47
Addition	0	0	0
Release	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
Closing balance as at 31.12.2019	-47	0	-47

	Software	Other intangibles	Total
Net book value			
01.01.2018	2 379	1	2 380
31.12.2018	4 069	0	4 069
31.12.2019	5 577	0	5 577

In 2019 partly for normal business reasons, partly for legislative changes necessary software purchases, developments expansions and license renewals caused significant increase in the intangible assets.

The Bank held the following main intangible assets in its books at the end of 2019

- Development and preparation of instant payment system's implementation totalling HUF 446 million
- Data warehouse developments totalling HUF 443 million.
- Netbank surface renewal and development totalling HUF 285 million.

The contractual commitments for the acquisition of intangible assets amounted to HUF 87 million at the end of 2019. All of these were completed and capitalised at the beginning of the following year.

Gross carrying amount of intangible assets still in use but completely written off:

	31.12.2019	31.12.2018
Software	567	525
Other intangibles	0	12
Total	567	537

The market value of assets still in use but completely written off is not significant.

Sberbank Hungary Ltd. data in HUF million

6.6.8. Equity investments

Interests of the Bank:

Equity investment	Main activity	Participation (%) 31.12.2019	31.12.2018
Interests in subsidiaries			
V-DAT Kft. "v.a."	Purchase/sale of own properties	100,00%	100,00%
East Site Kft	Purchase/sale of own properties	100,00%	100,00%
Károlyi Ingatlan 2011 Kft.	Purchase/sale of own properties	100,00%	100,00%
Other investments			
Fundamenta- Lakáskassza Lakástakarékpénztár Zrt	Other monetary mediation	1,39%	1,39%
Garantiqa Hitelgarancia Zrt.	Other financial services	0,13%	0,13%
S.W.I.F.T.	Financial services	0,01%	0,01%
Visa Inc.	Financial services	0,01%	0,01%

In 2019 the Bank as owner decided to dissolve V-DAT Kft. through voluntary liquidation, therefore it classified this subsidiary into assets held for sale. The voluntary liquidation procedure will be completed in 2020.

Carrying amount of the interests:

Equity investment	Valuation method	31.12.2019	31.12.2018
V-DAT Kft. "v.a."	Cost less impairment	-	3
East Site Kft	Cost less impairment	17	19
Károlyi Ingatlan 2011 Kft.	Cost less impairment	137	145
Fundamenta- Lakáskassza Lakástakarékpénztár Zrt	Fair value through Other Comprehensive Income	67	67
Garantiqa Hitelgarancia Zrt.	Fair value through Other Comprehensive Income	10	10
S.W.I.F.T.	Fair value through Other Comprehensive Income	0	0
Visa Inc.	Fair value through Profit or Loss	536	361
Total		**767**	**605**

The change in the value of Visa Inc. is due to changes in the market price and the exchange rate.

data in HUF million

Changes to impairment booked on equity instruments:

	V-DAT Kft. "v.a."	East Site Kft.	Károlyi Ingatlan 2011 Kft.	Total
Opening balance as at 01.01.2018	**181**	**725**	**311**	**1 217**
Addition	3	2	3	8
Release	0	0	0	0
Reclassification to Held for sale category	0	0	0	0
Closing balance as at 31.12.2018	**184**	**727**	**314**	**1 225**
Addition	3	2	8	13
Release	0	0	0	0
Reclassification to Held for sale category	-187	0	0	-187
Closing balance as at 31.12.2019	**0**	**729**	**322**	**1 051**

Dividends received on the equity instruments:

	2019	2018
Fundamenta- Lakáskassza Lakástakarékpénztár Zrt	35	35
Visa Inc.	0	1
Total	**35**	**36**

6.6.9. Tax assets and liabilities

	31.12.2019	31.12.2018
Current tax assets		
Local business tax	25	0
Innovation contribution	0	12
Current tax assets total	25	12
Deferred tax assets	0	0
Tax assets total	**25**	**12**

	31.12.2019	31.12.2018
Current tax liabilities		
Local business tax	0	36
Innovation contribution	21	0
Current tax liabilities total	21	36
Deferred tax liabilities	0	0
Tax liabilities total	**21**	**36**

Since the profitable operation is uncertain in the near future, the Bank does not show deferred tax assets in its Statement of Financial Position.

Sberbank Hungary Ltd. data in HUF million

The following tables presents temporary differences, unused tax losses and tax credits for which no deferred tax was recognised in the balance sheet.

	31.12.2019	
	in Profit or loss	in Other comprehensive income
Losses carried forward, tax allowance regarding FX rescue program	66 459	0
Securities available for sale	0	-141
Temporary differences in relation to discrepancies of HAS and IFRS	829	0
Tax base modifying items	0	0
Total	**67 288**	**-141**

	31.12.2018	
	in Profit or loss	in Other comprehensive income
Losses carried forward, tax allowance regarding FX rescue program	67 795	0
Securities available for sale	0	-282
Temporary differences in relation to discrepancies of HAS and IFRS	1 658	0
Tax base modifying items	1 147	0
Total	**70 600**	**-282**

The unused amount of tax allowance regarding FX rescue program by expiry:

	31.12.2019	31.12.2018	Changes	Tax effect (9%)
amount of tax allowance without expiration	127	237	-110	-110
Total	**127**	**237**	**-110**	**-110**

The unused amount of losses carried forward from previous years by expiry:

	31.12.2019	31.12.2018	Changes	Tax effect (9%)
deductible amount from tax base with expiration till 31.12.2030	58 207	0	58 207	5 239
deductible amount from tax base with expiration till 31.12.2025	0	59 433	-59 433	-5 349
deductible amount from tax base with expiration till 31.12.2021	4 146	4 146	0	0
deductible amount from tax base with expiration till 31.12.2020	3 979	3 979	0	0
Total	**66 332**	**67 558**	**-1 226**	**-110**

The unused amount of temporary differences due to transition to IFRS by expiry:

	31.12.2019	31.12.2018	Changes	Tax effect (9%)
deductible amount from tax base with expiration till 31.12.2020	687	687	0	0
deductible amount from tax base with expiration till 31.12.2019	0	688	-688	-110
Total	**687**	**1 375**	**-688**	**-110**

data in HUF million

6.6.10. Derivatives

Derivatives by type:

	31.12.2019				
	Nominal value /assets	Nominal value /liabilities	Net position	Positive fair value	Negative fair value
Exchange traded deals	0	0	0	0	0
OTC deals					
Interest rate swaps	52 367	-52 367	0	179	-755
Interest rate options	3 389	-3 389	0	0	-2
Basis swaps	0	0	0	0	0
FX options	0	0	0	0	0
FX swaps	77 597	-78 016	-419	18	-466
FX forwards	7 426	-7 443	-17	31	-32
Index options	0	0	0	0	0
Total	**140 779**	**-141 215**	**-436**	**228**	**-1 255**

	31.12.2018				
	Nominal value /assets	Nominal value /liabilities	Net position	Positive fair value	Negative fair value
Exchange traded deals	0	0	0	0	0
OTC deals					
Interest rate swaps	91 518	-91 518	0	1 084	-535
Interest rate options	3 296	-3 296	0	5	-6
Basis swaps	0	0	0	0	0
FX options	0	0	0	0	0
FX swaps	22 670	-22 472	198	77	-104
FX forwards	9 284	-9 341	-57	53	-87
Index options	0	0	0	0	0
Total	**126 768**	**-126 627**	**141**	**1 219**	**-732**

Derivative assets broken down by maturity:

Nominal value	31.12.2019				
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate swaps	364	7 945	18 339	25 659	**52 367**
Interest rate options	0	0	3 389	0	**3 389**
Basis swaps	0	0	0	0	**0**
FX options	0	0	0	0	**0**
FX swaps	74 355	3 242	0	0	**77 597**
FX forwards	3 865	3 561	0	0	**7 426**
Index options	0	0	0	0	**0**
Total	**78 584**	**14 748**	**21 788**	**25 659**	**140 779**

Sberbank Hungary Ltd. data in HUF million

Nominal value	31.12.2018				
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate swaps	50 000	2 660	19 289	19 569	**91 518**
Interest rate options	0	0	3 296	0	**3 296**
Basis swaps	0	0	0	0	**0**
FX options	0	0	0	0	**0**
FX swaps	13 961	8 709	0	0	**22 670**
FX forwards	4 119	3 959	1 206	0	**9 284**
Index options	0	0	0	0	**0**
Total	**68 080**	**15 328**	**23 791**	**19 569**	**126 768**

Derivative liabilities broken down by maturity:

Nominal value	31.12.2019				
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate swaps	364	7 945	18 399	25 659	**52 367**
Interest rate options	0	0	3 389	0	**3 389**
Basis swaps	0	0	0	0	**0**
FX options	0	0	0	0	**0**
FX swaps	74 753	3 263	0	0	**78 016**
FX forwards	3 876	3 567	0	0	**7 443**
Index options	0	0	0	0	**0**
Total	**78 993**	**14 775**	**21 788**	**25 659**	**141 215**

Nominal value	31.12.2018				
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate swaps	50 000	2 660	19 289	19 569	**91 518**
Interest rate options	0	0	3 296	0	**3 296**
Basis swaps	0	0	0	0	**0**
FX options	0	0	0	0	**0**
FX swaps	13 955	8 517	0	0	**22 472**
FX forwards	4 112	3 979	1 250	0	**9 341**
Index options	0	0	0	0	**0**
Total	**68 067**	**15 156**	**23 835**	**19 569**	**126 627**

6.6.11. Other assets

	31.12.2019	31.12.2018
Net book value		
Other financial assets	1 812	1 787
Other non-financial assets	56	82
Total	**1 868**	**1 869**

data in HUF million

Composition of other financial assets:

	31.12.2019	31.12.2018
Gross book value of other financial assets		
Business support receivables	142	146
Receivables from the state	40	14
Receivables from deferred payments	0	53
Plastic cards settlements	144	324
Other settlements	92	50
Advances	106	71
Initial fair value difference of FGS loans	514	457
Prepaid expenses and accrued income	788	727
Total	**1 826**	**1 842**

	31.12.2019	31.12.2018
Impairment on other financial assets		
Business support receivables	-5	-35
Receivables from the state	0	0
Receivables from deferred payments	0	0
Plastic cards settlements	-5	-9
Other settlements	-4	-11
Advances	0	0
Initial fair value difference of FGS loans	0	0
Prepaid expenses and accrued income	0	0
Total	**-14**	**-55**

Composition of other non-financial assets:

	31.12.2019	31.12.2018
Other non-financial assets		
Raw materials and inventory	43	72
Collaterals taken into possession	0	0
Receivables on operating taxes	10	9
Other non-financial assets	3	1
Total	**56**	**82**

In 2018 the sale of plots of land in Szombathely which were previously pledged as collateral for loans, very probable, therefore they were reclassified into the held-for-sale category. The negotiations did not close with the potential buyer till the end of 2019, therefore the sale did not occur. The Bank's management is still committed to the sale.

6.6.12. Non-current assets and disposal groups held for sale

Composition of assets held for sale:

	31.12.2019	31.12.2018
Land and buildings	13	13
Equity investments	0	0
Total	**13**	**13**

Sberbank Hungary Ltd. data in HUF million

Changes in assets held for sale:

	Land and buildings	Equity investments	Total
Opening balance as at 01.01.2018	**557**	**13**	**570**
Reclassification into Held for sale category	13	0	13
Sale	-557	0	-557
Decrease due to voluntary liquidation	0	-13	-13
Closing balance as at 31.12.2018	**13**	**0**	**13**
Reclassification into Held for sale category	0	0	0
Sale	0	0	0
Decrease due to voluntary liquidation	0	0	0
Closing balance as at 31.12.2019	**13**	**0**	**13**

In 2018 the sale of plots of land in Szombathely which were previously pledged as collateral for loans, very probable, therefore they were reclassified into the held-for-sale category. The negotiations did not close with the potential buyer till the end of 2019, therefore the sale did not occur. The Bank's management is still committed to the sale.

In 2019 the Bank as owner decided to dissolve V-DAT Kft. through voluntary liquidation, therefore it classified this subsidiary into assets held for sale. The voluntary liquidation procedure will be completed in 2020.

6.6.13. Liabilities to credit institutions

Liabilities to credit institutions are recorded initially at fair value and subsequently at amortised cost.

Balances of liabilities to credit institutions:

	31.12.2019	31.12.2018
Liabilities due to central banks	**16 292**	**16 585**
Up to 1 year	130	114
1 to 5 years	0	0
More than 5 years	16 162	16 471
Liabilities due to other credit institutions	**36 405**	**18 353**
Up to 1 year	11 111	634
1 to 5 years	19 141	10 341
More than 5 years	6 153	7 378
Total	**52 697**	**34 938**

6.6.14. Liabilities to customers

Liabilities to customers are recorded initially at fair value and subsequently at amortised cost.

Sberbank Hungary Ltd. data in HUF million

Balances of liabilities to customers:

	31.12.2019	31.12.2018
Liabilities due to corporate customers	**211 834**	**182 670**
Up to 1 year	211 777	175 084
1 to 5 years	57	7 586
More than 5 years	0	0
Liabilities due to private customers	**90 204**	**82 791**
Up to 1 year	90 072	82 388
1 to 5 years	132	403
More than 5 years	0	0
Total	**302 038**	**265 461**

6.6.15. Debt securities in issue

Issued bonds are recorded initially at fair value and measured subsequently at amortised cost.

Liabilities due to issued bonds:

	31.12.2019	31.12.2018
Debt securities in issue		
Up to 1 year	1 310	2 829
1 to 5 years	0	1 348
More than 5 years	0	0
Total	**1 310**	**4 177**

Information on issued bonds:

Bond	Start date	Maturity date	Nominal amount	Currency	Interest rate*	Book value as at 31.12.2019
VICTORIA 5	2010.02.01	2020.02.01	261	EUR	40,00%	363
VICTORIA 6	2010.05.03	2020.05.01	327	EUR	25,00%	406
VICTORIA 7	2010.07.01	2020.07.01	275	EUR	35,00%	367
VICTORIA 8	2010.10.01	2020.10.01	132	EUR	35,00%	174
Total						**1 310**

Bond	Start date	Maturity date	Nominal amount	Currency	Interest rate*	Book value as at 31.12.2018
VICTORIA 2	2009.04.01	2019.04.01	634	EUR	50,00%	941
VICTORIA 3	2009.07.01	2019.07.01	452	EUR	30,00%	580
VICTORIA 4	2009.12.01	2019.12.02	965	EUR	40,00%	1 308
VICTORIA 5	2010.02.01	2020.02.01	265	EUR	40,00%	357
VICTORIA 6	2010.05.03	2020.05.01	329	EUR	25,00%	397
VICTORIA 7	2010.07.01	2020.07.01	323	EUR	35,00%	416
VICTORIA 8	2010.10.01	2020.10.01	140	EUR	35,00%	178
Total						**4 177**

The Bank paid back the completely the Victoria bonds which matured in 2019.

Sberbank Hungary Ltd. data in HUF million

The change in the value of issued bonds is due to changes in the exchange rate and the buying back.

The loss on buying back own bonds was HUF 2 million in 2019, HUF 5 million in 2018.

6.6.16. Subordinated liabilities

Subordinated debt is recorded initially at fair value and measured subsequently at amortised cost.

Composition of subordinated debt:

	31.12.2019	31.12.2018
Subordinated debt		
Up to 1 year	0	0
1 to 5 years	0	0
More than 5 years	9 313	9 062
Total	9 313	9 062

Information on the individual loans:

Lender	Start date	Maturity date	Nominal amount in currency	Currency	Interest rate	Book value as at 31.12.2019
Sberbank Europe AG	2015.07.27	2025.07.27	15 000 000	EUR	3M EURIBOR + 3,63%	4 986
Sberbank Europe AG	2016.04.11	2027.04.09	13 000 000	EUR	3M EURIBOR + 3,63%	4 327
Total						9 313

Lender	Start date	Maturity date	Nominal amount in currency	Currency	Interest rate	Book value as at 31.12.2018
Sberbank Europe AG	2015.07.27	2025.07.27	15 000 000	EUR	3M EURIBOR + 3,63%	4 851
Sberbank Europe AG	2016.04.11	2024.04.11	13 000 000	EUR	3M EURIBOR + 3,63%	4 211
Total						9 062

6.6.17. Provisions

Provisions for contingent liabilities and commitments related to off-balance sheet lending

As part of its universal banking activity and in addition to opening credit lines the Bank also offers its customers financial guarantees as well as letter of credit facilities. Financial guarantees means furnishing bank guarantees for various purposes, while letters of credit satisfy the needs of a special group of customers, so they are small in number but stable.

data in HUF million

Future and contingent liabilities	31.12.2019	31.12.2018
credit lines	56 916	45 206
provisions for credit lines	-102	-168
financial guarantees	29 721	34 526
provisions for financial guarantees	-228	-292
letter of credits	14 047	34 077
provisions for letter of credits	-2	-28
Total	**100 352**	**113 321**

The tables below present off-balance sheet maximum credit risk exposures broken down according to the Bank's internal credit rating system and the expected credit loss categories at the end of the reporting year.

Off-balance sheet exposures broken down by the internal credit rating system categories and the categories of expected credit loss (ECL) Amortized cost	31.12.2019				
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
credit lines	**55 406**	**1 460**	**1**	**49**	**56 916**
Performing	55 406	1 460	0	0	56 866
high grade	14 658	4	0	0	14 662
standard grade	27 255	425	0	0	27 680
average grade	12 374	910	0	0	13 284
below average grade	1 119	121	0	0	1 240
impaired	0	0	0	0	0
Non-performing	0	0	1	49	50
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
below average grade	0	0	0	0	0
impaired	0	0	1	49	50
financial guarantees	**28 228**	**1 227**	**0**	**266**	**29 721**
Performing	28 228	1 227	0	0	29 455
high grade	13 318	0	0	0	13 318
standard grade	9 048	596	0	0	9 644
average grade	5 816	619	0	0	6 435
below average grade	46	12	0	0	58
Non-performing	0	0	0	266	266
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
impaired	0	0	0	266	266
letter of credits	**14 047**	**0**	**0**	**0**	**14 047**
Performing	14 047	0	0	0	14 047
standard grade	14 047	0	0	0	14 047
below average grade	0	0	0	0	0
Non-performing	0	0	0	0	0
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
Total	**97 681**	**2 687**	**1**	**315**	**100 684**

data in HUF million

Off-balance sheet exposures broken down by the internal credit rating system categories and the categories of expected credit loss (ECL)	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
credit lines	**44 128**	**590**	**3**	**485**	**45 206**
Performing	44 128	581	0	0	44 709
high grade	2 868	45	0	0	2 913
standard grade	25 597	5	0	0	25 602
average grade	13 905	396	0	0	14 301
below average grade	1 758	135	0	0	1 893
impaired	0	0	0	0	0
Non-performing	0	9	3	485	497
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
below average grade	0	9	0	0	9
impaired	0	0	3	485	488
financial guarantees	**33 937**	**50**	**0**	**539**	**34 526**
Performing	33 929	50	0	0	33 979
high grade	8 158	0	0	0	8 158
standard grade	20 650	0	0	0	20 650
average grade	4 973	0	0	0	4 973
below average grade	148	50	0	0	198
Non-performing	8	0	0	539	547
standard grade	0	0	0	0	0
average grade	6	0	0	0	6
impaired	2	0	0	539	541
letter of credits	**34 077**	**0**	**0**	**0**	**34 077**
Performing	34 077	0	0	0	34 077
standard grade	33 775	0	0	0	33 775
below average grade	302	0	0	0	302
Non-performing	0	0	0	0	0
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
Total	**112 142**	**640**	3	1 024	**113 809**

The following tables reveal the reporting-year changes in off-balance sheet exposures relating to lending, broken down by category of expected credit loss at the end of the reporting year to credit lines, financial guarantees and letters of credit.

The main reason for the drop in credit lines was the use of such facilities, and only a smaller portion was credit lines expired without being used.

data in HUF million

Changes in the off-balance sheet exposures broken down by the expected credit loss (ECL) categories credit lines	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**44 128**	**590**	**3**	**485**	**45 206**
new exposures during the year	14 322	71	0	0	14 393
derecognised as matured	0	-195	-2	-458	-655
derecognised as used	-2 324	-36	0	0	-2 360
reclassification between collective and individual categories	0	0	0	0	0
reclassification to 12 month ECL category	7 740	-7 740	0	0	0
reclassification to lifetime ECL category	-8 758	8 759	0	-1	0
reclassification to impaired category	-23	0	0	23	0
other movements (FX translation, rounding)	321	11	0	0	332
closing balance	**55 406**	**1 460**	**1**	**49**	**56 916**

Changes in the off-balance sheet exposures broken down by the expected credit loss (ECL) categories credit lines	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**74 904**	**452**	**8**	**4**	**75 368**
new exposures during the year	6 155	20	0	0	6 175
derecognised as matured	-2 201	-43	0	0	-2 244
derecognised as used	-35 245	-163	-48	114	-35 342
reclassification between collective and individual categories	0	0	-129	129	0
reclassification to 12 month ECL category	423	-399	-24	0	0
reclassification to lifetime ECL category	-762	767	-5	0	0
reclassification to impaired category	-402	-45	202	245	0
other movements (FX translation, rounding)	1 256	1	-1	-7	1 249
closing balance	**44 128**	**590**	**3**	**485**	**45 206**

Due to one financial guarantee claiming the Bank lent an overdraft with an amount HUF 104 million in 2019. The deal is reported in Loans and advances to customers in the balance sheet.

Changes in the off-balance sheet exposures broken down by the expected credit loss (ECL) categories financial guarantees	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**33 937**	**50**	**0**	**539**	**34 526**
new exposures during the year	0	0	0	0	0
derecognised as matured	-4 682	-305	0	-280	-5 267
derecognised as used	104	0	0	0	104
reclassification between collective and individual categories	0	0	0	0	0
reclassification to 12 month ECL category	482	-482	0	0	0
reclassification to lifetime ECL category	-1 964	1 964	0	0	0
reclassification to impaired category	0	0	0	0	0
other movements (FX translation, rounding)	351	0	0	7	358
closing balance	**28 228**	**1 227**	**0**	**266**	**29 721**

data in HUF million

Changes in the off-balance sheet exposures broken down by the expected credit loss (ECL) categories financial guarantees	31.12.2018				
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**28 097**	**0**	**0**	**0**	**28 097**
new exposures during the year	16 747	3	-1	-35	16 714
derecognised as matured	-10 815	0	0	0	-10 815
derecognised as used	0	0	0	0	0
reclassification between collective and individual categories	0	0	-5	5	0
reclassification to 12 month ECL category	19	-19	0	0	0
reclassification to lifetime ECL category	-66	66	0	0	0
reclassification to impaired category	-577	0	6	570	-1
other movements (FX translation, rounding)	532	0	0	-1	531
closing balance	**33 937**	**50**	**0**	**539**	**34 526**

Changes in the off-balance sheet exposures broken down by the expected credit loss (ECL) categories letter of credits	31.12.2019				
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**34 077**	**0**	**0**	**0**	**34 077**
new exposures during the year	136	0	0	0	136
derecognised as matured	-21 114	0	0	0	-21 114
derecognised as used	0	0	0	0	0
reclassification between collective and individual categories	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0
other movements (FX translation, rounding)	948	0	0	0	948
closing balance	**14 047**	**0**	**0**	**0**	**14 047**

Changes in the off-balance sheet exposures broken down by the expected credit loss (ECL) categories letter of credits	31.12.2018				
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**31 308**	**0**	**0**	**0**	**31 308**
new exposures during the year	3 109	-3	0	0	3 106
derecognised as matured	-453	0	0	0	-453
derecognised as used	-1 062	0	0	0	-1 062
reclassification between collective and individual categories	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0
other movements (FX translation, rounding)	1 175	3	0	0	1 178
closing balance	**34 077**	**0**	**0**	**0**	**34 077**

data in HUF million

The following tables show the provisions for off-balance sheet exposures related to lending, broken down according to the Bank's internal credit rating system and the expected credit loss categories.

Provisions for off-balance sheet broken down by the internal credit rating system categories and the categories of expected credit loss (ECL)	31.12.2019				
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
credit lines	**90**	**12**	**0**	**0**	**102**
Performing	90	12	0	0	102
high grade	10	0	0	0	10
standard grade	42	7	0	0	49
average grade	35	4	0	0	39
below average grade	3	1	0	0	4
impaired	0	0	0	0	0
Non-performing	0	0	0	0	0
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
below average grade	0	0	0	0	0
impaired	0	0	0	0	0
financial guarantees	**37**	**12**	**0**	**179**	**228**
Performing	37	12	0	0	49
high grade	5	0	0	0	5
standard grade	14	3	0	0	17
average grade	18	9	0	0	27
below average grade	0	0	0	0	0
Non-performing	0	0	0	179	179
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
impaired	0	0	0	179	179
letter of credits	**2**	**0**	**0**	**0**	**2**
Performing	2	0	0	0	2
standard grade	2	0	0	0	2
below average grade	0	0	0	0	0
Non-performing	0	0	0	0	0
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
Contingent liabilities and commitments total	**129**	**24**	**0**	**179**	**332**

data in HUF million

Provisions for off-balance sheet broken down by the internal credit rating system categories and the categories of expected credit loss (ECL)	31.12.2018				
	12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
credit lines	**108**	**2**	**0**	**58**	**168**
Performing	108	2	0	0	110
high grade	2	0	0	0	2
standard grade	41	0	0	0	41
average grade	49	1	0	0	50
below average grade	16	1	0	0	17
impaired	0	0	0	0	0
Non-performing	0	0	0	58	58
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
below average grade	0	0	0	0	0
impaired	0	0	0	58	58
financial guarantees	**70**	**1**	**0**	**221**	**292**
Performing	70	1	0	0	71
high grade	2	0	0	0	2
standard grade	39	0	0	0	39
average grade	26	0	0	0	26
below average grade	3	1	0	0	4
Non-performing	0	0	0	221	221
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
impaired	0	0	0	221	221
letter of credits	**28**	**0**	**0**	**0**	**28**
Performing	28	0	0	0	28
standard grade	23	0	0	0	23
below average grade	5	0	0	0	5
Non-performing	0	0	0	0	0
standard grade	0	0	0	0	0
average grade	0	0	0	0	0
Contingent liabilities and commitments total	**206**	**3**	**0**	**279**	**488**

The following tables show the reporting-year changes in provisions for off-balance sheet exposures related to lending, broken down according to the Bank's internal credit rating system and the expected credit loss categories. In light of the low interest rates, the impact of discounting the provisions for long-term transactions is negligible and so this is not presented on a separate row and is not reclassified to interest expenses.

data in HUF million

Changes in the provisions broken down by the expected credit loss (ECL) categories credit lines	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**108**	**2**	**0**	**58**	**168**
new exposures during the year	174	6	0	1	181
derecognised as matured	-120	-12	0	-1	-133
due to change in credit risk	-73	17	0	-58	-114
due to unwinding of discount	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	1	-1	0	0	0
reclassification to impaired category	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	0	0	0
closing balance	**90**	**12**	**0**	**0**	**102**

Changes in the provisions broken down by the expected credit loss (ECL) categories credit lines	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**159**	**4**	**3**	**0**	**166**
new exposures during the year	137	2	2	32	173
derecognised as matured	-136	-4	-1	0	-141
due to change in credit risk	-57	1	-2	25	-33
due to unwinding of discount	0	0	0	0	0
reclassification to 12 month ECL category	5	-3	-2	0	0
reclassification to lifetime ECL category	-1	1	0	0	0
reclassification to impaired category	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0
other movements (FX translation, interest accruals)	1	1	0	1	3
closing balance	**108**	**2**	**0**	**58**	**168**

Changes in the provisions broken down by the expected credit loss (ECL) categories financial guarantees	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	**70**	**1**	**0**	**221**	**292**
new exposures during the year	45	14	0	0	59
derecognised as matured	-10	-3	0	0	-13
due to change in credit risk	-68	0	0	-47	-115
due to unwinding of discount	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	0	5	5
closing balance	**37**	**12**	**0**	**179**	**228**

data in HUF million

Changes in the provisions broken down by the expected credit loss (ECL) categories financial guarantees	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	31	1	0	39	71
new exposures during the year	25	0	0	0	25
derecognised as matured	-4	0	0	0	-4
due to change in credit risk	19	0	0	181	200
due to unwinding of discount	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0
reclassification to impaired category	-2	0	0	2	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0
other movements (FX translation, interest accruals)	1	0	0	-1	0
closing balance	70	1	0	221	292

Changes in the provisions broken down by the expected credit loss (ECL) categories letter of credits	31.12.2019 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	28	0	0	0	28
new exposures during the year	1	0	0	0	1
derecognised as matured	-3	0	0	0	-3
due to change in credit risk	-24	0	0	0	-24
due to unwinding of discount	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0
other movements (FX translation, interest accruals)	0	0	0	0	0
closing balance	2	0	0	0	2

Changes in the provisions broken down by the expected credit loss (ECL) categories letter of credits	31.12.2018 12 month ECL collective	lifetime ECL collective	impaired assets collective	impaired assets individual	Total
opening balance	23	0	0	0	23
new exposures during the year	12	7	0	0	19
derecognised as matured	-7	0	0	0	-7
due to change in credit risk	-1	-7	0	0	-8
due to unwinding of discount	0	0	0	0	0
reclassification to 12 month ECL category	0	0	0	0	0
reclassification to lifetime ECL category	0	0	0	0	0
reclassification to impaired category	0	0	0	0	0
changes in ECL measurement model, assumptions and inputs	0	0	0	0	0
other movements (FX translation, interest accruals)	1	0	0	0	1
closing balance	28	0	0	0	28

data in HUF million

The following tables reveal the off-balance sheet exposures related to lending broken down by geographical region.

Off-balance sheet exposures by geographical region	31.12.2019 Domestic	Russia	EU	Other	Total
credit lines	53 584	4	3 308	20	56 916
financial guarantees	26 046	2 259	1 410	6	29 721
letter of credits	14 047	0	0	0	14 047
Total	**93 677**	**2 263**	**4 718**	**26**	**100 684**

Off-balance sheet exposures by geographical region	31.12.2018 Domestic	Russia	EU	Other	Total
credit lines	38 394	2	4 826	1 984	45 206
financial guarantees	22 558	11 652	316	0	34 526
letter of credits	34 077	0	0	0	34 077
Total	**95 029**	**11 654**	**5 142**	**1 984**	**113 809**

The following tables show the off-balance sheet exposures related to lending broken down by division.

Off-balance sheet exposures broken down by industry	31.12.2019 credit lines	financial guarantees	letter of credits	Total
Agriculture, forestry and fishing	1 626	88	0	1 714
Mining and quarrying	1	0	0	1
Manufacturing	8 445	770	0	9 215
Electricity, gas, steam and air conditioning supply	1 277	1 454	0	2 731
Water supply	47	21	0	68
Construction	8 619	20 121	0	28 740
Wholesale and retail trade	12 896	1 456	14 047	28 399
Transport and storage	5 344	56	0	5 400
Accommodation and food service activities	1 000	1	0	1 001
Information and communication	1 158	71	0	1 229
Financial and insurance activities	1 119	3 785	0	4 904
Real estate activities	9 403	21	0	9 424
Professional, scientific and technical activities	2 679	1 350	0	4 029
Administrative and support service activities	799	472	0	1 271
Public administration and defence, compulsory	100	0	0	100
Education	48	0	0	48
Human health services and social work activities	242	0	0	242
Arts, entertainment and recreation	55	4	0	59
Other services	95	0	0	95
Foreign organizations	0	6	0	6
Individuals	1 963	45	0	2 008
Total	**56 916**	**29 721**	**14 047**	**100 684**

data in HUF million

Off-balance sheet exposures broken down by industry	31.12.2018 credit lines	financial guarantees	letter of credits	Total
Agriculture, forestry and fishing	1 183	31	0	1 214
Mining and quarrying	30	0	0	30
Manufacturing	8 740	641	0	9 381
Electricity, gas, steam and air conditioning supply	1 121	1 026	0	2 147
Water supply	24	21	0	45
Construction	6 131	17 578	0	23 709
Wholesale and retail trade	8 247	1 381	34 077	43 705
Transport and storage	6 161	56	0	6 217
Accommodation and food service activities	453	1	0	454
Information and communication	2 810	27	0	2 837
Financial and insurance activities	1 539	3 963	0	5 502
Real estate activities	2 051	0	0	2 051
Professional, scientific and technical activities	2 793	9 612	0	12 405
Administrative and support service activities	836	149	0	985
Public administration and defence, compulsory	702	0	0	702
Education	57	0	0	57
Human health services and social work activities	167	0	0	167
Arts, entertainment and recreation	55	4	0	59
Other services	69	0	0	69
Individuals	2 037	36	0	2 073
Total	**45 206**	**34 526**	**34 077**	**113 809**

Other provisions

The Bank records other provisions for expected liabilities stemming from legal and other contractual obligations if it has a present obligation from a past event making it probable that it will have to make a payment and the amount of said payment can be quantified.

Composition of other provisions:

	31.12.2019	31.12.2018
Other provisions		
Provisions for pending legal issues	150	223
Provisions for plastic card liabilities	8	4
Provisions for other liabilities	742	34
Total	**900**	**261**

Provisions for other expected liabilities includes a provision in amount of HUF 708 million allocated for the repurchase liability of the Bank relating to the sold non-performing private mortgage loans.

Legal disputes are initiated against the Bank as defendant mainly in the ordinary course of business. The maximum amount of the expected financial liability from these disputes was HUF 271 million at the end of 2019 and HUF 521 million one year earlier. In case of ongoing legal disputes the provision is calculated based on the best available estimate of the amount of potential financial losses.

data in HUF million

Changes in other provisions:

	Provisions for pending legal issues	Provisions for plastic card liabilities	Provisions for other liabilities	Total
Opening balance as at 01.01.2019	**223**	**4**	**34**	**261**
Allocation	27	22	708	757
Release	-100	-11	0	-111
Use	0	-7	0	-7
Closing balance as at 31.12.2019	**150**	**8**	**742**	**900**

	Provisions for pending legal issues	Provisions for plastic card liabilities	Provisions for other liabilities	Total
Opening balance as at 01.01.2018	**227**	**3**	**34**	**264**
Allocation	38	9	0	47
Release	-41	-1	0	-42
Use	-1	-7	0	-8
Closing balance as at 31.12.2018	**223**	**4**	**34**	**261**

6.6.18. Other liabilities

	31.12.2019	31.12.2018
Net book value		
Other financial liabilities	7 892	5 619
Other non-financial liabilities	744	669
Total	**8 636**	**6 288**

Composition of other financial liabilities:

	31.12.2019	31.12.2018
Other financial liabilities		
Business support payables	620	581
Payables to the state	434	347
Plastic cards settlements	0	4
Other settlements	1 266	2 449
Advances	0	0
Initial fair value difference of FGS loans	634	526
Lease obligations according to IFRS 16	3 303	
Lease obligations according to IAS 17		31
Accrued expenses and deferred income	1 635	1 681
Total	**7 892**	**5 619**

Composition of other non-financial liabilities:

	31.12.2019	31.12.2018
Other non-financial liabilities		
Operating tax payables	615	557
Other non-financial liabilities	129	112
Total	**744**	**669**

data in HUF million

6.6.19. Share capital

The Bank's share capital only comprises "A" ordinary shares. The shares in the "A" series are printed, registered ordinary shares that come with voting rights. All "A" shares provide one vote at the Bank's general meeting.

Ownership structure and breakdown of shares:

	31.12.2019		31.12.2018	
	pieces	amount	pieces	amount
Sberbank Europe AG AT 1010 Wien Schwarzenbergplatz 3.	36 872	3 687	36 872	3 687
Türkiye Halk Bankasi TU 06240 Ankara Eskisehir Yolu 2. Cadde No 63, Sögütözü	400	40	400	40
Total	37 272	3 727	37 272	3 727

In 2018 Sberbank Europe AG decided to raise capital again, increasing the Bank's share capital by another HUF 100 000. The capital increase was registered by the Court of Registration on 4 December 2018.

There were no significant direct issue costs in connection with the share issues in 2018.

In 2019 there was no change in the Bank's share capital

6.6.20. Capital reserve

The capital reserve contains the contributions made by owners in relation to the capital increases.

Following the capital increases the capital reserve rose by HUF 2 916 million in 2018.

In 2019 there was no change in the capital reserve

6.6.21. Other reserve

The other reserve only contains the general reserve.

Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises prescribes that the Bank must transfer 10% of its reporting-year profit after tax from retained earnings into the general reserve. The general reserve may only be used to cover losses derived from operations. No dividends may be paid from the general reserve.

data in HUF million

6.7 Notes to the Income statement

6.7.1. Interest income

Details of interest income:

	2019	2018
Interest receivable and similar income		
Interest income calculated using effective interest method		
Cash and cash equivalents	183	156
Receivables from credit institutions	464	532
Loans and advances to customers	9 938	9 322
Securities	580	728
Other	0	0
Interest income calculated using effective interest method total	11 165	10 738
Interest income calculated using other than effective interest method		
Receivables from customers	217	0
Securities	312	653
Derivatives	222	348
Interest income calculated using other than effective interest method total	751	1 001
Total	**11 916**	**11 739**

The amount of government grant received in the interest of preferential deposit facilities is presented under 'Receivables from credit institutions'.

Interest income rose by HUF 177 million (+1,5%) in 2019 owing to the robust growth in lending activity. The interest income on loans disbursed to customers rose by HUF 833 million (+8,9%), while the net interest income on securities and derivative transactions fell by HUF 615 million.

This all corroborates the Bank's more efficient asset management strategy, which is primarily aimed at raising net interest income.

6.7.2. Interest expenses

Details of interest expenses:

	2019	2018
Interest payable and similar expense		
Interest expense calculated using effective interest method		
Liabilities to credit institutions	-804	-697
Liabilities to customers	-671	-789
Debt securities in issue	-97	-176
Subordinated liabilities	-302	-299
Lease liabilities according to IFRS 16	-119	
Lease liabilities according to IAS 17		-6
Others	0	0
Interest expense calculated using effective interest method total	-1 993	-1 967
Interest expense calculated using other than effective interest method		
Derivatives	-444	-390
Interest expense calculated using other than effective interest method total	-444	-390
Total	**-2 437**	**-2 357**

data in HUF million

In 2019 the amount of interest expenses rose by HUF 80 million (+3,4%). The interest expense on issued securities fell by HUF 79 million. The reason of this is the maturity of Victoria 2, Victoria 3 and Victoria 4 issued bonds, which caused less interest expense. This decrease was compensated by the increase of liabilities to credit institutions, which rose by HUF 107 compared to last year. The interest on liabilities to customers decreased compared to last year, due to the increasing weight of demand deposits and the decreasing weight of term deposits.

6.7.3. Net provision charge for loan impairment

Changes in loan loss allowance are detailed in Sections 6.6.1-6.6.4.

6.7.4. Fee and commission income

	2019	2018
Fee and commission income		
Lending business and guarantees issued	871	717
Cash and settlements	4 315	4 143
Transactions with securities	7	6
Plastic cards operations	1 086	925
Operations with foreign currencies	2 515	2 214
Others	412	341
Total	9 206	8 346

Non-recurring fees (disbursement commissions and contracting fees) related to lending activity are taken into account during the effective interest calculation and thus recognised under interest income. Lending business and guarantees issued row contains fees related to current accounts, overdrafts, issued guarantee fees and handling fees of government subsidies.

The primary reason for the increase in fee and commission income related to payment services is the growth in the payment services used by customers.

In 2019 commission income increased by HUF 860 million (+10%) mainly thanks to the growth in income from operations with foreign currencies (HUF 301 million), but there was significant rise also in case of plastic card operations and payment services. Fee income from lending business rose by 18%, mainly due to the income from Baby Loans.

The 5,8% increase in the number of active customers to 70 170 (+3 867 customers) contributed to all this.

data in HUF million

6.7.5. Fee and commission expense

	2019	2018
Fee and commission expense		
Lending business and guarantees received	-399	-326
Cash and settlements	-136	-131
Transactions with securities	0	0
Plastic cards operations	-800	-688
Operations with foreign currencies	-18	-15
Others	-69	-48
Total	**-1 422**	**-1 208**

Non-recurring fees (agent commissions, appraisal and notary fees) related to lending activity are taken into account during the effective interest calculation and thus recognised under interest income. Lending business and guarantees received row contains brokerage fees related to overdraft loans, paid guarantee fees and other administrative fees.

Commission expenses rose by HUF 214 million (+18%) owing to the increase in items related to lending and plastic card operations.

6.7.6. Net trading income

	2019	2018
Net trading income		
Operations with foreign currencies	617	120
Derivatives	-735	1 531
Revaluation of loans	512	0
Total	**394**	**1 651**

In the case of the monetary policy HUF interest rate swaps (MIRS) with the MNB, the Bank immediately recognises the gain from the preferential interest in profit or loss as the day-one gain or loss impact. In 2018 this amounted to HUF 1,38 billion.

The revaluation of loans row contains the fair value change of Baby loans. For the fair value calculation of Baby loans the Bank uses inputs at level 3 of the fair value hierarchy.

6.7.7. Net gain or loss on securities

	2019	2018
Net gain or loss on securities		
Trading debt securities	1	-1
Debt securities designated at fair value through profit or loss	-303	-649
Debt securities at fair value through other comprehensive income	45	-40
Debt securities at amortised cost	-26	-12
Dividend income	35	36
Equity instruments	141	38
Buy back of own bonds	-2	-5
Total	**-109**	**-633**

Sherbank Hungary Ltd. data in HUF million

The Bank reached an income from securities higher by 83%, HUF 524 million in 2019 than last year. The net gain or loss on equity instruments row shows a significant increase owing to the revaluation of VISA Inc shares. The debt securities designated at fair value through profit or loss matured in the middle of 2019.

6.7.8. Changes in allowances for other risks

Changes in reserves for other risks are detailed in Section 6.6.17.

6.7.9. Other operating income

	2019	2018
Other operating income		
Sale of loans	2 458	133
Sale of tangible and intangible assets	-234	506
Income from recharged items	23	3
Administration and success fees	247	127
Others	166	15
Total	2 660	784

In 2019 the intensive activity of selling receivables continued, during which the Bank successfully sold the significant part of non-performing loans. Section 6.9.17 Realised profit from sale of loans contains detailed information.

The Sale of tangible and intangible assets row contains the profit from selling the former head quarter (HUF 499 million) in 2018. In contrast, in 2019 the result on the disposal of not-in-use software can be found on this row.

The Administration and success fees row contains fees received for the further administration of the previously sold non-performing loans.

The increase on Others row is due to a compensation for an early repaid loan.

data in HUF million

6.7.10. Other operating expenses

	2019	2018
Other operating expenses		
Materials and supplies	-4 265	-4 760
Training costs	-50	-44
Other administrative expenses	-2 220	-2 011
Advertising and marketing costs	-677	-605
Consulting and assurance services	-477	-654
Telecommunication expenses	-417	-332
Repair and maintenance costs	-424	-1 114
Personnel expenses	-6 168	-5 704
Wages and salaries	-4 834	-4 493
Other employee benefits	-254	-278
Social Security costs	-1 058	-960
Changes in accrued expense on unused vacations	-22	27
Depreciation and amortization	-1 537	-917
Depreciation of tangible assets	-228	-249
Amortization of intangible assets	-703	-668
Impairment of right-of-use assets	-606	0
Other taxes	-4 053	-3 840
Others	-90	-129
Others	-84	-123
Mandatory deposit insurance expenses	-6	-6
Total	**-16 113**	**-15 350**

The average headcount in 2019 was 606 people and 604 people in 2018.

Expenses on materials and supplies fell by HUF 495 million (-10%) in 2019 which can be explained with the following reasons

The 62% fell on repair and maintenance row is the consequence of transition to IFRS 16 standard. The rent costs of branches and head office was shown here in 2018 (HUF 721 million), while in 2019 it is reported partly in the depreciation of right-of-use assets (HUF 574 million), partly in the interest expenses of lease obligations (HUF 114 million) (detailed in section 6.9.1 Leases).

Training costs rose by HUF 6 million, caused primarily by the increased costs of internal group trainings.

In 2019 the amount of other administrative costs exceeded the previous year's data by HUF 209 million, partly due to the rise in IT costs and partly due to the higher amount of supervisory fees of banking supervision.

Marketing costs rose by HUF 72 million (+12) in 2019 primarily because of the increase in the costs of advertising campaigns, direct marketing and external events.

Advisory and insurance costs fell by HUF 177 million (-27%) in 2019 mainly due to the decreased costs resulting from the service contract concluded with the parent company.

The 31% rise in data transmission costs, the 13% rise in electronic mailing costs and the 67% rise in the mass sending of text messages meant that communication costs increased by HUF 85 million (+26%) in 2019.

Staff costs rose by HUF 464 million in 2019, owing to the 7% increase of salary costs and the increase of the connecting social contributions.

data in HUF million

The fall in other employee benefits (HUF -24 million) is owing to the changes in the conditions of housing loan repayment as benefit in kind.

The rose in social contributions is due to the increasing salaries.

Depreciation in 2019 rose by HUF 620 million compared to the previous year. The increase is owing mainly to the depreciation of the right-of-use assets (HUF 606 million) recognised according to the rules of IFRS 16 standard.

Mandatory deposit insurance did not change compared to the last year.

6.7.11. Income tax

The Bank's current tax payment liability:

	2019	2018
Current income taxes		
Local business tax	-406	-436
Innovation contribution	-62	-61
Current income taxes total	-468	-497
Deferred income taxes	0	0
Total	-468	-497

The Bank generated a profit before tax in both 2018 and 2019. However, taking the use of loss carry-forwards from previous years and tax differences related to consumer loan contracts (FX rescue program) into account, the Bank did not have any corporate tax liability in either year. The current tax payment liability comprises local taxes and innovation contribution.

The corporate tax rate in both years was 9%. The calculation of effective tax rate is presented below:

	2019	2018
Profit before tax	**2 829**	**1 844**
Tax rate	9%	9%
Calculated corporate income tax	**-255**	**-166**
Tax impact of modifying items		
Disallowed items	-254	-95
Deductible items	227	135
Temporary differences due to transition to IFRS	62	62
Losses carried forward from previous years	110	32
Tax reductions		
Tax allowance regarding FX rescue program	110	32
Deferred tax	0	0
Corporate income tax	**0**	**0**
Local business tax, innovation contribution	-468	-497
Current income tax expenses	**-468**	**-497**
Effective tax rate	16,56%	26,94%

data in HUF million

6.8 Notes to the Statement of Other comprehensive income

1 million HUF was transferred from other comprehensive income to the reporting year profit or loss because the sale of securities measured at fair value through other comprehensive income.

	31.12.2019
Changes in fair value of debt securities measured at fair value through Other comprehensive income	
Changes in fair value	28
Reclassification of changes due to credit risk changes to Profit and loss	-24
Changes reported in Other comprehensive income	**4**

	31.12.2018
Changes in fair value of debt securities measured at fair value through Other comprehensive income	
Changes in fair value	-479
Reclassification of changes due to credit risk changes to Profit and loss	32
Changes reported in Other comprehensive income	**-447**

	31.12.2019
Changes in fair value of loans measured at fair value through Other comprehensive income	
Changes in fair value	-162
Reclassification of changes due to credit risk changes to Profit and loss	162
Changes reported in Other comprehensive income	**0**

	31.12.2018
Changes in fair value of loans measured at fair value through Other comprehensive income	
Changes in fair value	487
Reclassification of changes due to credit risk changes to Profit and loss	-487
Changes reported in Other comprehensive income	**0**

data in HUF million

6.9 Other notes

6.9.1. Leases

The Bank adopted IFRS 16 standard as of 1 January 2019. During transition, the Bank recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of the retained earnings at the date of initial application in the financial statements and did not show comparative information.

The Bank, as lessee, rents mainly the buildings of branches, head office, and the vehicle fleet. These assets appear in the right-of-use assets in the statement of financial positions. Besides, the Bank rents low value assets, in such cases lease payments are recognized as an expense on a straight-line basis over the lease term. For these deals, leased assets and lease liabilities are not recognised in the statement of financial positions.

Section 6.6.6. Right of use assets shows the book value of right-of-use assets.

Depreciation charge for right-of-use assets by class of underlying asset:

	2019
Right-of-use assets	
Property	575
Vehicle	31
Total	**606**

Lease liabilities are reported within Other liabilities in the statement of financial positions.

Breakdown of contractual, not discounted amounts of lease liabilities by maturity:

	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Lease liabilities	204	499	1 351	919	672	3 645

Interest expenses on lease liabilities:

	2019
Right-of-use assets	
Property	114
Vehicle	5
Total	119

Expenses relating to short-term leases:

	2019
Underlying assets	
Property	1
Vehicle	20
Other assets	61
Total	82

Lease payments for short-term leases are recognized as an expense on a straight-line basis over the lease term among Other administrative expenses.

Sberbank Hungary Ltd. data in HUF million

Expenses relating to leases of low-value assets other than short-term:

	2019
Underlying assets	
Property	0
Vehicle	0
Other assets	3
Total	**3**

Lease payments for low-value assets other than short-term, the Bank recognizes as an expense on a straight-line basis over the lease term among Other administrative expenses.

The Bank did not disregard the expense relating to variable lease payments in the measurement of lease liabilities.

There was no sublease or leaseback transaction in 2019.

During the reporting period, there were no lease costs recognized in the carrying amount of another asset.

The total cash outflow of lease deals was HUF 744 million in 2019. Thereof the principal repayment (HUF 540 million) is reported in cash flow from financial activities, the interest payment (HUF 119) is reported in cash flow from operating activities in the Cash Flow Statement. The cash outflow from leases of low-value asset (HUF 3 million) and from short term leases (HUF 82 million) can be found in cash flow from operating activities.

Lease payments recognized as income:

	2019	2018
Rental of building	2	2
Total	**2**	**2**

Basically the Bank does not have rental activity. The income above partly come from the rental of an empty office, partly from the office rental of subsidiaries

6.9.2. Offsetting of financial assets and liabilities

		31.12.2019			
	Note	**Gross amount of financial assets**	**Gross amount of offsetting financial liabilities**	**Net amount of financial assets**	**Cash collateral**
Derivative assets with netting agreement		41	6	35	0
Derivative assets without netting agreement		86	0	86	0
		Gross amount of offsetting financial assets	**Gross amount of financial liabilities**	**Net amount of financial liabilities**	**Cash collateral**
Derivative liabilities with netting agreement		101	659	558	800
Derivative liabilities without netting agreement		0	590	590	0
Total	6.6.10	**228**	**1 255**		**800**

Sberbank Hungary Ltd. data in HUF million

	Note	31.12.2018			
	Note	Gross amount of financial assets	Gross amount of offsetting financial liabilities	Net amount of financial assets	Cash collateral
Derivative assets with netting agreement		1 106	418	689	894
Derivative assets without netting agreement		30	0	30	0
		Gross amount of offsetting financial assets	Gross amount of financial liabilities	Net amount of financial liabilities	Cash collateral
Derivative liabilities with netting agreement		83	222	139	521
Derivative liabilities without netting agreement		0	92	92	0
Total	6.6.1 0	**1 219**	**732**		**1 415**

6.9.3. Transactions with related parties

The Bank considers those entities related parties which have – directly or indirectly – influence over the Bank, or which are under the influence of the Bank or under joint control with the Bank.

Other related parties mean the companies which are in the same consolidation scope and are not Owners or Investments.

Key management personnel are also considered related parties – transactions with them are presented in the next section (6.9.4).

The Bank enters into transactions with related parties on an arm's length basis.

31.12.2019	Owners	Investments	Other related parties	Total
Cash and cash equivalents	4 540	0	916	5 456
Receivables from credit institutions	6 048	0	4 989	11 037
Loans and advances to customers	0	0	0	0
Equity investments	0	154	0	154
Derivative assets (nominal value)	1 309	0	0	1 309
Other assets	24	0	0	24
Liabilities due to banks	3 672	0	15 514	19 186
Liabilities due to customers	0	154	0	154
Subordinated liabilities	9 313	0	0	9 313
Derivative liabilities (nominal value)	6 727	0	0	6 727
Other liabilities	21	0	0	21

data in HUF million

31.12.2018	Owners	Investments	Other related parties	Total
Cash and cash equivalents	24 417	0	9 171	33 588
Receivables from credit institutions	7 877	0	0	7 877
Loans and advances to customers	0	0	0	0
Equity investments	0	167	0	167
Derivative assets (nominal value)	8 270	0	0	8 270
Other assets	0	0	0	0
Liabilities due to banks	182	0	270	452
Liabilities due to customers	0	142	105	247
Subordinated liabilities	9 062	0	0	9 062
Derivative liabilities (nominal value)	12 607	0	0	12 607
Other liabilities	50	0	4	54

2019	Owners	Investments	Other related parties	Total
Interest receivable and similar income	306	0	31	337
Interest payable and similar expense	-379	0	-53	-432
Net provision charge for loan impairment	0	0	0	0
Net interest income minus risk provisions	-73	0	-22	-95
Fee and commission income	0	0	12	12
Fee and commission expense	-58	0	-1	-59
Net fee and commissions income	-58	0	11	-47
Net trading income	-564	0	0	-564
Net gain or loss on securities	0	-13	0	-13
Changes in allowances for other risks	0	0	0	0
Other operating income	48	1	0	49
Other operating expenses*	-314	0	-2	-316
Result before tax	-961	-12	-13	-986
Income tax	0	0	0	0
Profit or loss after tax from continuing operations	-961	-12	-13	-986
Profit or loss after tax from discontinued operations	0	0	0	0
Profit or loss after tax	-961	-12	-13	-986

* IT maintenance costs and licence fees.

data in HUF million

2018	Owners	Investments	Other related parties	Total
Interest receivable and similar income	207	0	18	225
Interest payable and similar expense	-340	0	-6	-346
Net provision charge for loan impairment	-5	0	0	-5
Net interest income minus risk provisions	-138	0	12	-126
Fee and commission income	0	0	21	21
Fee and commission expense	-35	0	-1	-36
Net fee and commissions income	-35	0	20	-15
Net trading income	-139	0	0	-139
Net gain or loss on securities	0	-9	0	-9
Changes in allowances for other risks	0	0	0	0
Other operating income	125	1	0	126
Other operating expenses	-305	0	-17	-322
Result before tax	-492	-8	15	-485
Income tax	0	0	0	0
Profit or loss after tax from continuing operations	-492	-8	15	-485
Profit or loss after tax from discontinued operations	0	0	0	0
Profit or loss after tax	-492	-8	15	-485

* IT maintenance costs and licence fees.

2019	Owners	Investments	Other related parties	Total
Guarantees given	2 259	0	1 410	3 669
Provisions	-1	0	0	-1
Guarantees received	10 643	0	0	10 643

2018	Owners	Investments	Other related parties	Total
Guarantees given	3 931	0	0	3 931
Provisions	-1	0	0	-1
Guarantees received	26 553	0	0	26 553

6.9.4. Compensation of key management personnel

The Bank considers the members of the Board of Directors and the Supervisory Board key management personnel.

	2019	2018
Compensation of key management personnel		
Short-term employee benefits	468	423
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Others	0	0
Total	**468**	**423**

data in HUF million

Loans granted to key management personnel:

	31.12.2019	31.12.2018
Loans granted to key management personnel		
Mortgage loans	63	53
Total	**63**	**53**

In 2019 the Bank realised HUF 1 million interest income on loans to key management personnel.

6.9.5. Currency balances

The Bank's assets and liabilities by currency:

	31.12.2019					
Assets	**EUR**	**USD**	**CHF**	**HUF**	**Others**	**Total**
Cash and cash equivalents	1 199	2 409	159	93 121	1 958	98 846
Securities	0	0	0	31 016	0	31 016
Receivables from credit institutions	12 121	0	0	1 990	0	14 111
Loans and advances to customers	67 423	881	1 641	195 692	0	265 637
Plant, property and equipment	0	0	0	2 237	0	2 237
Right-of-use assets	0	0	0	3 076	0	3 076
Intangible assets	0	0	0	5 577	0	5 577
Equity investments	0	536	0	231	0	767
Investment property	0	0	0	0	0	0
Tax assets	0	0	0	25	0	25
Derivative assets	57	19	0	152	0	228
Other assets	99	18	0	1 746	5	1 868
Non-current assets and disposal groups held for sale	0	0	0	13	0	13
Total assets	**80 899**	**3 863**	**1 800**	**334 876**	**1 963**	**423 401**

	31.12.2018					
Assets	**EUR**	**USD**	**CHF**	**HUF**	**Others**	**Total**
Cash and cash equivalents	26 955	6 184	48	27 284	1 337	61 808
Securities	0	5 628	0	38 256	0	43 884
Receivables from credit institutions	8 919	12 711	0	824	1	22 455
Loans and advances to customers	56 933	1 494	2 289	167 919	0	228 635
Plant, property and equipment	0	0	0	1 408	0	1 408
Right-of-use assets	0	0	0	0	0	0
Intangible assets	0	0	0	4 069	0	4 069
Equity investments	0	360	0	245	0	605
Investment property	0	0	0	0	0	0
Tax assets	0	0	0	12	0	12
Derivative assets	218	78	0	923	0	1 219
Other assets	273	0	0	1 596	0	1 869
Non-current assets and disposal groups held for sale	0	0	0	13	0	13
Total assets	**93 298**	**26 455**	**2 337**	**242 549**	**1 338**	**365 977**

Sberbank Hungary Ltd. data in HUF million

	31.12.2019					
Liabilities	**EUR**	**USD**	**CHF**	**HUF**	**Others**	**Total**
Liabilities due to banks	25 578	149	0	26 970	0	52 697
Liabilities due to customers	65 911	54 891	1 163	178 128	1 945	302 038
Debt securities in issue	1 310	0	0	0	0	1 310
Subordinated liabilities	9 313	0	0	0	0	9 313
Provisions	201	0	0	1 031	0	1 232
Tax liabilities	0	0	0	21	0	21
Derivative liabilities	283	389	0	577	6	1 255
Other liabilities	3 661	145	0	4 596	234	8 636
Non-current liabilities and disposal groups held for sale	0	0	0	0	0	0
Total liabilities	**106 257**	**55 574**	**1 163**	**211 323**	**2 185**	**376 502**

	31.12.2018					
Liabilities	**EUR**	**USD**	**CHF**	**HUF**	**Others**	**Total**
Liabilities due to banks	7 975	423	0	26 539	1	34 938
Liabilities due to customers	53 980	46 143	1 035	162 839	1 464	265 461
Debt securities in issue	4 177	0	0	0	0	4 177
Subordinated liabilities	9 062	0	0	0	0	9 062
Provisions	186	0	0	563	0	749
Tax liabilities	0	0	0	36	0	36
Derivative liabilities	214	6	2	510	0	732
Other liabilities	1 463	688	1	4 121	15	6 288
Non-current liabilities and disposal groups held for sale	0	0	0	0	0	0
Total liabilities	**77 057**	**47 260**	**1 038**	**194 608**	**1 480**	**321 443**

6.9.6. Fair value hierarchy

Financial assets and financial liabilities by measurement category:

	31.12.2019				
	At fair value through profit and loss	**At fair value through other comprehensive income**	**At amortised cost**	**Total book value**	**Fair value**
Cash and cash equivalents	0	0	98 846	98 846	98 846
Securities	0	27 252	3 764	31 016	31 051
Receivables from credit institutions	0	0	14 111	14 111	13 812
Loans and advances to customers	19 147	52	246 438	265 637	267 111
Equity investments	536	77	154	767	767
Derivative assets	228	0	0	228	228
Other financial assets	0	0	1 812	1 812	1 812
Total financial assets	**19 911**	**27 381**	**365 125**	**412 417**	**413 627**

data in HUF million

	31.12.2018				
	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Total book value	Fair value
Cash and cash equivalents	0	0	61 808	61 808	61 808
Securities	10 641	32 234	1 009	43 884	43 939
Receivables from credit institutions	0	0	22 455	22 455	21 475
Loans and advances to customers	0	127	228 508	228 635	228 635
Equity investments	361	77	167	605	605
Derivative assets	1 219	0	0	1 219	1 219
Other financial assets	0	0	1 787	1 787	1 787
Total financial assets	**12 221**	**32 438**	**315 734**	**360 393**	**359 468**

	31.12.2019				
	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Total book value	Fair value
Liabilities due to banks	0	0	52 697	52 697	52 667
Liabilities due to customers	0	0	302 038	302 038	302 025
Debt securities in issue	0	0	1 310	1 310	1 298
Subordinated liabilities	0	0	9 313	9 313	9 310
Derivative liabilities	1 255	0	0	1 255	1 255
Other financial liabilities	0	0	7 892	7 892	7 892
Total financial liabilities	**1 255**	**0**	**373 250**	**374 505**	**374 447**

	31.12.2018				
	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Total book value	Fair value
Liabilities due to banks	0	0	34 938	34 938	34 845
Liabilities due to customers	0	0	265 461	265 461	265 461
Debt securities in issue	0	0	4 177	4 177	4 388
Subordinated liabilities	0	0	9 062	9 062	9 223
Derivative liabilities	732	0	0	732	732
Other financial liabilities	0	0	5 619	5 619	5 619
Total financial liabilities	**732**	**0**	**319 257**	**319 989**	**320 268**

data in HUF million

Fair value hierarchy of financial assets and financial liabilities measured at fair value:

	Note	31.12.2019				
		Level 1	Level 2	Level 3	Total fair value	Cost
Securities	6.6.2					
At fair value through profit and loss		0	0	0	0	0
At fair value through other comprehensive income		27 252	0	0	27 252	27 045
Loans and advances to customers	6.6.4					
At fair value through profit and loss		0	0	19 147	19 147	18 636
At fair value through other comprehensive income		0	0	52	52	52
Equity investments	6.6.7					
At fair value through profit and loss		0	0	536	536	211
At fair value through other comprehensive income		0	0	77	77	77
Derivative assets	6.6.10					
At fair value through profit and loss		0	228	0	228	0
Financial assets measured at fair value		**27 252**	**228**	**19 812**	**47 292**	**46 031**
		31.12.2019				
	Note	Level 1	Level 2	Level 3	Total fair value	Cost
Derivative obligations	6.6.10					
At fair value through profit and loss		0	1 255	0	1 255	0
Financial obligations measured at fair value		0	1 255	0	1 255	0

	Note	31.12.2018				
		Level 1	Level 2	Level 3	Total fair value	Cost
Securities	6.6.2					
At fair value through profit and loss		10 641	0	0	10 641	11 887
At fair value through other comprehensive income		32 234	0	0	32 234	32 799
Loans and advances to customers	6.6.4					
At fair value through other comprehensive income		0	0	127	127	127
Equity investments	6.6.7					
At fair value through profit and loss		0	0	361	361	211
At fair value through other comprehensive income		0	0	77	77	77
Derivative assets	6.6.10					
At fair value through profit and loss		0	1 219	0	1 219	0
Financial assets measured at fair value		**42 875**	**1 219**	**565**	**44 659**	**45 101**
		31.12.2018				
	Note	Level 1	Level 2	Level 3	Total fair value	Cost
Derivative liabilities	6.6.10					
At fair value through profit and loss		0	732	0	732	0
Financial liabilities measured at fair value		**0**	**732**	**0**	**732**	**0**

data in HUF million

Fair value hierarchy of financial assets and financial liabilities not measured at fair value:

		31.12.2019				
	Note	Level 1	Level 2	Level 3	Total fair value	Book value
Cash and cash equivalents	6.6.1	14 394	84 452	0	98 846	98 846
Securities	6.6.2					
At amortised cost		0	0	3 799	3 799	3 764
Receivables from credit institutions	6.6.3	0	5 815	7 997	13 812	14 111
Loans and advances to customers	6.6.4					
At amortised cost		0	0	247 912	247 912	246 438
Equity investments	6.6.8					
At amortised cost		0	0	154	154	154
Other financial assets	6.6.11	0	0	1 812	1 812	1 812
Financial assets measured at amortised cost		**14 394**	**90 267**	**261 674**	**366 335**	**365 125**

		31.12.2019				
	Note	Level 1	Level 2	Level 3	Total fair value	Book value
Liabilities due to banks	6.6.13	0	4 385	48 282	52 667	52 697
Liabilities due to customers	6.6.14	0	0	302 025	302 025	302 038
Debt securities in issue	6.6.15	0	0	1 298	1 298	1 310
Subordinated liabilities	6.6.16	0	0	9 310	9 310	9 313
Other financial liabilities	6.6.18	0	0	7 892	7 892	7 892
Financial liabilities measured at amortised cost		**0**	**4 385**	**368 807**	**373 192**	**373 250**

		31.12.2018				
	Note	Level 1	Level 2	Level 3	Total fair value	Book value
Cash and cash equivalents	6.6.1	22 734	21 392	17 682	61 808	61 808
Securities	6.6.2					
At amortised cost		1 064	0	0	1 064	1 009
Receivables from credit institutions	6.6.3	0	0	21 475	21 475	22 455
Loans and advances to customers	6.6.4					
At amortised cost		0	0	232 071	232 071	228 508
Equity investments	6.6.8					
At amortised cost		0	0	167	167	167
Other financial assets	6.6.11	0	0	1 787	1 787	1 787
Financial assets measured at amortised cost		**23 798**	**21 392**	**273 182**	**318 372**	**315 734**

		31.12.2018				
	Note	Level 1	Level 2	Level 3	Total fair value	Book value
Liabilities due to banks	6.6.13	0	539	34 306	34 845	34 938
Liabilities due to customers	6.6.14	0	0	265 461	265 461	265 461
Debt securities in issue	6.6.15	0	0	4 388	4 388	4 177
Subordinated liabilities	6.6.16	0	0	9 223	9 223	9 062
Other financial liabilities	6.6.18	0	0	5 619	5 619	5 619
Financial liabilities measured at amortised cost		**0**	**539**	**318 997**	**319 536**	**319 257**

There were not changes in the fair value hierarchy; there were not transfers between the levels either in 2018 or in 2019.

Sberbank Hungary Ltd. data in HUF million

6.9.7. Fair value option

Under IFRS 9 an entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different bases. The application of the fair value option shall result in the financial statements providing reliable and more relevant information about the effects of transactions on the entity's financial position, financial performance and cash flows. The fair value option may be applied for example when an entity has financial assets that share a risk, such as interest rate risk, and that gives rise to opposite changes in fair value that tend to offset each other. In such cases the entity may measure the asset that otherwise is measured at amortised cost at fair value.

The Bank chose to apply the fair value option to hedge for disclosure of Hungarian treasury bond portfolio (amounts to 10 billion HUF at face value) whose interest rate risk is hedged by interest rate swap transactions concluded in the frame of HIRS (MNB Market-Based Lending Scheme).

The purchased government bond was classified in the available-for-sale category since the Bank intends to hold it in the long term, so without applying the fair value option the recognition of the HIRS transaction and the transactions hedging its interest risk would have been inconsistent. The fact the Bank had the government bond designated at fair value meant the fair value changes of the transactions were universally recognised in profit or loss, thus providing a reliable and more relevant view of the aggregate impact of the transactions.

The IRS and government bond market move closely in tandem with one another, as verified, statistically, by the high coefficient of determination (R^2) calculated for the time series:

R^2	2019	2018
IRS5Y - Gov5Y		97%
IRS10Y - Gov10Y		96%

This deal expired in 2019.

6.9.8. Government grants

In connection with its HIRS and preferential deposit transactions concluded with MNB the Bank accounted for the following amounts as government grants:

	Government grant			
	Amount		Nature	
	2019	2018	2019	2018
HIRS deals	257	246	interest rate subsidy	interest rate subsidy
Preferential deposits	105	111	interest rate subsidy	interest rate subsidy
Total	362	357		

In the case of HIRS transactions the interest payable on the transaction is lower than the market interest, while for preferential deposits the interest received is higher than the market interest.

data in HUF million

In accordance with IAS 20, in both cases the Bank recognises the government grant only if there is reasonable assurance that the conditions attaching to the grant will be fulfilled and the Bank will receive the grant. Accordingly, there are no unfulfilled items or other contingent liabilities connected to the grants that have been accounted for.

6.9.9. Day-one profit or loss

The Bank measures financial assets and financial liabilities at fair value on initial recognition. If the fair value at initial recognition differs from the transaction price, the difference is accounted for depending on the level of the transaction within the fair value hierarchy:
- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 1 input) or based on a valuation technique that uses only data from observable markets (Level 2 input). The Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases the fair value at initial recognition shall be adjusted by the deferred amount of the difference between the fair value and the transaction price. After initial recognition, the Bank shall recognise the deferred difference as a gain or loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

In the case of the monetary policy HUF interest rate swaps (MIRS) with the MNB, the Bank immediately recognises the gain from the preferential interest in profit or loss as the day-one gain or loss impact. In 2018 this amounted to HUF 1,38 billion, in 2019 the Bank did not have such deal, where day-one gain or loss impact should have been recognized.

In the case of the FGS funds drawn from the MNB and the FGS loans disbursed using these funds, the initial fair value difference is accrued because the Bank does not calculate the fair value using Level 1 or Level 2 inputs. The following tables show the accrued amounts not yet recognised in profit or loss:

	31.12.2019	31.12.2018
Initial fair value difference of FGS loans	-907	-1 143
Initial fair value difference of FGS funds	1 043	1 215
Total	**136**	**72**

Changes to initial fair value difference of FGS loans:

FGS loans	2019	2018
Opening balance	-1 143	-1 540
Initial fair value difference of new loans	-81	-6
Amortisation of initial fair value difference of loans	194	212
Disposal of the remaining initial fair value difference of sold, matured or repaid loans	123	191
Closing balance	**-907**	**-1 143**

data in HUF million

Changes to initial fair value difference of FGS funds:

FGS funds	2019	2018
Opening balance	1 215	1 829
Initial fair value difference of new loans	148	9
Amortisation of initial fair value difference of loans	-200	-393
Disposal of the remaining initial fair value difference of sold, matured or repaid loans	-120	-230
Closing balance	**1 043**	**1 215**

6.9.10. Modification gain or loss

The Bank's recognised gain or loss neither from the significant nor from the not significant contract modifications exceeded HUF 1 million in 2019. (In 2018 both were HUF -2 million.)

6.9.11. Fees to the auditor

	2019	2018
Audit of the annual financial statements	86	89
Other audit fees	31	23
Tax advisory services	14	3
Other, non-audit fees	0	5
Total	**131**	**120**

6.9.12. Collaterals received

At full value:

	31.12.2019	31.12.2018
Collaterals received at full value		
Cash collaterals	12 169	11 025
Bank guarantees	11 117	12 075
State guarantees	72 064	48 720
Securities	1 868	653
Assigned sales revenue	0	0
Assigned receivables	614	667
Mortgage	154 659	148 031
Total	**252 491**	**221 171**

data in HUF million

Up to the gross contractual receivable value:

	31.12.2019	31.12.2018
Collaterals received up to the gross contractual receivable value		
Cash collaterals	11 070	10 157
Bank guarantees	9 699	9 765
State guarantees	68 579	46 083
Securities	1 801	587
Assigned sales revenue	0	0
Assigned receivables	337	372
Mortgage	88 323	88 828
Total	**179 809**	**155 792**

6.9.13. Financial assets pledged as collateral

	31.12.2019	31.12.2018
Cash and cash equivalents	0	0
Securities	14 472	12 890
Receivables from credit institutions	2 787	1 621
Loans and advances to customers	16 884	17 070
Other financial assets	0	0
Total	**34 143**	**31 581**

Under financial assets used as collateral, the Bank recognises collaterals placed at other banks to cover losses from derivative transactions as well as securities and SME loans used to cover FGS refinancing sources.

The Bank retained all the risks and rewards related to ownership of the financial assets used as collateral, so these assets remain part of the Bank's balance sheet.

6.9.14. Subsequent events after the reporting date

In the first quarter of 2020 coronavirus has appeared also in Hungary. The epidemic has significant turbulence in the real economy (production chains have been temporarily discontinued, production plants were closed, etc.) that also affected financial markets including Hungary. In order to moderate the unfolding recession, Hungarian Government and Hungarian National Bank have launched several measures that also affect Bank's processes and its risk management principles:

- Regarding loan contracts concluded prior 18.March 2020, capital and interest payment obligation was suspended until 31 December 2020 in case of private persons and companies on a general basis. The moratorium does not mean that payment obligation is released, but it means delay thereof to a later date. The capital bears interest during moratorium, but the interest is not capitalised. First estimates of the Banks show that the lost interest income will amount approximately to HUF 300 million.
- Short-term entrepreneurial loans are prolonged until 30 July 2020
- The weighting of funds over a year is differentiated as per maturity when calculating foreign exchange funding adequacy ratio (hereinafter referred to as Hungarian abbreviation: DMM)

- Maximum level of foreign exchange coverage ratio (hereinafter referred to as Hungarian abbreviation: DEM) has shrinked from 15% to 10%, hereby limiting the FX difference within balance sheet.
- Members of the monetary policy may offer performing corporate loans as collateral, regardless of the maturity and denomination of the loans when performing activity via Central Bank. MNB applies a unified 30% haircut for accepted loans.
- MNB launches long term collateralised loan (maturity: 3, 6 and 12 months respectively 3 and 5 years) with fixed interest rate with unlimited frame amount, and by suspending the sanction on shortfall it released banks from fulfilling the minimum reserve requirements.
- The Monetary Council has decided to make the interest rate corridor symmetric. The base rate remained unchanged at 0,9%, as well as O/N deposit rate remained unchanged at -0,05%, meanwhile O/N and one-week collateralised lending rate was increased to 1,85%.
- In order to ensure stable liquidity position to government bond market, MNB has launched its government security purchase program on the secondary market and relaunches its mortgage bond purchase program to increase long-term funding of the banking system
- As of 20.April 2020 MNB launches a new Funding of Growth Scheme called 'Hajrá' to support SME lending in the frame amount of HUF 1000 billion. The increased liquidity will be drawn from money markets within 13 months with 4% preferential deposit.

Considering the fact that coronavirus has appeared in Hungary and Europe in 2020, and epidemic as well as measures to mitigate the effect of expected recession were taken after the end of the reporting period, the Bank does not adjust 2019 data presented in the financial statements.

Epidemic, expected recession as well as related measures will however have a significant effect on profitability of the Bank within the upcoming years. Assessment of the effects of introduced measures – considering the fact that detailed regulations are not available yet and possible further measures are not known yet - is in progress. Some measurements ceteris paribus temporarily worsen liquidity position (e.g. repayment moratorium), while other measurements improve the liquidity position (long-term unlimited collateralised loan lending to banks, release of minimum reserve requirements). There is uncertainty about the performance of the economy that goes hand in hand with uncertainty regarding quality of loan portfolio. According to reasonable assumptions, a considerable economic fallback is expected, as a result thereof new disbursements will decrease significantly. Furthermore quality of the currently performing portfolio will probably worsen too.

The recession caused by coronavirus is expected to last until end of 2020 or first quarter of 2021 that can be followed by an economic growth again. It means that the Bank has to cope and calculate with a rapid crisis situation.

The Bank did not experience any liquidity difficulties and does not expect that the cumulative effect of the announced measures would significantly worsen its liquidity position. Risk costs are expected to rise in 2020 in a smaller and in the beginning of 2021 in a bigger extent.

Based on currently available assumptions the Bank has made calculations for the 12 months following balance sheet date and it came to the conclusion that viability, liquidity and capital position is not endangered.

6.9.15. Dividends paid

The Bank did not pay dividend to the shareholders either in 2018 or 2019.

data in HUF million

6.9.16. Equity correlation table

Equity correlation table required by Section 114/B (1) of the Act on Accounting:

	31.12.2019							
	Components of equity as per the Act on Accounting							
	Share capital as per IFRS	Subscribed, but unpaid capital (-)	Capital reserve	Retained earnings	Profit or loss after tax	Valuation reserve	Allocated reserve	Total
Share capital	3 727							3 727
Capital reserve			94 416					94 416
Retained earnings				-54 051	2 125			-51 926
Other reserves							421	421
Revaluation reserve of available-for-sale financial assets, net of tax						261		261
Equity as per the Act on Accounting	**3 727**	**0**	**94 416**	**-54 051**	**2 125**	**261**	**421**	**46 899**

	31.12.2018							
	Components of equity as per the Act on Accounting							
	Share capital as per IFRS	Subscribed, but unpaid capital (-)	Capital reserve	Retained earnings	Profit or loss after tax	Valuation reserve	Allocated reserve	Total
Share capital	3 727							3 727
Capital reserve			94 416					94 416
Retained earnings				-55 398	1 347			-54 051
Other reserves							185	185
Revaluation reserve of available-for-sale financial assets, net of tax		0	0	0		257		257
Equity as per the Act on Accounting	**3 727**	**0**	**94 416**	**-55 398**	**1 347**	**257**	**185**	**44 534**

Reconciliation of capital registered by the Court of Registration and the share capital as per IFRS:

	31.12.2019	31.12.2018
Capital registered by the Court of Registration	3 727	3 727
Instruments recognised as liabilities (-)	0	0
Share capital as per IFRS	3 727	3 727

data in HUF million

Calculation of free retained earnings available for dividend payment:

	31.12.2019	31.12.2018
Retained earnings	-51 926	-54 051
Accumulated unrealised gain accounted for due to increase in the fair value of investment properties (-)	0	0
Accumulated amount of related income tax accounted for based on IAS 12 Income taxes (+)	0	0
Adjusted retained earnings	**-51 926**	**-54 051**
Free retained earnings available for dividend payment	**0**	**0**

6.9.17. Realised profit from sale of loans

As in the previous years, the Bank continued to sale the non-performing loans also in 2019.

The realised profit from sale of loans is reported in Other operating income in the Income statement.

The following table shows the realised profit from sale of loans in 2019 broken down by measurement type of the sold loans:

	Loans measured at amortised cost	Loans measured at fair value through other comprehensive income	Total
Income	6 010	77	6 087
Book value of sold loans	-3 418	-26	-3 444
Direct costs relating to the sale			-185
Realised profit from sale	**2 592**	**51**	**2 458**

In 2019, above its traditional quantity of sale, the Bank sold a pool of loans with a considerably higher volume of loans in it, including a substantial part of the non-performing private mortgage loans of the Bank. During the sale, approximately 800 non-performing loans were transferred. As substantially all the risks and rewards of the loans were transferred in the deal, the loans were derecognised from the Bank's books in their entirety.

The realised profit from the sale of this above mentioned deal:

	Loans measured at amortised cost	Loans measured at fair value through other comprehensive income	Total
Income	5 233	76	5 309
Book value of sold loans	-3 147	-26	-3 173
Direct costs relating to the sale			-185
Realised profit from sale	**2 086**	**50**	**1 951**

Under the transfer agreement the buyer may require the Bank to repurchase certain loans. This repurchase liability may only arise where subsequently is found that from a legal point of view the receivable in question had no existence at the date of transfer (e.g. the Bank has not become aware on time that the debtor died before the transfer) and shall not exceed 10% of the purchase price. The Bank allocated HUF 707 million provision for this repurchase liability at the end of 2019.

data in HUF million

6.9.18. Maturity of financial liabilities

Breakdown of contractual, not discounted amounts of financial liabilities by maturity:

	31.12.2019					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Liabilities due to banks	1 084	4 144	10 256	27 565	11 231	54 280
Liabilities due to customers	240 787	29 625	31 609	146	51	302 218
Debt securities in issue	0	366	1 047	0	0	1 413
Subordinated liabilities	50	0	210	576	10 377	11 213
Other financial liabilities	3 648	52	1 041	1 152	933	6 826
Total	**245 569**	**34 187**	**44 163**	**29 439**	**22 592**	**375 950**

	31.12.2018					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Liabilities due to banks	558	886	3 970	18 416	12 875	36 705
Liabilities due to customers	215 566	14 258	27 565	8 231	27	265 647
Debt securities in issue	0	0	2 889	1 408	0	4 297
Subordinated liabilities	76	0	228	644	10 245	11 193
Other financial liabilities	5 695	0	0	0	0	5 695
Total	**221 895**	**15 144**	**34 652**	**28 699**	**23 147**	**323 537**

6.10 Information related to capital management

Determining the bank's optimal capital level and its continuous monitoring is a basic process/task for every bank.

The level of capital is primarily determined by the Bank's risk appetite. Since high risks entail higher losses, it is crucial for the Bank to carefully take into account both the expected and unexpected losses related to its various business activities. The economic capital determines the required level of capital related to the actual risk profile while the level of the regulatory capital represents a mandatory minimum level below which the Bank may not go even when based on its own measurements its risk exposure would justify a lower level. The Bank's capital management covers both the Pillar 1 and the Pillar 2 view. The fundamental goal of capital management is to:

- ensure the optimal level of capital for the Bank,
- ensure the capital requirement necessary for the Bank's operation,
- facilitate compliance with European and national regulations.

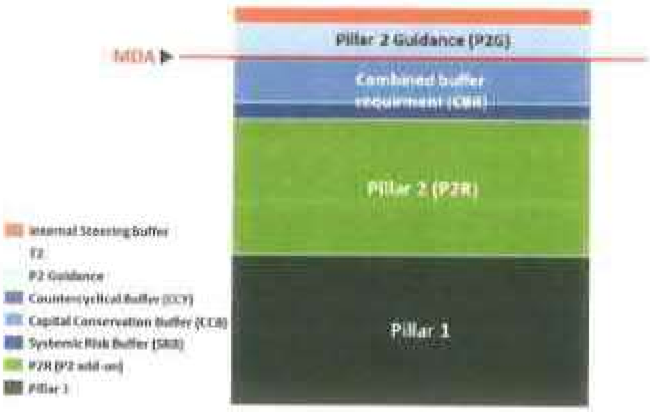
Regulation (EU) No 575/2013 (CRR), Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.) and Directive 2013/36/EU define uniform rules for the supervised institutions with respect to capital requirements. The Bank calculates its regulatory capital based on these rules with a monthly frequency and sends a quarterly report thereof to the Supervisory Authority (COREP, FINREP).

The Bank's ALM department regularly monitors capital adequacy (P1 and P2) and prepares a report for the ALCO and the parent bank at least monthly and also for the Supervisory Board quarterly. Based on its forecasts, whenever justified, it takes the necessary measures to ensure capital adequacy at all times, in line with its recovery plan.

During its planning process, the Bank regularly monitors regulatory changes and updates and calculates the required level of capital account taken of these changes.

The major business risks of the Bank are credit risk, liquidity risk, market risk (including interest and foreign exchange risk) and operational risk.

The following chart displays the structure of the Bank's potential capital requirement and capital recommendation.



The Bank's capital level always complied with the regulatory requirements, the shareholders ensured the required level of capital. No dividend was paid, the profit increases the level of CET1 capital.

data in HUF million

The Bank's regulatory capital:

	31.12.2019	31.12.2018
Regulatory capital	47 998	49 420
Tier1 capital	38 898	40 418
Common Equity Tier 1 capital (CET1)	38 898	37 502
Additional Tier 1 capital (AT1)	0	2 916
Supplementary capital (Tier 2)	9 100	9 002

Development of capital requirement:

	31.12.2019	31.12.2018
Total Risk Exposure amount (RWA)	224 699	223 290
CET1 capital adequacy ratio	17,31%	16,80%
Tier 1 capital adequacy ratio	17,31%	18,10%
Capital adequacy ratio	21,36%	22,13%

6.11 Risk management policies

6.11.1 Liquidity risk

Liquidity risk is the risk of the institution not being able to comply with its obligations stemming from the expected and unexpected current and future cash flows and collaterals without impacting its daily operation or its market position. These may include, among others:

- *Short-term liquidity risk* is the risk of the Bank not being able to meet all of its payment obligations or not being able to meet its payment obligations on time. Short-term liquidity risk refers to a time horizon of 30-90 business days.

- *Long-term liquidity risk* is the risk of additional refinancing funds being accessible only at a higher market interest rate. Long-term liquidity risk refers to a time horizon of at least 1 year.

- *Concentration liquidity risk* occurs when the Bank's exposure to a single depositor, a single deposit instrument, a single market segment or a single currency is extremely high primarily on the liability side. However, the concentration of an on-balance sheet or off-balance-sheet instrument which may significantly alter the level of expected cash flow may also cause concentration liquidity risk.

The Bank measures the liquidity risks using processes and various indicators and limits (e.g. LCR, NSFR, DMM, L/D, concentration indicators, Liquidity-at-Risk) in line with the international and Hungarian regulatory frameworks and the guidelines of the parent bank and manages these liquidity risks by maintaining a conservative liquidity buffer.

Section 412 (1) of Regulation (EU) 575/2013 of the European Council (CRR) prescribes a general liquidity coverage requirement for credit institutions, creating at the same time the LCR indicator; according to this requirement "institutions shall hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions". This regulation is supplemented and made more specific by Commission Delegated Regulation (EU) 2015/61.

The LCR is defined as the ratio of the credit institution's liquidity buffer containing liquid assets to its net liquidity outflows during a 30-day stress period. The net liquidity outflow is the credit institution's liquidity outflows less its liquidity inflows.

The liquidity coverage ratio must be expressed as a percentage value and the regulator determined its minimum level to be 100%; this means that the credit institution has sufficient liquid assets to cover its net liquidity outflows during a 30-day stress period.

In light of this the Bank pays special attention to the LCR indicator, to its reliable calculation. The Bank determined a minimum 130% internal limit, stricter than the regulator's, and manages its liquidity based on this indicator.

data in HUF million

	Total weighted amount (average)			
	2019.03.31	2019.06.30	2019.09.30	2019.12.31
Number of observation periods taking into account in average calculation (months)	3	3	3	3
Liquidity buffer	41 915	38 690	49 821	73 530
Net liquidity outflow	26 618	23 862	26 348	54 235
Liquidity coverage ratio (%)	157,47%	162,14%	189,09%	135,58%

The internal liquidity stress test is an integral part of the liquidity risk management limit system, during which the Bank quantifies the impacts of predefined scenarios (idiosyncratic, market-wide, combined). It is a requirement of the parent bank that the Bank meets the minimum 1 month limit in terms of the stress survival horizon. In the course of 2019 the Bank complied with this requirement.

The Asset Liability Committee (ALCO) - of which the Board of Directors is also a member - is the organizational unit responsible for the strategic management of liquidity risks. The ALCO is informed at least monthly about the Bank's liquidity position and the utilization of the limits. Asset-Liability Management (ALM) is responsible for tactical management within the approved guidelines, responsibilities and limits.

6.11.2 Market risk

Market risk is the risk that the actual asset value of the Bank's on-balance sheet and off-balance sheet positions changes as a result of the change in market prices (interest rates, equity prices, foreign exchange rates or commodity prices etc.) due to which the Bank's profit and capital may decrease.

The Bank measures and limits its exposure to market risk using various methods depending on whether the given exposure qualifies as a trading or as a banking book exposure.

Market risk – trading book

Based on criteria defined by the CRR, the Bank classifies as positions held with trading intent the positions intended to be resold short term, or positions intended to benefit from expected differences between buying and selling prices. The Bank performs the valuation of trading book positions at fair value at least daily.

Compared to its size the Bank's trading activity is not significant; it typically holds such positions in connection with client mandates (market execution) where clients want to hedge their risks stemming from their own operation.

Sberbank Group applies several methods for measuring and managing market risks, in line with the international risk management standards and regulatory recommendations.

On the basis of the risk appetite, the parent bank defines every year the maximum level of risk that the Bank can assume and defines, among other things, the open currency position (OCP), the value at risk (VaR), the interest rate sensitivity (BPV), and the maximum loss (Stop Loss) limits.

Money Markets Trading and ALM areas are in charge of the operative management of market risks. In order to avoid conflict of interest ("Segregation of Duties"), risk exposures are monitored daily by an independent organizational unit, i.e. the Market Risk Management unit, operating independently from the business areas assuming the risk and even from the Board of Directors.

The Bank's management (Board of Directors, ALCO) receives at least monthly information about the risk exposures, while the Supervisory Board receives reports quarterly.

Equity price risk

The Bank does not assume any commodity and equity risks in its trading book.

Foreign exchange risk

The primary foreign exchange risk stems from the different structure of the Bank's assets and liabilities (both on- and off-balance sheet). As a result of the changes in foreign exchange rates the Bank may realise gains or incur losses recognized directly in profit or loss.

The Bank manages its foreign currency positions in the trading book, it holds no strategic open positions in the banking book. Assuming non-linear risks is not part of the strategy and so, for example, the Bank typically hedges its option positions back-to-back.

Market risk – banking book

The interest rate risk in the banking book represents the possibility that the income stemming from the positions in the banking book and/or the net present value of the positions change unfavourably due to the change in market interest rates.

Every on- and off-balance sheet position that does not belong to the trading book is to be considered a banking book position; that is, typically loan and deposit portfolios, the non-trading securities portfolio and interbank transactions, investments, other receivables and liabilities and non-trading derivative transactions, etc.

The Bank considers the so-called re-pricing risk as the primary interest rate risk, which is the risk stemming from the timing difference of the re-pricing structure of receivables and liabilities and off-balance sheet items. Measurements cover the yield curve risk which is the risk stemming from the changes in the shape and the slope of the yield curve.

When quantifying the extent of the risk, the Bank applies the generally accepted risk measurement approaches in line with regulatory recommendations and quantifies both the short term (income related) and longer-term impacts (appearing in the change of the economic value of the capital).

Risk exposures are presented separately for the relevant currencies featured in the balance sheet. Both the net interest income and the value of the economic capital are analysed based on the re-pricing table and quantification of the re-pricing gaps.

When quantifying interest rate risk, the Bank uses different scenarios representing various interest rate changes. From among these, we assume a +/-200 basis points, prompt, parallel yield curve shock as the basic stress scenario. In order to analyse interest rate sensitivity in more detail the Bank also analyses the impact of additional scenarios based on the guidance of EBA, which simulate the different changes in the slope and the shape of the yield curve.

The Bank applies limits in line with its risk appetite. The ALCO defines the limit proportionately to CET1 capital (maximum 13%) for the change in the value of the economic capital; and proportionately to the annual budgeted net interest income for net interest income change.

The Asset Liability Committee (ALCO) - of which the whole Board of Directors is also a member - is the organizational unit responsible for the strategic management of interest rate risks. Asset-Liability Management (ALM) is responsible for tactical management within the approved guidelines, responsibilities and limits.

The Bank primarily manages its interest rate risks through the harmonization of the pricing parameters of its assets and liabilities (re-pricing period, maturity, interest base) or with the help of derivative hedging transactions (IRS, CIRS).

The Bank distributes the risks (including interest rate and liquidity risks) among the various business lines with the help of a market-based internal transfer pricing system and so the profitability of the various profit centres is defined account taken of the risk they assumed.

Composition of assets and equity and liabilities by currency

Open positions as at 31 December 2019:

	Net positions in the balance sheet	Total net positions
Net open long positions	1 070	545
Net open short positions	-75 940	-606
Net positions	-74 870	-61

Open positions as at 31 December 2018:

	Net positions in the balance sheet	Total net positions
Net open long positions	18 394	1 044
Net open short positions	-21 394	-406
Net positions	-3 000	638

Value at Risk (VaR)

The Bank also applies risk-sensitive indicators to measure foreign exchange risks. The regulatory VaR model is a particularly important methodology, a so-called historical variance-covariance model that assumes the normal distribution of yields with an expected value of zero.

The model results show the expected loss, assuming a 10-day holding period and taking account of the price fluctuations in the past 250 days at a 99% confidence level.

The regulatory capital requirement under Pillar 1 is calculated based on the standardised approach defined by the CRR, while the Bank uses the modified, more conservative version of the above methodology to calculate the regulatory capital requirement under Pillar 2, where the variance-covariance matrix is derived from a stressed period instead of the past 250 days.

Results of the FX VaR:

HUF million

	31.12.2019	31.12.2018
60 day average of FX Var	93	18
60 day average of FX Stress Var	122	83

Interest sensitivity

We measure the interest sensitivity of trading book positions with the so-called BPV – Basis Point Value sensitivity, which shows the impact on profit or loss of a 1-bp shift in yields. We calculate both the net and gross exposure; in the latter case, we obviously disregard the mutual neutralisation effect of the long-term and short-term positions.

Compared to its size the Bank's trading activity is not significant; it typically holds such positions in connection with client mandates. Accordingly, the portfolio's interest sensitivity overall is very low.

Interest sensitivity of the trading book:

HUF million

	31.12.2019	31.12.2018
Total BPV gross	5,13	5,06
Total BPV net	0,16	0,58

In the case of the EVE model used to measure the interest risks of the banking book, the yield curve shocks are immediate and have lasting impacts that are immediately priced with the net present value approach. The model is hypothetical since the general interest positions (for example loans, deposits, interbank transactions) are recognised in the books at cost, so re-pricing has no direct impact on either capital or the income statement.

The interest risk sensitivity of the banking book remained within both the regulatory limit and the more stringent internal limit.

The results of the basic stress scenario according to the EVE model:

	31.12.2019	31.12.2018
impact of 200 bp parallel shift (HUF million)	1 445	2 212
in percentage of CET1	3,71%	6,1%

The NII model is an income-based approach. The model shows to what extent the Bank's net interest income/expense would change due to re-pricing during a one-year period, assuming an unchanged balance sheet structure, in the case of an immediate, 200-bp parallel yield curve shock.

Results of the basic stress scenario according to the NII model:

HUF million

	31.12.2019	31.12.2018
HUF	197	619
EUR	190	104
CHF	7	13
USD	203	29
Total	**597**	**740**

The changes in fair value of Baby loans – after eliminating the effect of changes in volume – depend in particular on changes in the shape and position of the yield curve used for calculating discounted cash flows as future values of reference interest rates in the calculation model derives also from the same yield curve by forward/forward calculation. The Bank determined the interest sensitivity of Baby loans by parallel shifting the discount yield curve applied at year-end by +10 and -10 basis points:
changes in fair value when shifted by +10 basis points: HUF -45 million
changes in fair value when shifted by -10 basis points: HUF +44 million

6.11.3 Credit risk

Overview

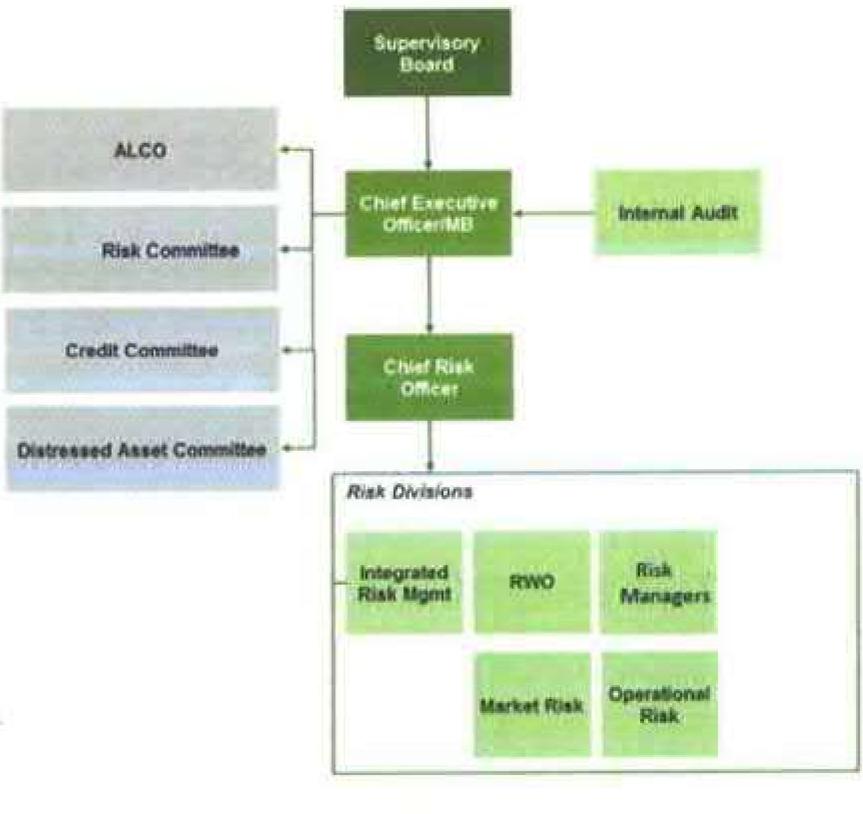
The Bank devotes significant resources to ensuring its risk management functions are comprehensive. In 2019 the risk management function was further enhanced.

The following major projects were conducted in 2019:

- Updates in the ICAAP models
- Continuation of projects aimed at development of risk-related IT infrastructure
- Improvement of credit risk models and model management
- NPL reduction strategy continued

Risk management framework

Risk Management is in charge of the Bank's risk management function and is the second line of defence within the Bank. For certain risk types, the tasks of the second line of defence are carried out by organisational units outside of Risk Management, having the necessary competence and resources and who have an interest in lowering the risk levels accepted by the Bank to ensure compliance with risk tolerance objectives, limits and other limitations. The units outside of Risk Management are not part of risk management.



The Bank's Risk Management area performs its work based on EU legislation in force, the Bank's risk strategy, the resolutions, policies and guidelines of the Bank's governing bodies, and it represents the interests of the shareholders. Risk Management operations are integrated into the Bank's processes.

The head of the Bank's Risk Management area is the member of the board responsible for risk management (CRO), who reports to the CEO of the Bank. He supervises the work of the Risk Management units and is a member of the Bank's special risk management committees.

The head of Risk Management complies with the qualification and business reputation requirements defined by EU legislation and other rules (fit and proper approach).

Chief Risk Officer (CRO)

The CRO is an independent member of the Board of Directors responsible for risk management and for creating and operating a comprehensive risk management framework within the entire organisation.

The CRO is independent from the business areas and does not have any management or financial responsibility in terms of operative business lines or income-generating functions.

The CRO places particular emphasis on increasing the risk awareness of the Bank's employees and on strengthening risk culture at every level.

Executive bodies and committees

Supervisory Board

The Supervisory Board, representing the shareholders, is responsible for supervising the Board of Directors and provides assistance with governing the Bank, particularly with taking key decisions.

The Supervisory Board and its subcommittees supervise the risk management process and the current risk exposure based on regular reports and special information from the CRO. The Supervisory Board approves the risk management strategy and the risk appetite declaration proposed by the Bank.

Board of Directors

The Board of Directors coordinates the strategic objectives of the Bank with the Supervisory Board and regularly discusses the status of strategy implementation with the Supervisory Board. Management is based on the principles of good corporate governance as well as open debate between the Board of Directors, the Supervisory Board and members of the committees.

Risk management is the primary responsibility of the CRO, while the Board of Directors, as a collective body, has additional control tasks, including the supervision of risk management functions and approving relevant risk management policies.

Asset-Liability Committee (ALCO)

The Asset-Liability Committee (ALCO) is responsible for managing the balance sheet with a holistic approach, and as a key decision-making body it is also responsible for the existing and future interest and foreign exchange risks within the banking book. Moreover, its task is to optimise the Bank's risk/return profile to maintain proper liquidity and financing and to comply with regulatory capital management requirements.

ALCO closely monitors the evolution of risk-weighted assets, capital levels, P&L forecasts and the regulatory environment since these are key drivers of regulatory capital requirements.

Risk Committee

The Risk Committee (RiCo) is responsible for controlling the Bank's current and potential future risk exposures and for developing and implementing the risk strategy, which includes defining and controlling risk appetite. The Risk Committee deals with risk management, risk regulation, risk models and methodologies and the comprehensive risk management for the entire Bank within the framework of the ICAAP.

Credit Committee

The Credit Committee (CRC) is the central decision-making body responsible for collective credit decisions in terms of individual transactions/limits. It processes all the transactions at its level of authorisation. Within the Credit Committee, the chairman of the CRC (the CRO, board member responsible for risk management) is entitled to reject proposals irrespective of voting results ("veto right").

Distressed Asset Committee (DAC)

The DAC is the body responsible for drafting strategies pertaining to non-performing transactions and special transactions exhibiting a high risk of non-performance.

The main topics/responsibilities of the DAC are contained in its own rules of procedure; these include, among others, the acceptance of strategies and restructuring plans, the assessment of recovery indicators and the review of reports on implementing the action plans.

Risk Strategy

The Board of Directors evaluates and defines the risk strategy for the entire Bank, reflecting the current business model, while the Supervisory Board approves this risk strategy.

The purpose of the Bank's Risk Strategy is to define the general framework for the continuous and prudent management of risks related to the Bank's business model. It describes the basic principles that ensure the Bank's overall capital and liquidity adequacy as well as the appropriate defence approach by integrating risk management into the business activity, performing the strategic planning for the entire organisation and developing it in line with business risks. The Strategy takes the ICAAP principles and results into account.

The Bank's risk strategy is efficiently incorporated into daily operations through the following four pillars:

The risk management function has a homogeneous structure within the Bank with the usual roles and responsibilities. Every activity covered by risk management is documented in the Bank's regulations. The Bank defines the accepted structure of various risks based on its risk appetite and risk profile. The central part of the risk management function is an efficient governance model independent from business areas. All of these components ensure that the Bank efficiently applies the risk strategy throughout the organisation. The continuous improvement of the methods used for measuring and managing risks is integrated into the risk strategy during the annual update process.

Regulatory requirements

Compliance with regulatory requirements relies on three pillars in line with the Basel III rules:

Pillar 1: SBHU's minimum capital requirement

Under Pillar 1, the Bank uses the following methods to define the minimum capital requirement.
- Credit risk: Standardized Approach;
- Settlement risk: Standardized Approach;
- Market risk: Standardized Approach;
- Operational risk: Standardized Approach.

Pillar 2: Internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP)

ICAAP is one of the key components of the risk management and control activity covering the entire Bank, including all risk types and risk portfolios, primarily focusing on the implementation of risk management and risk control from the perspective of Pillar 2. The main objective of the ICAAP framework is to ensure alignment with the legislative (regulatory) and internal expectations and requirements with the ultimate objective of developing and applying appropriate risk and capital management, thereby assuring the sustainable development of the Bank and ensuring capital adequacy in line with its operations to cover all material and relevant risks. ILAAP supplements the ICAAP process from the perspective of the Bank having appropriate liquidity and being eligible for financing.

Pillar 3: Disclosure requirements

Every year the Bank complies with the disclosure requirements defined based on the CRR. The document is accessible at www.sberbank.hu.

ICAAP framework

The Bank's general risk tolerance is defined based on the requirements described under Pillar 2 and the internal capital defined based on Pillar 2. The risk coverage capital is defined with appropriate, risk sensitive measurement methods and by aggregating all of the relevant risk types. This forms the basis of risk management as part of an appropriate limit system.

The process developed by the Bank for managing its risk tolerance must be suitable for determining, quantifying, managing and monitoring all material risks. Moreover, using the process developed for managing risk tolerance, the capital suitable for hedging the assumed risk can be properly estimated based on two approaches: going concern and gone concern. This process ensures that the internal capital requirement and the Bank's regulatory capital are covered by the available capital at all times.

Risk tolerance is closely related to the Bank's strategic business goals, its risk appetite and risk profile as well as its capital adequacy, and ensures multidirectional interaction among these components.

The process includes the following mutually interrelated phases/components:

Identification of risks and assessment of materiality

Based on the comprehensive risk assessments performed each year, the Bank determines the risks that are present within the Bank's banking operations and defines their significance and potential threat. This process includes both a quantitative assessment of the various risk types and an assessment of the methods and systems used to monitor and manage existing risks (qualitative assessment). So this risk assessment concept provides a comprehensive overview of SBHU's risk profile.

Based on the results of the risk materiality assessment, material risks are managed based on the policies, procedures and guidelines approved by the governing body or the committees concerned on the basis of the periodic assessment and/or general supervisory process.

The assessment methodology used for measuring significant risks can be determined on a case-by-case basis depending on the nature of the risk. The Bank applies both quantitative and qualitative methods for fundamental risks (including stress tests) which are documented in dedicated methods and manuals.

Quantitative definition of risks as per the ICAAP

Risk quantification is an integral part of the management process of individual risks. Quantification helps to define the size of the risk capital requirement needed to jointly cover expected and unexpected risks.

When defining the capital requirement the Bank applies the gone concern approach.

According to the risk strategy and the risk identification rules, the level of refinement and the comprehensive nature of the calculation must follow the best market practice, taking into account the volume, volatility and materiality of the underlying risk. The Bank applies Value-at-Risk-type models for credit risk (IRB approach) and for operational and market risks. The Standardised Approach is used in the case of the trading book since the exposure is insignificant based on its share of the general risk exposure. This approach is regularly validated against the banks' internal VaR model.

Credit risk

The internal ratings-based approach is one of the standard VaR models proposed under Pillar 1 (single factor model) by the regulator. Accordingly, it defines the internal capital required to cover credit risk as a credit loss, where the actual loss will most likely not be any higher. The internal ratings-based model focuses on losses stemming from non-performance, and it is based on the estimated values of the PD, LGD and EaD parameters.

The internal ratings-based model does not cover certain semi-credit risks; for more information on this, please refer to the detailed internal policies. For portfolios where the Bank does not have the necessary data (PD or LGD) to apply the internal ratings-based model, the Standardised Approach is used. Whenever possible, however, the Bank applies the internal ratings-based approach.

The value at risk of loans is calculated at a 99,9% confidence level.

Market risk

Market risk is the risk that the actual asset value of the Bank's on-balance sheet and off-balance sheet positions changes as a result of market price changes (interest rates, equity prices, foreign exchange rates or commodity prices, etc.), which may lower the Bank's profit and capital.

Market risk – trading book

The Bank classifies as positions held with trading intent the positions intended to be resold short term, or positions intended to benefit from expected differences between buying and selling prices. The Bank's trading activity is not significant compared to its size, but it applies a complex system to measure and manage market risks in line with international risk management standards.

Market risk – banking book

When quantifying the extent of the risk, the Bank applies the generally accepted risk measurement approaches in line with regulatory recommendations and quantifies both the short term (income related) and longer-term impacts (appearing in the change of the economic value of the capital). When quantifying interest rate risk, the Bank uses scenarios representing various interest rate changes. From among these, we assume a +/-200 basis points, prompt, parallel yield curve shock as the basic stress scenario. In order to analyse interest rate sensitivity in more detail, based on the guidance of EBA, the Bank also analyses the impact of additional scenarios which simulate the different changes in the slope and the shape of the yield curve.

Operational risk

The Bank defines the capital requirement to be allocated to operational risks using the Standardised Approach under both pillars.

Liquidity risk

Liquidity risk is the risk of the institution not being able to comply with its obligations stemming from the expected and unexpected current and future cash flows and collaterals without impacting its daily operation or its market position. These may include, among others. The Bank measures the liquidity risks using processes and various indicators and limits in line with the international and Hungarian regulatory frameworks and the guidelines of the parent bank, and manages these liquidity risks by maintaining a conservative liquidity buffer.

Other risks

The Bank allocates an additional risk capital requirement to other risks on top of the internal capital requirement already estimated. It defines the amount allocated to other risks based on the amount of previously identified losses (if available) and the expert opinion on the imminent adverse impact of risks, also using the results of the stress test.

Risk aggregation

During the risk quantification phase of the process developed to manage risk tolerance, the Bank assesses the amount of internal capital needed to cover individual material risks. This is followed by the risk aggregation phase during which the internal capital needed to cover all of the Bank's material risks can be estimated.

The Bank's total capital requirement (total internal capital) can be estimated by aggregating the internal capital requirement of the different material risks (including the capital buffer). When aggregating internal capital requirements we assume that the losses stemming from the different risks are in perfect correlation. The assumption is conservative, but for the time being the Bank does not have sufficient experience or enough data to make a reliable assessment of the advantages of diversification. The Bank continuously collects data so that it can define these potential advantages later on.

The entire internal capital requirement is compared with the risk coverage capital. The capital available for the Bank must be higher than both of these.

Stress tests

The Bank performs stress tests as one of the basic tools for managing material risks. Stress tests are carried out separately for each material risk. The purpose of stress tests is to determine the Bank's vulnerability in the case of extreme adverse circumstances, to formulate corrective measures and to ensure the long-term stability of the Bank. Stress tests are also used to determine the Bank's sensitivity to factors that are not part of the quantification of internal capital. Moreover, for risks where the VaR model is not applied, the results of the stress tests may also form the basis for assessing internal capital. However, as a general rule, stress test results do not define the level of internal capital since they model extreme conditions.

The Bank performs at least one stress test every year. In the case of sudden market changes the Bank analyses the potential impacts of the change on its economic position and decides based on the obtained results whether stress tests need to be performed more frequently.

Capital allocation

The targeted risk profile of the Bank is achieved by allocating the risk coverage capital, which takes place as part of the risk tolerance model. The Bank allocates capital to cover every basic risk as well as the other risks that have been classified as material during the identification and assessment of risks. The allocation ensures that the Bank's risk coverage capital provides appropriate protection in the event of adverse circumstances.

Credit risk

The credit risk of Sberbank in Hungary stems primarily from credit type products, although it has some other on-balance sheet and off-balance sheet commitments.

Credit risk management devotes considerable effort every year to identifying and measuring credit risks as accurately as possible, introducing appropriate controls and optimising lending processes from the perspective of risk management.

In the course of 2019 the following significant progress was made:

Corporate and SME

In 2019 the following main developments and projects were launched to revise and develop current lending processes and risk management methods with the objective of improving efficiency:

- The new SME and corporate lending policy was renewed, defining key risk parameters, standards and the risk appetite related to the Bank's lending activity, taking account of group-level expectations at both segment and portfolio level.
- An IT project supporting credit-monitoring activity was also launched.
- New standardized lending process and products were introduced for small SME companies.

Retail

- New standardized lending process and products were introduced for micro-businesses.

- Baby Loan was introduced as a new product of the Bank.

Risk measurement

To quantify the credit risk of SBHU's loan transactions the Bank has implemented bank-level risk models. One of the key risk indicators is the PD (Probability of Default), which defines the probability of the client's default within 12 months based on qualitative and quantitative performance indicators. The LGD (Loss Given Default), the CCF (Credit Conversion Factor) and the EAD (Exposure at default) depend on transaction specific characteristics.

SBHU has its own PD models, which can be applied to credit applicants where the Banking Group is present. The Bank uses a generic model for cross-border transactions and for clients for whom there is no country-specific model.

Risk measurement components

Debtors' credit risk has two components – Expected Loss (EL) covered by provisions, and Unexpected Loss (UL) covered by capital. EL is the loss expected from the given transaction within 12 months. UL comes from the variance around the expected loss. Expected loss can be broken down into the following three components:

$$EL = PD \times LGD \times EAD$$

These three components are defined as follows:

- PD (Probability of Default) is the probability of a client defaulting within one year. Probabilities of default are classified into rating classes with the help of the SBHU master-scale.
- LGD (Loss given Default) represents the estimated amount of the expected loss on a non-performing loan at the time the default occurs, projected to the expected exposure at default. The Bank never assumes that 100% of the outstanding debt can be recovered by selling the collateral or through other means; instead, a lower value is realistically expected. When defining the LGD rate, the costs incurred during the collection, when selling collateral as well as other economic losses are also taken into account. The LGD is determined based on the collateral type and other transaction-specific characteristics. The risk models determining the LGD rate have been developed based on the results of the completed collection procedures of non-performing clients.
- EAD (Exposure at Default) is the exposure that the Bank expects when the default occurs. It is defined by transaction-specific rates such as the expected drawdown rate or the expected market price of derivative transactions.

Rating process

During the client/transaction rating process only the models approved by SBHU board members (previously by SBEU) can be used. The PD value defined by the Rating "master-scale" is used for the second pillar capital calculation, risk pricing and to select the lending process. At SBEU, the rating is based on the annual PD, which disregards the total cycle price of the loan. Therefore SBHU uses the same 12-month expected loss approach.

data in HUF million

Breakdown of the Bank's credit risk rating grades by PD range:

lower border	average PD	higher border	risk classes	Risk category
0,00%	0,02%	0,03%	1	high grade
0,03%	0,04%	0,04%	2	high grade
0,04%	0,05%	0,06%	3	high grade
0,06%	0,07%	0,08%	4	high grade
0,08%	0,10%	0,11%	5	high grade
0,11%	0,13%	0,16%	6	high grade
0,16%	0,18%	0,22%	7	high grade
0,22%	0,25%	0,30%	8	high grade
0,30%	0,35%	0,41%	9	high grade
0,41%	0,48%	0,56%	10	standard grade
0,56%	0,66%	0,78%	11	standard grade
0,78%	0,91%	1,07%	12	standard grade
1,07%	1,25%	1,47%	13	standard grade
1,47%	1,73%	2,02%	14	standard grade
2,02%	2,38%	2,79%	15	average grade
2,79%	3,27%	3,84%	16	average grade
3,84%	4,51%	5,29%	17	average grade
5,29%	6,20%	7,28%	18	average grade
7,28%	8,54%	10,03%	19	average grade
10,03%	11,77%	13,81%	20	below average grade
13,81%	16,20%	19,01%	21	below average grade
19,01%	22,31%	26,19%	22	below average grade
26,19%	30,73%	36,06%	23	below average grade
36,06%	42,32%	49,66%	24	below average grade
49,66%	58,28%	100,00%	25	below average grade
100,00%	100,00%	100,00%	26	impaired

Corporate and SME credit risk monitoring and governance

SBHU regularly monitors its receivables in line with the approved processes. Based on the predefined early warning signs the process identifies clients with low creditworthiness, and with the help of appropriate evaluation it detects the critical characteristics that may lead to changes in the commitment and the client's risk profile. Depending on the risk level, receivables with performance problems are forwarded to the designated areas as restructuring and workout cases for further management. During the process the Bank monitors the quality of the credit exposure within a specific period, and performs measurements if differences are observed.

Lending process

The Bank applies uniform lending processes by client segment based on a standard methodology and approach, and performs an independent risk rating while clearly segregating risk and business objectives, using uniform standards and principles, and applies standardised credit application and risk management tools that support risk analysis and decision-making in line with the predefined conditions.

The partner risk category, the level of exposure and the underlying transaction are the main processing parameters in the course of evaluating transactions and taking decisions.

The methodology used during the lending process is standardised in the system. Given the high degree of complexity of the credit decision process and as a result of the incomplete system support at present, in particular with respect to the active business activities with a low risk profile, the back-testing points were incorporated into the process to support efficiency.

The purpose of the method is to reduce manual work and further operational risks.

Reducing risk concentration

A comparative back-testing, monitoring and limit framework has been applied for credit risks. Risk rating models ensure regular evaluations.

Credit risks are managed by numerous control points and processes. The overall risk assumption process is developed and fine-tuned on a regular basis, reflecting the evolution of credit risks identified within the Bank. Control points have been incorporated into internal policies and they also function in practice. The Risk Committee and the management of the Bank are regularly informed about developments related to credit risks, and they are able to manage and control processes based on relevant reports.

Within the corporate segment, the SME segment shows trends similar to 2017. Thanks to strong acquisition activity, both the number of clients in the business segment and their overall exposure have increased. Most of the growth came from the top segment. The change in risk-weighted assets was negligible due to the high coverage rate.

Back-testing is carried out based on reports that have been developed to measure and quantify specific risks. Portfolio level limits were set up to reduce risk concentration.

A high level of concentration risk is taken into account for the portfolio due to the significant aggregate exposure of the client groups. The Bank is striving to diversify the portfolio in the SME segment in the course of product-based lending. The implemented Credit Policy also pays attention to the problems caused by portfolio concentration and attempts to reduce them by regulating regular monitoring.

Although the overall credit risk is considered high compared to the Bank's other risk components based on both quantitative and qualitative assessments, due chiefly to the main distribution of credit risks affecting the entire portfolio, the overall portfolio quality is continuously improving thanks to prudent controls. The economic environment is positive and the centrally managed lending programmes facilitate the development of the credit market. Thanks to the workout activity of past years the credit portfolio has continued to stabilise following a thorough consolidation of the portfolio.

Country and transfer risks

Business is clearly focused on areas where either SBHU or the parent bank is present on the market with their own activities. The country limit methodology framework has been implemented, which is based on the strategy of cross-border risk appetite. Every operation is performed via sub limits allocated from the total limit at bank level. Monitoring, allocation and review processes take place centrally under SBHU's responsibility.

Retail credit risk management and monitoring

Lending process

- Implementation of the project aimed at reframing micro-business lending.
- Introduction of re-optimised process
- Automated client rating
- Automated legal compliance/internal risk framework check

Risk Monitoring

We comprehensively analyse retail and micro-business product groups on a monthly basis and share the results at the GRC meeting held in Hungary and with the headquarters in Vienna by sending them the regular PQR/Vintage report.

Portfolio overview - credit risks

Risk controlling uses the fair value of the assets for calculating the relevant exposure. From an accounting perspective, exposures are recorded based on the carrying amount.

In the course of 2019 total exposures related to the Bank's credit risks did not change significantly, but there was significant restructuring from off-balance sheet assets to on-balance sheet assets, and also among the various segments.

Forbearance

To comply with Sberbank principles, internal credit policies contain special requirements and standards related to restructuring.

We have reviewed and updated the current internal policies related to restructuring so that they fully comply with the requirements of the EBA and of Article 99 (4) of Regulation (EU) No. 575/2013 pertaining to reports on restructuring and non-performing exposures.

A **forborne exposure**[1] is a receivable originating from a transaction[2] for which the Bank gave a discount/concession in view of the debtor's financial difficulties. This can happen if the following two criteria are met:

[1] Restructured receivable according to Decree 39/2016 (X.11) of MNB

[2] According to Decree 39/2016 (X.11) of MNB the receivable: loans containing concession, provided to the obligor at the request of the debtor or obligor (hereinafter collectively: obligor) or the institution, purchased receivables and receivables stemming from other transactions considered cash loans or from other financial services, as well as commitments related to lending that may become a receivable based on the customer's decision (hereinafter collectively: receivable)

- The debtor experiences or might experience difficulties in meeting their financial obligations (they have "financial difficulties"), and
- The Bank and the debtor mutually agree on some discount/concession, which may be one of the following options:
    - The previous contractual terms are modified
    - The Bank or SBEU Group partly or completely refinances the outstanding transaction: the original contract is replaced (either in full or in part) by a contract structured in such a way that it can handle the risk more securely within the SBEU Group as the debtor was unable to fulfil the original conditions.
    - Activation of conditions previously laid down in the contract ("integrated forbearance clauses") based on the Bank's approval, which modify the contractual terms.

Based on the above, the purpose of granting discounts/concessions for clients is to enable them to return to a sustainable servicing of debt.

We classify restructured transactions into the following categories:

- performing restructured (including transactions during their probationary period and those cured from their non-performing status)
- non-performing restructured.

The following transactions are classified as performing:

- the exposure was performing prior to the restructuring, and
- the granted concession does not reclassify the transaction as non-performing.

An exposure previously classified as restructured has to meet the following conditions to be removed from the restructured status:

- **It should be classified as "performing":** the exposure must be considered as "performing" (including reclassification from "non-performing")
- **Minimum two-year probationary period must have elapsed:** at least 2 years have passed since the exposure last (in the case of multiple ratings) received the "performing forborne" or "forborne upgraded to performing" rating.
- **Debtor regularly paid repayment instalment during last year:** since the start of the second half of the probationary period (at the latest) the debtor has regularly paid a substantial part of the interest and principal debt.
- **Debtor has no arrears beyond 30 days:** none of the debtor's exposures is past due by more than 30 days at the end of the probationary period.

All of the conditions described above must be fulfilled simultaneously to terminate the restructured status of any exposure. Even if just one of the conditions is not met, the probationary period must be extended until the end of the next quarter. The restructured status of a non-performing exposure cannot be terminated.

Sberbank Hungary Ltd. data in HUF million

The following table presents SBHU's exposures classified as restructured as at 31 December 2019:

31.12.2019	performing forborne exposures	non-performing forborne exposures	Total forborne exposures
Loans and other commitments (excluding hft)	8 187	970	9 157
Loan promissory notes	1	0	1
Total	**8 188**	**970**	**9 158**

31.12.2018	performing forborne exposures	non-performing forborne exposures	Total forborne exposures
Loans and other commitments (excluding hft)	7 639	2 767	10 406
Loan promissory notes	118	0	118
Total	**7 757**	**2 767**	**10 524**

Non-performing loan portfolio (NPL)

The quality of the loan portfolio is protected by regular reviews and the continuous monitoring of credit exposure.

The purpose of the monitoring process is to:

- identify symptoms and threats
- carry out preventive activities to preserve the quality of the loan portfolio
- maximise recovery of the Bank's assets

The early recognition of risks is a key part of risk management and is aimed at avoiding or mitigating the Bank's expected credit loss. The sooner negative developments are identified and the more consistent the implemented solutions are, the more adequate the restructuring options will be and the more likely they will be successful.

If the monitoring process reveals signs about the borrower suggesting that the borrower may not be able to meet their contractual obligations and repay their loan, the transaction is forwarded to the Restructuring and Workout (RWO) Department.

Sherbank Hungary Ltd. data in HUF million

According to SBHU's internal policies, default occurs when the Bank observes one of the following events at the client:

Default events (non-retail clients)	
1	**Days past due** – A significant obligation of the borrower is past due for more than 90 days.
2	**Bankruptcy** – The Debtor, the Court or a third-party files for/initiates bankruptcy or a debt settlement procedure against the Debtor.
3	**Enforcement** – Enforcement proceedings are in progress against the Debtor.
4	**Liquidation** – The debtor is the subject of liquidation proceedings. The client is given a rating of 26.
5	**Non-performing restructuring** – If restructuring is due to the fact that the debtor is unable to meet their contractual financial obligations.
6	**Write-off** – The client's debts have been written off in part or in full.
7	**Sale** – The receivable had to be sold at a loss (with a significant credit-related economic loss).
8	**Impairment** – Impairment or general risk provision had to be recognised due to a deterioration in the loan quality.
9	**Default of money market transactions** – Decision to close an open position prematurely.
10	**Cross-default (bank group)** – The client's default vis-à-vis another member of the SBEU Group (SBAG and subsidiaries).
11	**Payment difficulties, expected cash flow problems** – The obligors will probably not be able to meet their payment obligations in view of their cash flow problems, resulting in a client default.
12	**Cross-default (client group)** – Default of a debtor group member.
13	**The debtor will probably not be able to meet their financial obligations in the future (Unlikeliness to pay – UTP)** – This category indicates some financial difficulties of the debtor and some "other" deterioration of the loan quality not covered by the other default categories.

Default events (retail clients)	
1	**Days past due** – A significant obligation of the borrower is past due for more than 90 days (according to Section 11.2.1.1. of the policy).
2	**Write-off** – The client's debts have been written off (with a significant, credit-related economic loss) according to Section 11.2.1.2.
3	**Sale** – The receivable had to be sold at a loss according to Section 11.2.1.3.
4	**Fraud** – Fraud committed by the client – confirmed by Compliance or the Fraud Committee as a fraud – resulting in a client default.
5	**Impairment** – individual or collective impairment or risk provision had to be recognised (for first time or repeatedly) due to a deterioration in the loan quality according to Section 11.2.1.8.
6	**Non-performing restructuring** – If restructuring is due to the fact that the debtor is unable to meet their contractual financial obligations.
7	**Probable cash flow problems** – The obligors will probably not be able to meet their payment obligations in view of cash flow problems, resulting in a client default.
8	**The debtor will probably not be able to meet their financial obligations in the future (Unlikeliness to pay – UTP)** – This category indicates some financial difficulties of the debtor and some "other" deterioration of the loan quality not covered by the other default categories.
9	**Cross default due to joint and several obligation** – The reason for the default is the default of the joint and several obligation. (Joint and several obligation: an exposure where two or more obligors have the joint and several liability to repay the loan (joint and several debtor) not including guarantees and guarantors.)

In case of the above mentioned events, the receivable is presented in stage 3.

The recovery from default starts, when there are no more default causer factors, meaning the customer does not breach any non-performing status trigger, 3 consecutive months before the start of the recovery. At the end of the recovery period, the receivable can be transferred from stage 3 to stage 2.

During the recovery period, it must be measured whether the customer can perform its liabilities or not.

The length of the recovery period for any of the default events depends on the frequency of the exposure's repayment:

Sberbank Hungary Ltd. data in HUF million

Frequency of repayment	Recovery period
Monthly	6 months
Quarterly	9 months
Half year	12 months
Yearly	24 months

If a customer has more deals with different payment schedules, the longest recovery period will be the standard.

In case of non-performing restructuring the followings must be fulfilled to reach recovery:

- the recovery starts when the restructuring takes action (refinancing concluded)
- the recovery period cannot be shorter than 12 month, counting from the last existing factor:
    - from the moment of the restructuring,
    - from the moment that the exposure was graded or become non-performing
    - if the restructuring contains grace period, the expiry of it.
    - in addition, the recovery period cannot be shorter, than that period during the debtor performs payment in a significant amount. A significant payment is the amount of a defaulted debt or a written off amount, if the debt was not default. Or the period, when the debtor performed the repayment of the restructuring obligation.

The table below shows the evolution of the non-performing loan portfolio for the financial years 2018 and 2019:

Client exposures (HUF)	31.12.2019	31.12.2018
NPL volume	14 915	26 024
NPL ratio	5,36%	10,62%

Impairment

The Bank's credit risk is the risk that the debtor of the loan causes a financial loss for the Bank by not meeting some of their credit-related obligations. To cover these losses, the Bank recognises impairment in line with the provisions of IFRS 9.

Also in line with the provisions of the standard, the Bank applies the expected loss model to determine the required amount of impairment and provisions, i.e. it takes into account the loss events that occurred after the initial recognition or that are expected to occur during the life of the exposure.

At the end of each month the Bank examines whether there is any objective evidence that a financial asset or group of financial assets may be impaired.

The following events may serve as objective evidence:

- Significant financial difficulty of the debtor
- The recovery of the loan is only probable by claiming the collateral securing the loan
- The debtor's obligations are past due for more than 90 days
- The loan had to be restructured, for example due to substantial changes in conditions, interest rate decreases, etc. (with the exception of changes driven by the market or due to technical reasons)
- The collateral value has substantially decreased and no other cash flows are available for the loan repayment
- The client is unwilling to cooperate, despite prevailing payment difficulties
- It is likely that bankruptcy proceedings or some other financial reorganisation will be

initiated against the borrower
- The client has no regular monthly income
- The client's rating has deteriorated to default or pre-default rating categories, etc.

Every credit exposure, on-balance sheet and off-balance sheet items must be taken into account when recognising impairment and provisions, irrespective of their credit ratings. This means the Bank not only rates the transactions where a significant deterioration in credit quality can be observed, or where the credit risk itself is high. The valuation covers every financial asset with the exception of assets measured at fair value through profit or loss.

Off-balance sheet exposures should be taken into account for calculating impairment and provisions depending on the likelihood of their drawdown. The Bank applies the CCF values permitted by the regulator based on the CRR to quantify this amount.

The Bank classifies its exposures into one of the stages defined by IFRS 9 (Stage 1, Stage 2, Stage 3 and POCI), taking account of their deterioration compared with the credit quality upon initial recognition, which also defines the method for recording impairment and provisions.

Significant increase in credit risk (SICR)

If a significant increase in credit risk is observed compared with the initial recognition of the financial asset, then the financial asset will be categorised into the Stage 2 category in line with the provisions of IFRS 9.

The Bank determines a significant increase in credit risk after considering several parameters together, during which it takes into account, among other things, the classification of the given transaction during regular monitoring, its current default and any restructuring, if applicable.

Signs observed when classifying exposures into Stage 2:

Classification criteria	Retail segment	Non-Retail segment
Monitoring status: red or black, or clients on watch list	Stage 2 (if data is available)	Stage 2
Rating 25	Stage 2	Stage 2
Forbearance flag	Stage 2	Stage 2
DPD > 30 days	Stage 2	Stage 2
SICR indicator: Significant increase in credit risk	Stage 2 (if reliable rating data is available)	Stage 2
Collective assessment (based on extraordinary decision supported by the Risk Committee and approved by the Board of Directors)	Stage 2 (at portfolio level, based on expert evaluation)	Stage 2 (at portfolio level, based on expert evaluation)

If both initial and current client rating information is available when evaluating a significant increase in credit risk, the deterioration of the rating by at least 7 notches in absolute terms is also taken into account as a factor indicating the significant increase in credit risk (SICR indicator).

For transactions without a rating an average rating was determined based on the data of the performing portfolio with a rating, and this value is reviewed at least on an annual basis.

We indicate low risk portfolios with internal rating grades 1 to 8. In their case, the SICR indicator is not taken into account when classifying them into stages. However, the Bank always examines the other criteria of Stage 2 classification for these transactions as well.

Transactions for which the Bank has already determined a significant increase in credit risk once can only be reclassified back from Stage 2 to Stage 1 if not a single factor indicating the significant increase in credit risk or indicating default exists with respect to the current cycle or the previous reporting cycle.

The Bank determines the need to recognise impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not significant individually. A threshold has been determined to differentiate exposures that are individually significant and not significant, which is based on the client's total exposure to the Bank. For recording impairment and provisions the Bank considers receivables to be individually significant where the total value of the client's on-balance sheet and off-balance-sheet exposures exceeds HUF 100 million. In addition, individual assessment is also performed for contingent liabilities due to litigated receivables and equity investments, as these are also managed individually. Moreover, irrespective of the above significance threshold, the Bank may classify any client/client group into the category to be assessed individually.

For individually significant exposures, the Bank uses the discounted cash flow (DCF) method to determine the required level of impairment and provisions. Accordingly, if objective evidence exists, the impairment loss is equivalent to the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. When calculating the present value of estimated future cash flows, the cash flows originating from any regular future income and cash flows that can be expected from enforcing collateral must always be included (reduced by the cost of acquiring and selling the collateral) depending on whether the Bank assumes a going concern or liquidation of the debtor.

In the going concern approach we assume that the client will repay the principal and the interest, so the debtor's economic difficulties are only temporary and they will be able to repay the exposure from the future cash flows of their core activities. By contrast, in the gone concern approach we assume that we can only collect the debt by enforcing the collateral.

When calculating collective impairment – contrary to the method described for recognising individual impairment – we estimate cash flows at portfolio level. In such cases, assets with similar credit risk characteristics are grouped into a given portfolio. Accordingly, cash flows can mostly be assessed in the given portfolio based on past experiences, taking account of their future evolution based on the lifetime component of the applied impairment models. Determining the appropriate risk parameters used for the calculation is crucially important when calculating collective impairment.

When determining future expected cash flows, some macroeconomic factors are also considered (for example: unemployment rate, net average wages, industrial output, GDP, etc.).

We estimate the difference between the carrying amount and future cash flows not only for the next 12 months but also with the LECL approach, meaning we quantify the expected loss resulting from a default event occurring during the lifetime of the financial instrument in the cases where the standard requires us to do so.

For exposures classified in Stage 1 the Bank uses the 12-month expected loss approach, while for exposures classified in Stage 2 and Stage 3 it uses the lifetime expected loss approach.

Sherbank Hungary Ltd. data in HUF million

We calculate the amount of impairment and provisions to be assessed collectively at the end of each month, and we recalculate it if any of the applied parameters changes significantly.

Sberbank Group has a uniform process for developing, verifying, approving and back-testing risk models in accordance with IFRS 9. The applied methodology and the assumptions are reviewed on an annual basis to reduce any possible difference between the losses recognised based on the assessment and the losses actually incurred.

Concentration risk

Concentration risks of receivables from customers in the balance sheet and memorandum accounts shown in the following tables are grouped by the risk factors listed as follows:

- customers' geographical region
- composition according to main currencies
- customers' industrial classification

The following tables show the on-balance and off-balance gross exposures broken-down by categories above.

Geographical concentration

Concentration of on-balance exposures from customers broken down by geographical region	31.12.2019				
	Domestic	Russia	EU	outside EU	Total
high grade	9 171	0	641	0	9 812
standard grade	140 848	175	12 183	4 189	157 395
average grade	80 818	16	196	816	81 846
below average grade	14 079	0	31	33	14 143
impaired	14 301	1	652	13	14 967
Total	**259 217**	**192**	**13 703**	**5 051**	**278 163**

Concentration of on-balance exposures from customers broken down by geographical region	31.12.2018				
	Domestic	Russia	EU	outside EU	Total
high grade	5 951	0	0	37	5 988
standard grade	77 220	138	8 597	2 078	88 033
average grade	104 030	44	6 636	37	110 747
below average grade	14 694	14	55	55	14 818
impaired	24 633	1	860	58	25 552
Total	**226 528**	**197**	**16 148**	**2 265**	**245 138**

Concentration of off-balance exposures from customers broken down by geographical region	31.12.2019				
	Domestic	Russia	EU	outside EU	Total
high grade	21 000	2 259	4 715	6	27 980
standard grade	51 351	2	1	18	51 372
average grade	19 712	2	2	2	19 718
below average grade	1 298	0	0	0	1 298
impaired	316	0	0	0	316
Total	**93 677**	**2 263**	**4 718**	**26**	**100 684**

Concentration of off-balance exposures from customers broken down by geographical region	31.12.2018				
	Domestic	Russia	EU	outside EU	Total
high grade	7 456	3 615	0	0	11 071

data in HUF million

standard grade	64 864	8 039	5 140	1 984	80 027
average grade	19 277	0	2	0	19 279
below average grade	2 402	0	0	0	2 402
impaired	1 030	0	0	0	1 030
Total	**95 029**	**11 654**	**5 142**	**1 984**	**113 809**

The Bank's activity focuses mainly on domestic customers, which has not changed in recent years. The vast majority of EU transactions consist of deals realized together with other members of the Group in the EU. Based on the fundamentals of the ownership of the Group, the risks to Russia also appear as part of the banking strategy, typically in the form of trade finance transactions.

Currency concentration

Concentration of on-balance exposures from customers broken down by currencies	31.12.2019					
	HUF	EUR	CHF	USD	Other	Total
high grade	7 331	2 481	0	0	0	9 812
standard grade	103 059	52 459	1 027	851	0	157 396
average grade	69 576	12 107	146	16	0	81 845
below average grade	13 815	179	128	22	0	14 144
impaired	9 877	1 821	3 261	6	1	14 966
Total	**203 658**	**69 047**	**4 562**	**895**	**1**	**278 163**

Concentration of on-balance exposures from customers broken down by currencies	31.12.2018					
	HUF	EUR	CHF	USD	Other	Total
high grade	5 192	759	0	37	0	5 988
standard grade	61 786	24 761	48	1 438	0	88 033
average grade	78 543	30 900	1 289	15	0	110 747
below average grade	14 059	537	171	51	0	14 818
impaired	19 722	1 920	3 903	6	1	25 552
Total	**179 302**	**58 877**	**5 411**	**1 547**	**1**	**245 138**

Concentration of off-balance exposures from customers broken down by currencies	31.12.2019					
	HUF	EUR	CHF	USD	Other	Total
high grade	19 962	8 012	0	6	0	27 980
standard grade	23 996	27 376	0	0	0	51 372
average grade	15 942	3 738	0	38	0	19 718
below average grade	1 298	0	0	0	0	1 298
impaired	75	241	0	0	0	316
Total	**61 273**	**39 367**	**0**	**44**	**0**	**100 684**

Concentration of off-balance exposures from customers broken down by currencies	31.12.2018					
	HUF	EUR	CHF	USD	Other	Total
high grade	6 391	4 680	0	0	0	11 071
standard grade	24 239	55 717	0	71	0	80 027
average grade	17 280	1 993	0	6	0	19 279
below average grade	2 098	304	0	0	0	2 402
impaired	793	237	0	0	0	1 030
Total	**50 801**	**62 931**	**0**	**77**	**0**	**113 809**

data in HUF million

The majority of the Bank's exposure to customers is denominated in HUF or EUR; there is a lesser degree of USD-based risk-taking; CHF exposures are remnants of old, gradually decreasing risk takings. The Bank strives to ensure the presence of the appropriate natural hedge in its foreign currency transactions and does not provide speculative foreign currency loans.

Industry concentration

Concentration of on-balance exposures from customers broken down industry	31.12.2019 high grade	standard grade	average grade	below average grade	impaired	Total
Agriculture, forestry and fishing	157	1 822	3 034	672	124	5 809
Mining and quarrying	35	0	0	0	0	35
Manufacturing	541	16 589	7 731	466	1 851	27 178
Electricity, gas, steam and air condition supply	0	6 611	498	146	63	7 318
Water supply	0	29	388	22	17	456
Construction	739	1 796	3 284	254	1 290	7 363
Wholesale and retail trade	3 632	12 777	12 369	1 100	1 300	31 178
Transport and storage	153	1 180	3 507	1 245	161	6 246
Accommodation and food service activities	135	1 208	2 889	274	115	4 621
Information and communication	146	13 203	2 259	104	38	15 750
Financial and insurance activities	472	1 578	1 607	129	19	3 805
Real estate activities	80	24 353	12 431	789	3 039	40 692
Professional, scientific and tech. activities	189	473	2 289	541	151	3 643
Administrative and support service activities	110	1 215	868	104	198	2 495
Public administration and defence, compulsory	1 314	1 139	0	0	0	2 453
Education	755	411	398	14	15	1 593
Human health services and social work act.	665	216	547	84	41	1 553
Arts, entertainment and recreation	334	9	151	140	63	697
Other services	353	53	370	168	31	975
Foreign organizations, bodies	0	0	0	0	0	0
Individuals	0	71 735	28 226	7 890	6 452	114 303
Total	**9 810**	**156 397**	**82 846**	**14 142**	**14 968**	**278 163**

Concentration of on-balance exposures from customers broken down industry	31.12.2018 high grade	standard grade	average grade	below average grade	impaired	Total
Agriculture, forestry and fishing	88	2 059	1 839	687	104	4 777
Mining and quarrying	0	0	6	0	0	6
Manufacturing	379	14 888	9 043	496	1 914	26 720
Electricity, gas, steam and air condition supply	0	6 644	538	4	59	7 245
Water supply	0	29	837	20	5	891
Construction	555	1 525	2 930	521	1 469	7 000
Wholesale and retail trade	3 363	6 579	14 128	1 810	2 007	27 887
Transport and storage	39	1 380	3 383	307	181	5 290
Accommodation and food service activities	102	66	3 147	173	91	3 579
Information and communication	129	3 661	13 349	83	111	17 333
Financial and insurance activities	37	1 147	482	163	12	1 841
Real estate activities	79	2 618	32 627	1 194	3 271	39 789
Professional, scientific and tech. activities	182	531	3 072	386	113	4 284
Administrative and support service activities	237	1 650	711	128	654	3 380
Public administration and defence, compulsory	0	2 782	0	17	0	2 799
Education	798	738	415	19	19	1 989

data in HUF million

Human health services and social work act.	0	218	737	49	288	1 292
Arts, entertainment and recreation	0	32	159	67	59	317
Other services	0	26	440	102	20	588
Foreign organizations, bodies	0	0	0	0	0	0
Individuals	0	41 460	22 904	8 592	15 175	88 131
Total	**5 988**	**88 033**	**110 747**	**14 818**	**25 552**	**245 138**

	31.12.2019					
Concentration of off-balance exposures from customers broken down industry	**high grade**	**standard grade**	**average grade**	**below average grade**	**impaired**	**Total**
Agriculture, forestry and fishing	100	280	1 117	215	1	1 713
Mining and quarrying	1	0	0	0	0	1
Manufacturing	809	6 825	1 432	74	74	9 214
Electricity, gas, steam and air condition supply	0	0	2 726	5	0	2 731
Water supply	0	31	36	0	0	67
Construction	11 069	12 393	4 928	111	241	28 742
Wholesale and retail trade	7 089	17 384	3 731	196	0	28 400
Transport and storage	3 489	411	1 457	42	0	5 399
Accommodation and food service activities	57	700	187	57	0	1 001
Information and communication	207	515	352	155	0	1 229
Financial and insurance activities	4 068	830	7	0	0	4 905
Real estate activities	80	8 748	310	286	0	9 424
Professional, scientific and tech. activities	644	1 242	2 064	78	0	4 028
Administrative and support service activities	121	680	455	15	0	1 271
Public administration and defence, compulsory	100	0	0	0	0	100
Education	0	2	46	0	0	48
Human health services and social work act.	72	40	127	4	0	243
Arts, entertainment and recreation	5	0	46	8	0	59
Other services	4	36	55	1	0	96
Foreign organizations, bodies	6	0	0	0	0	6
Individuals	60	1 252	645	50	0	2 007
Total	**27 981**	**51 369**	**19 721**	**1 297**	**316**	**100 684**

	31.12.2018					
Concentration of off-balance exposures from customers broken down industry	**high grade**	**standard grade**	**average grade**	**below average grade**	**impaired**	**Total**
Agriculture, forestry and fishing	67	216	792	139	0	1 214
Mining and quarrying	0	0	30	0	0	30
Manufacturing	248	7 189	1 603	142	199	9 381
Electricity, gas, steam and air condition supply	0	0	2 147	0	0	2 147
Water supply	0	0	34	11	0	45
Construction	4 380	14 954	3 535	143	697	23 709
Wholesale and retail trade	2 003	37 420	3 744	235	0	43 402
Transport and storage	176	5 228	761	52	0	6 217
Accommodation and food service activities	106	91	198	59	0	454
Information and communication	186	2 218	422	11	0	2 837
Financial and insurance activities	3 645	1 852	3	0	2	5 502
Real estate activities	1	184	1 452	285	129	2 051
Professional, scientific and tech. activities	139	8 936	3 257	73	0	12 405
Administrative and support service activities	90	228	507	160	0	985
Public administration and defence, compulsory	0	700	0	2	0	702
Education	0	0	57	0	0	57
Human health services and social work act.	0	43	123	1	0	167
Arts, entertainment and recreation	0	1	50	8	0	59

data in HUF million

Other services	0	11	58	0	0	69
Foreign organizations, bodies	0	0	0	0	0	0
Individuals	30	756	506	1 081	3	2 376
Total	**11 071**	**80 027**	**19 279**	**2 402**	**1 030**	**113 809**

The sectoral distribution of the Bank's risk exposures corresponds to the market average; mainly finances sectors with typically high need for financing (real estate, trade, manufacturing) with loans; off-balance sheet transactions are dominating in trade sectors (trade finance) and in the real estate market (guarantee schemes).

6.11.4 Operational risk

The risk of incurring losses due to errors or non-compliance of internal procedures (processes), staff or systems and the risk of incurring losses due to external events are considered operational risks. The Sberbank Europe Group and so Sberbank Hungary as well use the standardised measurement method based on gross business line revenues to determine the capital requirement for operational risk.

Within the Sberbank Europe Group, risk management comprises the following processes in general: risk identification; measurement and evaluation of risk exposures; ensuring appropriate capital monitoring and planning; taking appropriate measures to control and mitigate risks. Operational risks are measured both quantitatively and qualitatively (for example: collection of loss data, monitoring external loss events, risk self-assessments, monitoring risk-mitigating measures).

The most important component of the 3-layer defence line is the operational risk manager (Business Line Operational Risk Managers (BLORMs)). The main methodology components are (also) determined centrally with the involvement of the parent bank, but the identification of risks and problems within the various areas is decentralised through the BLORMs and they are also responsible for checking the implementation of risk-mitigating measures.

In 2019 the Bank mainly fine-tuned its risk measurement methods (in particular, the methods used for risk evaluation) and improved the quality of internal loss data collection, it regularly monitored the operation of internal controls and developed its capital calculation procedure under Pillar II (ICAAP).

In the future, operational risk management will focus on the following activities:

- continuous development of risk evaluation methodology
- continuous development of internal controls
- development of outsourcing processes
- monitoring of internal capital requirement
- improving the quality of loss data and developing data collection practices

A monthly report is prepared and submitted to the Risk Committee about operational risk losses, risk evaluation results and the implementation of internal controls, as well as about the utilisation of internal limits determined with respect to operational risk appetite.

Operational risk losses can be classified into one of the following main categories:

- Internal fraud: an intentional action where at least one internal party was involved.
- External fraud: losses stemming from the intentional activity of a third party alone, aimed at fraud, misappropriation or the evasion of legal regulations
- Employer practice and occupational safety: losses incurred due to the violation of employer, healthcare or occupational safety requirements; losses stemming from

individual litigated claims related to labour law; losses caused by social or cultural discrimination

- Client, business practice, marketing and product policy: losses resulting from unintentional or negligent breach of professional obligations vis-à-vis clients (including confidence or professional requirements) or losses stemming from product features or product design
- Losses affecting tangible assets: depreciation caused by natural disasters or other events
- Business disruption and system failures: losses stemming from business disruption or the shutdown or failure of production systems
- Execution, performance and process management: damage caused by the incorrect processing of transactions or the management of processes related to commercial clients and suppliers

6.12 Approval for issue

The general meeting of the Bank will approve the annual financial statements for issue on 30 April 2020.

Budapest, 21 April 2020

Richard Szabó
Chairman - CEO

Éva Tudisoóné Gyöngyösy
CFO