

Sberbank Magyarország Zrt.

Annual financial statements

31 December 2016

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Független Könyvvizsgálói Jelentés

A Sberbank Magyarország Zrt. részvényesei részére

Vélemény

Elvégeztük a Sberbank Magyarország Zrt. ("Társaság") mellékelt 2016. évi éves beszámolójának a könyvvizsgálatát, amely éves beszámoló a 2016. december 31-i fordulónapra elkészített mérlegből - melyben az eszközök és források egyező végösszege 360.830 millió Ft, a tárgyévi eredmény 5.730 millió Ft veszteség -, az ezen időponttal végződő évre vonatkozó eredménykimutatásból, valamint a számviteli politika jelentős elemeinek összefoglalását is tartalmazó kiegészítő mellékletből áll.

Véleményünk szerint az éves beszámoló megbízható és valós képet ad a Sberbank Magyarország Zrt. 2016. december 31-én fennálló vagyoni és pénzügyi helyzetéről valamint az ezen időponttal végződő pénzügyi évre vonatkozó jövedelmi helyzetéről a Számvitelről szóló 2000. évi C. törvényben („számviteli törvény”) foglaltakkal összhangban.

A vélemény alapja

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

Az éves beszámoló általunk végzett könyvvizsgálatára vonatkozó, Magyarországon hatályos etikai követelményeknek megfelelően, függetlenek vagyunk a Társaságtól, és ugyanezen etikai követelményekkel összhangban eleget tettünk egyéb etikai felelősségeinknek is.

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

Egyéb információk

Az egyéb információk a Sberbank Magyarország Zrt. 2016. évi üzleti jelentéséből állnak. A vezetés felelős az üzleti jelentésnek a számviteli törvény, illetve egyéb más jogszabály vonatkozó előírásaival összhangban történő elkészítéséért. A jelentésünk „Vélemény” szakaszában az éves beszámolóra adott véleményünk nem vonatkozik az üzleti jelentésre.

Az éves beszámoló általunk végzett könyvvizsgálatával kapcsolatban a mi felelősségünk az üzleti jelentés átolvasása és ennek során annak mérlegelése, hogy az üzleti jelentés lényegesen ellentmond-e az éves beszámolónak vagy a könyvvizsgálat során szerzett ismereteinknek, vagy egyébként úgy tűnik-e, hogy az lényeges hibás állítást tartalmaz.

Az üzleti jelentéssel kapcsolatban, a számviteli törvény alapján a mi felelősségünk továbbá az üzleti jelentés átolvasása során annak a megítélése, hogy az üzleti jelentés a számviteli törvény, illetve, ha van, egyéb más jogszabály vonatkozó előírásaival összhangban készült-e.

Véleményünk szerint a Sberbank Magyarország Zrt. 2016. évi üzleti jelentése összhangban van a Sberbank Magyarország Zrt. 2016. évi éves beszámolójával és az üzleti jelentés a számviteli törvény előírásaival összhangban készült.

Mivel egyéb más jogszabály a Társaság számára nem ír elő az üzleti jelentésre vonatkozó további követelményeket, ezért ezzel kapcsolatban az üzleti jelentésre vonatkozó véleményünk nem tartalmaz a számviteli törvény 156.§ (5) bekezdésének h) pontjában előírt véleményt.

A fentiekén túl a Társaságról és annak környezetéről a könyvvizsgálat során megszerzett ismereteink alapján jelentést kell tennünk arról, hogy a tudomásunkra jutott-e bármely lényegesnek tekinthető hibás közlés (lényeges hibás állítás) az üzleti jelentésben, és ha igen, akkor a szóban forgó hibás közlés (hibás állítás) milyen jellegű. Ebben a tekintetben nincs jelenteni valónk.

A vezetés és az irányítással megbízott személyek felelőssége az éves beszámolóért

A vezetés felelős az éves beszámoló elkészítéséért és a valós bemutatásáért a számviteli törvényben foglaltakkal összhangban, valamint az olyan belső kontrollokért, amelyeket a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő, lényeges hibás állításoktól mentes éves beszámoló elkészítése.

Az éves beszámoló elkészítése során a vezetés felelős azért, hogy felmérje a Társaságnak a vállalkozás folytatására való képességét és az adott helyzetnek megfelelően közzétegye a vállalkozás folytatásával kapcsolatos információkat, valamint a vezetés felel a vállalkozás folytatásának elvén alapuló számvitel éves beszámolóban való alkalmazásáért, azt az esetet kivéve, ha a vezetésnek szándékában áll megszüntetni a Társaságot vagy beszüntetni az üzletszerű tevékenységet, vagy amikor ezen kívül nem áll előtte más reális lehetőség.

Az irányítással megbízott személyek felelősek a Társaság pénzügyi beszámolási folyamatának felügyeletéért.

A könyvvizsgálónak az éves beszámoló könyvvizsgálatáért való felelőssége

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

Egy, a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban elvégzésre kerülő könyvvizsgálatnak a részeként szakmai megítélést alkalmazunk, és szakmai szkepticizmust tartunk fenn a könyvvizsgálat egésze során. Emellett:


- ▶ Azonosítjuk és felbecsüljük az éves beszámoló akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, az ezen kockázatok kezelésére alkalmas könyvvizsgálati eljárásokat alakítunk ki és hajtunk végre, valamint véleményünk megalapozásához elegendő és megfelelő könyvvizsgálati bizonyítékot szerzünk. A csalásból eredő lényeges hibás állítás fel nem tárásának kockázata nagyobb, mint a hibából eredőé, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását.
- ▶ Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálati eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Társaság belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- ▶ Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.
- ▶ Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló számvitel alkalmazása, valamint a megszerzett könyvvizsgálati bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel a Társaság vállalkozás folytatására való képességét illetően. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívnunk a figyelmet az éves beszámolóban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősítenünk kell véleményünket. Következtetéseink a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálati bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy a Társaság nem tudja a vállalkozást folytatni.

- ▶ Értékeljük az éves beszámoló átfogó prezentálását, felépítését és tartalmát, beleértve a kiegészítő mellékletben tett közzétételeket, valamint értékeljük azt is, hogy az éves beszámolóban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.

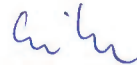
Kommunikáljuk az irányítással megbízott személyek felé - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve a Társaság által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is.

Ezen felül az irányítással megbízott személyek felé nyilatkozunk arról, hogy megfeleltünk a függetlenségünkre vonatkozó releváns etikai előírásoknak, és kommunikálunk feléjük minden olyan kapcsolatot és egyéb ügyet, amely ésszerű megfontolás mellett érintheti a függetlenségünket, valamint, ahol releváns, a kapcsolódó óvintézkedéseket is.

Budapest, 2017. április 28.



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Nyilvántartásba-vételi szám: 001165



Szabó Gergely
Kamarai tag könyvvizsgáló
Kamarai tagsági szám: 005676

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Sberbank Magyarország Zrt.

Opinion

We have audited the accompanying 2016 annual financial statements of Sberbank Magyarország Zrt. ("the Company"), which comprise the balance sheet as at 31 December 2016 - showing a balance sheet total of HUF 360,830 million and a loss for the year of HUF 5,730 million -, the related profit and loss account for the financial 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 equity and financial position of Sberbank Magyarország Zrt. as at 31 December 2016 and of the results of its operations for the financial year then ended in accordance with the Act C of 2000 on Accounting ("Hungarian Accounting Law").

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. 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 ethical requirements that are relevant to our audit of the annual financial statements in Hungary, and we have fulfilled our 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.

Other information

Other information consists of the 2016 business report of Sberbank Magyarország Zrt. 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 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.

Concerning the business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

In our opinion, the business report of Sberbank Magyarország Zrt. for 2016 corresponds the 2016 annual financial statements of Sberbank Magyarország Zrt. and has been prepared in accordance with the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, our opinion on the business report does not include opinion in this regard as required by Subsection (5) h) of Section 156 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 Hungarian Accounting Law, 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 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, 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.

Budapest, 28 April 2017

(The original Hungarian language version has been signed.)

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Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

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Statistical number

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Registration number

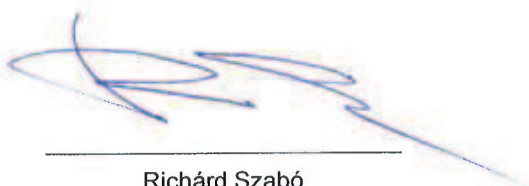
SBERBANK HUNGARY private company limited by shares

H-1088 Budapest, Rákóczi út 7.

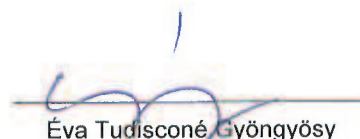
Tel.: 06-1-328-6666

Annual financial statements for 2016

Date: Budapest, 28 April 2017



Richárd Szabó
Chairman - CEO
Sberbank Hungary Ltd.



Éva Tudisconé Gyöngyösy
CFO
Sberbank Hungary Ltd.

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SBERBANK HUNGARY LTD.

Balance Sheet Assets

31 December 2016

Data in MHUF

Description	Previous year	Current year
1. Liquid assets	52,193	27,343
2. Government securities	45,200	55,773
<i>a) held for trading</i>	<i>24,205</i>	<i>8,455</i>
<i>b) for investment purposes</i>	<i>20,995</i>	<i>47,318</i>
2.A Valuation difference on government securities	52	218
3. Receivables from credit institutions	74,427	73,245
<i>a) repayable on demand</i>	<i>17,912</i>	<i>12,934</i>
<i>b) other receivables in connection with financial services</i>	<i>53,919</i>	<i>51,984</i>
<i>ba) due within one year</i>	<i>28,228</i>	<i>44,927</i>
Of which: - subsidiaries	13,073	41,990
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	-	-
- clearing houses	-	-
<i>bb) due more than one year</i>	<i>25,691</i>	<i>7,057</i>
Of which: - subsidiaries	7,704	7,020
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	-	-
- clearing houses	-	-
<i>c) in connection with investment services</i>	<i>2,596</i>	<i>8,327</i>
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- clearing houses	-	-
3.A Valuation difference on receivables from credit institutions	-	-
4. Receivables from customers	197,449	194,450
<i>a) in connection with financial services</i>	<i>197,445</i>	<i>194,412</i>
<i>aa) due within one year</i>	<i>63,158</i>	<i>58,221</i>
Of which: - subsidiaries	761	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
<i>ab) due more than one year</i>	<i>134,287</i>	<i>136,191</i>
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
<i>b) in connection with investment services</i>	<i>4</i>	<i>38</i>
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
<i>ba) receivables in connection with investment services on the stock exchange</i>	<i>-</i>	<i>-</i>
<i>bb) receivables in connection with investment services outside the stock exchange (OTC)</i>	<i>4</i>	<i>-</i>
<i>bc) receivables from customers in connection with investment services</i>	<i>-</i>	<i>38</i>
<i>bd) claims from clearing houses</i>	<i>-</i>	<i>-</i>
<i>be) receivables in connection with other investment services</i>	<i>-</i>	<i>-</i>
4.A Valuation difference on receivables from customers	-	-
5. Debt securities, including fixed-income securities	1,330	1,455
<i>a) issued by local municipalities and other public bodies (not including treasury bills and similar securities)</i>	<i>-</i>	<i>-</i>
<i>aa) held for trading</i>	<i>-</i>	<i>-</i>
<i>ab) for investment purposes</i>	<i>-</i>	<i>-</i>
<i>b) securities issued by other borrowers</i>	<i>1,330</i>	<i>1,455</i>
<i>ba) held for trading</i>	<i>1,330</i>	<i>1,455</i>
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- repurchased own shares	1,330	1,455
<i>bb) for investment purposes</i>	<i>-</i>	<i>-</i>
Of which: - issued by subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- issued by affiliated companies	-	-
5.A Valuation difference on debt securities	-	-

SBERBANK HUNGARY LTD.

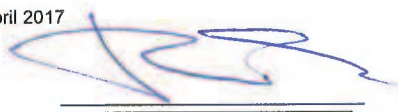
Balance Sheet Assets

31 December 2016

Data in MHUF

Description	Previous year	Current year
6. Shares and other variable-yield securities	-	-
a) shares and participations held for trading	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
b) variable-yield securities	-	-
ba) held for trading	-	-
bb) for investment purposes	-	-
6./A Valuation difference on shares and other variable-yield securities	-	-
7. Shares and participations for investment purposes	81	300
a) shares and participations for investment purposes	81	300
of which: - shares in financial institutions	67	67
b) revaluation of shares and participations for investment purposes	-	-
of which: - shares in financial institutions	-	-
7./A Valuation difference on shares and participations for investment purposes	-	-
8. Shares and participations in affiliated companies	548	143
a) shares and participations for investment purposes	548	143
of which: - shares in financial institutions	-	-
b) revaluation of shares and participations for investment purposes	-	-
of which: - shares in financial institutions	-	-
9. Intangible assets	1,621	1,332
a) intangible assets	1,621	1,332
b) revaluation of intangible assets	-	-
10. Tangible assets	2,253	1,693
a) tangible assets for financial and investment services	2,253	1,693
aa) land and buildings	1,780	1,313
ab) machinery, equipment, fittings, fixtures and vehicles	461	374
ac) construction-in-progress	12	6
ad) prepayments on construction-in-progress	-	-
b) tangible assets not directly used for financial and investment services	-	-
ba) land and buildings	-	-
bb) machinery, equipment, fittings, fixtures and vehicles	-	-
bc) construction-in-progress	-	-
bd) prepayments on construction-in-progress	-	-
c) revaluation of tangible assets	-	-
11. Own shares	-	-
12. Other assets	358	543
a) inventories	24	44
b) other receivables	334	499
Of which: - subsidiaries	1	6
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
12./A Valuation difference on other assets	-	-
12./B Positive valuation difference on derivatives	1,717	1,139
13. Prepaid expenses and accrued income	2,216	3,196
a) accrued income	1,640	2,609
b) prepaid expenses	317	331
c) accrued payables	259	256
Total assets	379,445	360,830
Of which: - CURRENT ASSETS		
[1 + 2.a) + 3.a) + 3.ba) + 3.c) + 4.aa) + 4.b) + 5.aa) + 5.ba) + 6.a) + 6.ba) + 11 + 12 + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining to the previous items]	190,375	163,464
[1 + 2.a) + 3.a) + 3.ba) + 3.c) + 4.aa) + 4.b) + 5.aa) + 5.ba) + 6.a) + 6.ba) + 11 + 12 + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining to the previous items]		
- FIXED ASSETS		
[2.b) + 3.bb) + 4.ab) + 5.ab) + 5.bb) + 6.bb) + 7 + 8 + 9 + 10 + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 7/A, 12/A and 12/B as pertaining to the previous items]	186,853	194,170
[2.b) + 3.bb) + 4.ab) + 5.ab) + 5.bb) + 6.bb) + 7 + 8 + 9 + 10 + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 7/A, 12/A and 12/B as pertaining to the previous items]		

Date: Budapest, 28 April 2017



Richard Szabó
Chairman - CEO
Sberbank Hungary Ltd.



Éva Tudiádoné Gyöngyösi
CFO
Sberbank Hungary Ltd.

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SBERBANK HUNGARY LTD.

Balance Sheet Liabilities
31 December 2016

Data in MHUF

Description	Previous year	Current year
1. Liabilities to credit institutions	82,099	67,247
<i>a) repayable on demand</i>	1,170	1,639
<i>b) with agreed maturity dates or periods of notice in connection with financial services</i>	80,929	62,541
ba) due within one year	8,975	31,290
Of which: - subsidiaries	-	24,600
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	6,789	4,949
- clearing houses	-	-
bb) due more than one year	71,954	31,251
Of which: - subsidiaries	24,597	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	19,936	21,560
- clearing houses	-	-
<i>c) in connection with investment services</i>	-	3,067
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- clearing houses	-	-
1/A. Valuation difference on liabilities to credit institutions	-	-
2. Amounts owed to customers	227,449	218,877
<i>a) savings deposits</i>	9	8
aa) repayable on demand	-	-
ab) due within one year	9	8
ac) due more than one year	-	-
<i>b) other liabilities in connection with financial services</i>	227,387	218,801
ba) repayable on demand	117,664	136,524
Of which: - subsidiaries	176	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
bb) due within one year	104,448	65,150
Of which: - subsidiaries	196	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
bc) due more than one year	5,275	17,127
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
<i>c) in connection with investment services</i>	53	68
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
ca) liabilities in connection with investment services on the stock exchange	-	-
cb) liabilities in connection with investment services outside the stock exchange (OTC)	-	-
cc) liabilities to customers in connection with investment services	53	68
cd) liabilities to clearing houses	-	-
ce) liabilities in connection with other investment services	-	-
2/A. Valuation difference on amounts owed to customers	-	-
3. Issued bonds and other interest-bearing securities	5,547	5,517
<i>a) Issued bonds</i>	5,547	5,517
aa) due within one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
ab) due more than one year	5,547	5,517
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
<i>b) other debt securities issued</i>	-	-
ba) due within one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
bb) due more than one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-

SBERBANK HUNGARY LTD.

Balance Sheet Liabilities
31 December 2016

Data in MHUF

Description	Previous year	Current year
c) debt instruments treated as securities for accounting purposes, which are not recognized as debt securities under the Capital Markets Act	-	-
ca) due within one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
cb) due more than one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
4. Other liabilities	11,365	2,799
a) due within one year	11,365	2,799
Of which: - subsidiaries	9,620	237
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- other contributions received from members in respect of co-operative credit institutions	-	-
b) due more than one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
4/A. Negative valuation difference on derivatives	292	1,419
5. Accrued expenses and deferred income	2,640	3,090
a) deferred revenue	-	119
b) accrued expenses	2,609	2,946
c) deferred income	31	25
6. Provisions	1,154	725
a) provisions for pension and severance pay	-	-
b) provisions for contingent liabilities and for (future) commitments	762	407
c) general risk provisions	-	-
d) other provisions	392	318
7. Subordinated liabilities	16,995	21,008
a) subordinated loan	16,995	21,008
Of which: - subsidiaries	16,995	21,008
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
b) other contributions received from members in respect of co-operative credit institutions	-	-
c) other subordinated liabilities	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- to other companies	-	-
8. Subscribed capital	37,268	3,727
Of which: - repurchased own shares on nominal value	-	-
9. Subscribed but unpaid capital (-)	-	-
10. Capital reserve	74,745	88,362
a) share premium	73,855	87,472
b) other	890	890
11. General reserve	-	-
12. Profit reserve (±)	-68,924	-46,658
13. Tied-up reserves	-	-
14. Valuation reserve	91	447
a) revaluation reserve on value adjustments	-	-
b) fair value reserve	91	447
15. Net profit (loss) for the year	-11,276	-5,730
Total liabilities	379,445	360,830
Of which: - SHORT-TERM LIABILITIES [1.a)+1.ba)+1.c)+1/A+2.aa)+2.ab)+2.ba)+2.bb)+2.c)+2/A+3.aa)+3.ba)+3.ca)+4.a)+4/A]	243,976	232,954
- LONG-TERM LIABILITIES [1.bb)+2.ac)+2.bc)+3.ab)+3.bb)+3.cb)+4.b)+7]	99,771	83,913
- EQUITY (8-9+10+11+12+13+14+15)	31,904	40,148

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SBERBANK HUNGARY LTD.

Balance Sheet Liabilities
31 December 2016

Off-balance sheet receivables	410,921	360,688
1. Contingent assets	254,782	215,670
2. Future receivables	156,139	145,018
Off-balance sheet liabilities	251,455	231,982
1. Contingent liabilities	96,129	87,382
2. Commitments	155,326	144,600

Date: Budapest, 28 April 2017


Richárd Szabó
Chairman - CEO
Sberbank Hungary Ltd.


Éva Tudi
CFO
Sberbank Hungary Ltd.

SBERBANK HUNGARY LTD.

Income Statement
31 December 2016

Data in MHUF

Description	Previous year	Current year
1. Interest received and similar income	11,805	10,051
a) interest received and similar income from fixed-income securities	757	1,802
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
b) other interest received and similar income	11,048	8,249
Of which: - subsidiaries	287	351
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
2. Interest paid and similar expenses	3,560	1,885
Of which: - subsidiaries	382	635
- to other companies linked by virtue of participating interests	-	-
- significant owned enterprises with participating interest	-	-
Interest margin (1-2)	8,245	8,166
3. Income from securities	38	35
a) income from shares and participations held for trading (dividends and profit-sharing)	-	-
b) income from participating interests in affiliated companies (dividends and profit-sharing)	-	-
c) income from significant owned enterprises with participating interest (dividends and profit-sharing)	-	-
d) income from other securities (dividends and profit-sharing)	38	35
4. Commission and fee income	6,923	6,817
a) in connection with other financial services	6,899	6,797
Of which: - subsidiaries	1	28
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
b) in connection with investment services (excluding trading activities)	24	20
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
5. Commission and fee expenses	3,702	2,961
a) in connection with other financial services	3,702	2,961
Of which: - subsidiaries	1,428	1,367
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
b) in connection with investment services (excluding trading activities)	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
6. Net financial profit [6.a)-6.b)+6.c)-6.d)]	83	471
a) income on other financial services	934	2,355
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- valuation difference	-	-
b) expense on other financial services	187	448
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- valuation difference	-	-
c) income on investment services (income from trading activities)	1,553	1,112
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- release of impairment on securities held for trading	684	228
d) expense on investment services (expense from trading activities)	2,217	2,548
Of which: - subsidiaries	26	37
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- impairment on securities held for trading	-	-
- valuation difference	776	1,305
7. Other income from business activities	12,896	4,127
a) income from non-financial and non-investment services	96	71
Of which: - subsidiaries	4	3
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-

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SBERBANK HUNGARY LTD.

Income Statement
31 December 2016

Data in MHUF

Description	Previous year	Current year
b) other income	12,800	4,056
Of which: - subsidiaries	280	442
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- release of impairment on inventories	-	-
8. General administrative costs	10,699	10,059
a) staff costs	5,941	5,801
aa) wages and salaries	4,333	4,291
ab) other employee benefits	247	223
Of which: - social security costs	-	-
= pension related costs	-	-
ac) contributions on wages and salaries	1,361	1,287
Of which: - social security costs	1,168	1,130
= pension related costs	-	-
b) other administrative expenses (materials and supplies)	4,758	4,258
9. Depreciation	1,337	1,226
10. Other expense on business activities	19,689	8,582
a) Expenses on non-financial and investment services	96	71
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
b) other expenses	19,593	8,511
Of which: - subsidiaries	279	-
- significant owned enterprises with participating interest	-	-
- to other companies linked by virtue of participating interests	-	-
- impairment on inventories	-	-
11. Impairment on loans and advances and provision for contingent liabilities and for (future) commitments	8,937	8,354
a) impairment on loans and advances	8,614	8,252
b) provision for contingent liabilities and for (future) commitments	323	102
12. Reversal of impairment on loans and advances and release of provision for contingent liabilities and for (future) commitments	8,407	5,971
a) reversal of impairment on loans and advances	8,234	5,513
b) release of provision for contingent liabilities and for (future) commitments	173	458
12./A Difference on creation and usage of general risk provisions	-	-
13. Impairment on debt securities held for investment purposes, and on shares and participations in subsidiaries and affiliated companies	3,520	141
14. Reversal of impairment on debt securities held for investment purposes, and on shares and participations in subsidiaries and affiliated companies	16	6
15. Profit or loss from ordinary activities	-11,276	-5,730
Of which: - PROFIT OR LOSS ON FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5+6+7.b)-8-9-10.b)-11+12-13+14)	-11,276	-5,730
- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES (7.a)-10.a)	-	-
16. Extraordinary income	-	-
17. Extraordinary expenses	-	-
18. Net profit (loss) of extraordinary items (16-17)	-	-
19. Profit before tax (+15+18)	-11,276	-5,730
20. Income tax	-	-
21. Profit after tax (+19-20)	-11,276	-5,730
22. Charge and release of general reserves (±)	-	-
23. Net profit (loss) for the year (+21-/+22)	-11,276	-5,730

Date: Budapest, 28 April 2017

Richárd Szabó
Chairman - CEO
Sberbank Hungary Ltd.

Eva Tüdiscsóné Gyöngyösi
CEO
Sberbank Hungary Ltd.

SBERBANK Hungary
private company limited by shares

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL PART

1.1. Sberbank Hungary Ltd.

Sberbank Hungary Ltd. started operating on 27 August 1993 as 'Magyarországi Volksbank Zrt.' with an issued capital of HUF 1.000 million and with Österreichische Volksbanken AG (ÖVAG) as its sole owner. 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 the majority shareholder of the Bank now is a subsidiary of the Russian Sberbank. As of 5 November 2012, our parent bank's new name is Sberbank Europe AG.

As of 1 November 2013, the Bank's new name is Sberbank Hungary Ltd.

Since its foundation, the Bank's issued capital has been increased several of times.

Both at 31 December 2014 and 31 December 2015, the Bank's issued capital totalled HUF 37,268 million. On 31 December 2015, the Bank's majority shareholder, Sberbank Europe AG, made a capital injection which was registered by the Companies Court after the balance sheet date at 12 January 2016. As a result of the capital injection, the Bank's issued capital increased to HUF 37,269 million as of the same date, and the remaining part of the capital injection from share premium (HUF 9,427.5 million) was posted to capital reserve.

After the capital increase, the meeting of the shareholders at 20 January 2016 decided to reduce the share capital by HUF 33,542.1 thousand by cutting the face value of the shares from HUF 1 million to HUF 100,000 and the capital reduction was used to increase retained earnings.

The capital reduction was registered by the Companies Court on 3 May 2016. At their next, extraordinary meeting on 15 June 2016, the shareholders decided to increase the share capital of HUF 3,726.9 million by issuing one ordinary share of HUF 100,000 face value. The value of the share upon issuance was HUF 4,189,725 thousand and the amount over its face value was posted to capital reserve as share premium. This capital increase was registered by the Companies Court on 11 July 2016.

The Bank's issued capital as at 31 December 2016 registered at the Companies Court comprised 37,270 printed ordinary shares each with a nominal value of HUF 100,000 (that is one hundred thousand Hungarian forints). The capital reserve totalled HUF 88,362 million.

NOTES TO THE FINANCIAL STATEMENTS

Ownership structure and the breakdown of shares as at 31 December 2016:

Shareholder	Number of ordinary shares (pcs)	Voting share (%)	Total number of shares (darab)	Ownership ratio (%)
Sberbank Europe AG AT 1010 Wien Schwarzenberplatz 3.	36,870	99	36,870	99
Türkiye Halk Bankasi TU 06240 Ankara Eskisehir Yolu 2. Cadde No: 63, Söğütözü	400	1	400	1
Total:	37,270	100	37,270	100

Details of Sberbank Hungary Ltd.:

- Registered office: 1088 Budapest, Rákóczi út 7.
- Company registration number: 01-10-041720
- Tax ID: 10776999-2-44
- Statistical code: 10776999-6419-114-01
- Central bank account number: 19017004-00201414
- Website: www.sberbank.hu

Sberbank Hungary Ltd. is authorised to perform the following activities:

TEÁOR number (Standard Sector Classification of Business Activities):

- 6419 '08 Other monetary consignment services (core activity)
- 6492 '08 Other lending
- 6499 '08 Other financial consignment services not classified otherwise
- 6612 '08 Securities and commodities brokerage activity
- 6619 '08 Other services supplementing financial activities
- 6622 '08 Insurance agency and brokerage activity
- 6629 '08 Other auxiliary insurance and pension related services

NOTES TO THE FINANCIAL STATEMENTS

According to subsection 3(1) of the bank act, financial services include the following financial activities carried out in Hungarian forint or in foreign currencies:

- collecting deposits and accepting other repayable financial assets from the public
- granting loans and borrowings (lending)
- financial leasing
- financial transactions
- issuing electronic money
- issuing paper-based cash equivalents (such as printed travel cheques and bills) and provision of related services other than financial transactions
- undertaking guarantees and other bank obligations
- own account and consignment activities with foreign currencies (other than currency exchange), and with bills and cheques
- acting as an intermediary of financial services
- deposit and vault services
- loan reporting services, and
- buying debt

According to subsection 3(2) of the bank act, the Bank's auxiliary financial activities comprise the performance of the following activities in Hungarian forint or in foreign currencies:

- currency exchange
- operating a payment system
- money processing
- financial brokering on the interbank market
- issuing marketable bills

According to subsection 5(1) of the investments act, the Bank's investment services include the following activities pursued in the normal course of business:

- receiving and forwarding orders
- executing orders on behalf of clients
- own-account trading
- portfolio management

NOTES TO THE FINANCIAL STATEMENTS

-
- investment advisory services
 - placement of financial assets (securities or other financial assets) with an obligation to buy the asset (underwriting guarantee)
 - placement of financial assets without obligation to buy the asset (financial asset)
 - operating multilateral trading systems

According to subsection 5(2) of the investments act, auxiliary investment services include the following activities pursued in the normal course of business:

- safekeeping and registration of financial instruments and related client account management
- custody services, management of related securities accounts, for printed securities: keeping records of securities and client account management
- currency and foreign exchange trading related to investment services
- investment analysis and financial analysis
- investment lending, advisory and similar services relating to capital structure, business strategy and related issues, mergers and acquisitions
- services related to underwriting guarantees
- investment services or auxiliary services related to instruments underlying derivatives

Senior officers

Sberbank Hungary Ltd's senior officers at 31 December 2016:

Supervisory Board members	Function	Company
Hans Gerhard Randa	Chairman	Sberbank Europe AG
Elena Valentinovna Viklova	Deputy-manager	Sberbank Russia
dr. Philipp Freimann	Member	Sberbank Europe AG
Yulia Arsentyeva Vitalievna	Member	Sberbank Russia
Arndt Röchling	Member	Sberbank Europe AG
Valentin Lubomirov Mihov	Member	Sberbank Europe AG

NOTES TO THE FINANCIAL STATEMENTS

Members of the Board of Directors	Function
Richárd Szabó	Chairman
Éva Tudisconé Gyöngyösy	Member
Bence Kalmár	Member
Tamás Fodor	Member

1.2. The accounting system of Sberbank Hungary Ltd.

Sberbank Hungary Ltd's accounting policies and related accounting systems were developed based on the following pieces of legislation:

- act C of 2000 on accounting as amended (hereafter: accounting law)
- government decree 250/2000 (XII. 24.) on the reporting and bookkeeping requirements of credit institutions and financial enterprises as amended (hereafter: Government Decree),
- act CXX of 2001 on capital markets as amended,
- act CXXXVIII of 2007 on investment companies and commodity brokers, and on the regulations governing their activities (hereafter: investments act)
- act LXXXI of 1996 on corporate and dividends tax as amended,
- act CCXXXVII of 2013 on credit institutions and financial enterprises as amended
- Supervisory guidelines and rules relating to legal regulations applicable to the Bank
- Other applicable legal regulations and internal policies issued to ensure compliance.

Compliance with the above rules creates an adequate environment for the operation of the management information system and the compilation of the annual financial statements, as well as for meeting the reporting requirements of the National Bank of Hungary (MNB).

Sberbank Hungary Ltd. maintains its accounting system and prepares its annual financial statements in accordance with the accounting principles specified in the accounting law and in the Government Decree.

The reporting date of the 2016 annual financial statements was 31 December 2016.

The effects of economic events on the financial statements for the reporting year were taken into account by 8 January 2017, i.e. the balance sheet preparation date.

NOTES TO THE FINANCIAL STATEMENTS

The Bank prepares a balance sheet as set out in appendix 1 to the Government Decree and an income statement based on section 10 of the accounting law and compiles its consolidated annual financial statements in accordance with sections 116 and 117 of the accounting law.

Sberbank Europe AG (Austria, 1010 Wien, Schwarzenberg str. 3.) prepares consolidated financial statements in accordance with IFRS for the smallest unit of the Group. Sberbank Hungary Ltd. is included in these consolidated financial statements as a subsidiary. Sberbank of Russia (Russia, 117997 Moscow, Vavilova ul. 19.) owns 100% of the shares of Sberbank Europe AG, therefore it prepares the consolidated financial statements for the largest unit of the Group.

The bank is required by law to have its annual financial statements audited. The Bank's auditors are Ernst & Young Könyvvizsgáló Kft. (1132 Budapest, Váci út 20., Company registration No.:01-09-267553; Chamber membership No.:001165).

The signing statutory auditor responsible for the audit is: Gergely Szabó (mother's maiden name: Zsuzsanna Kiss, address: 1202 Budapest, Mézes u. 35; Chamber registration number: 005676).

The person responsible for the Bank's accounting records is: Éva Gyöngyösy Tudisconé, CFO. (Chamber registration number: 005792)

The persons authorised to co-sign the Bank's annual financial statements are: Richard Szabó, president-CEO (domicile: 1052 Budapest, Vitkovics Mihály utca 8.) and Éva Gyöngyösy Tudisconé, CFO, jointly.

1.3. Accounting policies

All economic events should be recorded in the accounts when they incur if they relate to a year not yet closed for accounting purposes. Prompt FX transactions involving FX translation are recorded as at the trade date. Receivables and liabilities arising from such transactions affect the FX position as of the trade date.

Sberbank Hungary Ltd. recognises the following items on a daily basis:

- exchange gains/losses on the revaluation of FX assets and liabilities, as well as off balance sheet receivables and liabilities arising from forward transactions, and
- accruals related to the prorated interest of on balance sheet and off balance sheet hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

Under the Government decree, and for reporting purposes, the Bank is required to close its asset and liability as well as profit and loss accounts and prepare a trial balance on a monthly basis.

As a part of the monthly closing process, the Bank prepares a trial balance sheet and performs the following supporting procedures:

- fair value measurement of financial instruments
- charging depreciation

booking and reversal of impairment loss on receivables.

1.3.1. General measurement policies

1.3.1.1. Measurement of FX assets and liabilities

Foreign exchange (currency) held in account and on hand as well as receivables and liabilities denominated in foreign exchange are translated into forints (HUF) each day at the Bank's own FX rates.

For month-end and annual revaluation purposes, the Bank uses the FX rates published by the central bank prevailing on the last day of the period. (see also at 1.4.)

1.3.1.2. Fair value measurement

The Bank has applied the fair value measurement basis since 1 January 2005.

Portfolio classification

For the purposes of fair value measurement, financial assets that are not a hedging or hedged asset are classified as follows (without affecting their statutory classification as financial assets or current assets):

- a) financial assets held for trading
- b) available-for-sale financial assets
- c) financial assets held to maturity
- d) loan and other receivables originated by the entity.

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Based on the above classification of the Bank's various portfolios, the measurement principles of the individual portfolios are as follows:

- The following assets are measured at fair value:
 - Government bonds (held for trading, available-for-sale)
 - Debt securities (held for trading, available-for-sale)
 - Shares and other variable yield securities (held for trading)
 - Derivative contracts
- The following assets are measured at cost:
 - Government bonds and debt securities held-to-maturity
 - Receivables from credit institutions
 - Receivables from customers (debtors)
 - Shares and investments for investment purposes
 - Other receivables.
- The following liabilities are measured at fair value:
 - Derivative contracts
- The following liabilities are measured at cost:
 - Liabilities to credit institutions
 - Liabilities to customers
 - Subordinated debt
 - Other liabilities

Measurement policies

Subsections 9(4)-(8) of the Government Decree also apply to foreign currency assets and liabilities subject to fair value measurement.

Special rules

Since 1 January 2013, we have been using the 'Murex' system to measure assets held for trading. The system uses market rates and yield curves uploaded from the databases of

NOTES TO THE FINANCIAL STATEMENTS

authentic and generally accepted providers of market information, Bloomberg and Reuters, and this market information is used to value portfolios held for trading.

While the Bank makes a distinction between the interest rate risk and FX rate position of its FX swap and FX forward contracts both in the accounting records and for business purposes, the effects of interest rate and FX rate fluctuations are recognised in aggregate through the net financial profit on investment services, in accordance with applicable accounting legislation.

Option contracts are measured at the value determined by Murex less any premium which is recognised separately.

General measurement policies for derivatives

FX forwards and futures

The two opposing cash flows in a transaction denominated in different currencies are discounted at the appropriate yield curve points, then the discounted cash flows are aggregated as translated to the basis currency at the central bank's prevailing foreign exchange rates.

FX swaps

To arrive at their fair value, each FX swap contract is split to a spot and an opposing outright forward contract, then forward contracts are transformed into net cash flows in line with the principles applicable to FX forwards then discounted at interest rates applicable to the term of the contract.

Interest rate swaps (IRS)

IRS contracts are measured as follows:

- The interest rate swaps are split to the short position of a fix interest bearing security of the same maturity and to the long position of a variable interest bearing security re-priced or maturing upon the beginning of the next interest period.
- For opposite contracts, the short position of the variable interest rate security and the long position of the fix interest rate security are considered by the Bank.

The opposing cash flows from the above transaction are discounted by the Bank based on the above method using market yield curve points and these discounted cash flows are then converted at the prevailing foreign exchange rates of the National Bank of Hungary.

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Basis swap

The measurement approach of basis swaps is similar to that of IRSs, the only difference being that the split synthetic securities are denominated in different currencies and both legs bear variable interest rates.

FX options

Options are measured based on the Black-Scholes model set in our Murex Front Office system.

Other options

Other options are measured at rates quoted by the relevant partner.

As laid down in the Bank's accounting policies, assets classified as **available-for-sale** are measured at fair value on a consistent basis. Assets measured at fair value are clearly indicated in the sub-ledger system "Clavis" by using an "investment available for sale" flag.

The general rules for measurement at cost, including impairment, should apply to the measurement of receivables from credit institutions and customers, and other receivables classified as available for sale financial assets as well as debt securities held to maturity and equity investments measured. These items are subject to subsections 13 (1), (3) and (5) of the Government Decree and subsection 59/B (9) of the accounting law.

Securities and shares classified as long-term financial assets or current assets should be rated on a quarterly basis and where the rating has deteriorated, an impairment loss should be recognised on the investment. Where the rating has improved, any previously recognised impairment loss should be reversed to increase the carrying value of the investment.

If the fair value exceeds the initial cost less repaid instalments, the excess should be recognised in the fair value reserve in equity.

Special rules

The Bank uses the Murex system to measure **trading and available-for-sale assets**. For government bonds and debt securities, fair value equals the market value determined by the Murex system that uses market information based on actual sale-purchase transactions with respect to government bonds. If no actual sale-purchase information is available, fair value is

NOTES TO THE FINANCIAL STATEMENTS

established by the Bank with discounted cash flow method using the zero coupon yield curve applicable for the government exposure.

Measurement rules for **assets not reclassified as held for trading or available-for-sale**:

Receivables from credit institutions and customers, and other receivables not reclassified as held for trading or available-for-sale and qualify as own receivables, purchased receivables or debt securities held to maturity, as well as purchased receivables, debt securities and ownership investments qualifying as available-for-sale financial assets not measured at fair value are measured at cost. Subsections 13(1)-(3) and (5) of the Government Decree applies to credit institutions.

Receivables should be rated on a monthly basis and where the rating has deteriorated, an impairment loss should be recognised on the receivable. Where the rating has improved, any previously recognised impairment loss should be reversed to increase the carrying value of the receivable.

Other measurement policies

The allocation and use of provisions in accordance with subsection 13(6) of the Government Decree should also be applied in case fair value measurement is opted for. The risk provision recognized as other expenses and measured based on the rating of contingent liabilities and commitments should be recognised as risk provision made for contingent liabilities and commitments. If an interim rating finds the amount of risk provision exceeding the level necessary for that rating, then any such excess should be released up to the total annual provision made by reducing other expenses; the release of any excess over the annual provision charge should be recognised as other income.

When a contingent or certain future liability is written off or any related loss is recognised, the related risk provision should be used against other income.

Section 13(7) of the Government Decree on using provisions can also be applied, according to which the general risk provision can only be used if a loss arises on the derecognition of an asset as credit loss or impairment loss on investment, or a loss is realised on a contingent liability. The risk provision should be used to make up for the unprovided part of the asset or contingent liability when the related loss is realised. The Bank's general risk provision made in the previous years was used up in 2012.

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1.3.1.3. Measurement of receivables

Loans are reviewed by the Bank in accordance with relevant regulations and are rated based on the repayment intentions and ability of debtors and on collateral. These ratings are as follows: "pass", "watch", "substandard", "doubtful" and "bad". In the case of watch, substandard, doubtful and bad loans, an impairment loss is booked based on individual assessment pursuant to credit rating rules and by taking guarantees and collaterals into account, except for collectively low value receivables per debtor.

For impairment testing purposes, further to subsection 55(2) of the accounting law and the Government Decree, receivables are considered to be collectively of low value per debtor if the total of receivables per debtor does not exceed HUF 100,000,000.

Since 29 February 2012, the Bank has been keeping records of any impairment loss made and reversed on FX receivables also in the relevant currency. The amounts expressed in foreign currency are translated to HUF based on the Bank's policy on the translation of FX assets and liabilities. (See also note 1.4.)

1.3.1.4. Measurement of investments

The Bank records equity instruments at cost and recognises them in the balance sheet at cost less any recognised impairment loss plus any reversed impairment loss.

An impairment loss is recognised on long-term equity investments (irrespective of whether it is held for investment purposes or it is held for trading) if on the balance sheet preparation date the carrying value of the investment permanently and significantly exceeds the its fair value. The amount of impairment loss is the difference between the carrying value and the market value of the equity instrument.

For fair valuation purposes, the following are considered:

- the company's long-term market assessment
- listed and OTC price of the investment less accumulated dividends, and related trends
- the amount expected to be recovered from discontinuing operations
- the relationship between the company's equity/subscribed capital ratio and the investment's carrying value/nominal value (the latter is not an upper limit to impairment loss).

Should, in the following year(s), the fair value of an investment at the balance sheet preparation date significantly and permanently exceed its carrying value, the amount of any previously

NOTES TO THE FINANCIAL STATEMENTS

recognised impairment loss should be reversed up to the initial cost of the investment at the maximum.

1.3.1.5. Measurement of intangible and tangible assets

Intangible and tangible assets are recorded at actual purchase cost.

Depreciation is charged on intangible and tangible assets in accordance with the provisions of the accounting law.

Depreciation and amortisation are charged on a straight line basis.

In respect of residual value, HUF 5 million is considered material; below this amount, the residual value is zero.

Depreciation rates applied

INTANGIBLE ASSETS	
Rights and concession	15.00%
Goodwill	15.00%
Intellectual property	
Softwares	max 25.00%
Other intellectual property	max 25.00%

CREDIT INSTITUTION TANGIBLE ASSETS	
Land and buildings	
Buildings, parts of buildings. held by own	2.00%
Investment of buildings held by own	max 10.00%
Investment of buildings. rented	Accord. to lease contr. (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%

Tangible assets that cost less than HUF 100 thousands are fully expensed upon capitalisation.

Extraordinary amortisation is recorded for rights and concessions and intellectual property capitalised as intangible asset in the event an asset is destroyed, becomes obsolete or its value declines as a result of market perception.

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Extraordinary depreciation is recorded for tangible assets if

- the carrying value of a tangible asset (including construction in progress) significantly and permanently exceeds its fair value;
- a tangible asset or investment is no longer required for entity's operations, becomes damaged or is destroyed and therefore is no longer fit for use.

1.3.1.6. Accounting for interest received and contingent interest

Interests that relate to the reporting period and fell due but were not collected by the balance sheet preparation date are considered contingent interest.

Similarly, interests that relate to the reporting period but did not fall due by balance sheet preparation date and the underlying loan was rated other than pass or watch are also considered contingent interest.

Amounts of interest that were received between the reporting date and the balance sheet preparation date were recognized as interest income.

1.4 Subsequent events

In order to rationalise the Bank's operations, 3 branches were closed down in December 2016. These branches are out of normal business as of 2017 and the only activities carried out are related to the disassembly, removal and disposal of the assets in the premises.

Sberbank Magyarország Zrt. participates in the program launched by National Bank of Hungary to promote SME lending. The Bank is committed to increase the SME volume through new production by HUF 5 billion. The National Bank of Hungary provided preferential derivative and deposit products to commercial banks. In March 2017, the National Bank of Hungary informed the Bank that based on the Bank's regulatory reports the current year conditions were fulfilled, but the fulfilment of the conditions is subject to review of the National Bank of Hungary, based on the result of which the income from preferential features might be repayable.

The Bank does not recognize the result of the preferential features in line with the principle of prudence until the end of this review.

NOTES TO THE FINANCIAL STATEMENTS

2. SPECIFIC PART

2.1. Key indicators of the Bank in 2016 and their analysis

The Bank's balance sheet total dropped by 4.9% (HUF 18,615 million) on the previous year from HUF 379,445 in 2015 to HUF 360,830 million.

On the assets side of the balance sheet, receivables from customers dropped by a mere 1.5% to HUF 194,450 million. There has been a shift towards government bond as opposed to liquid assets as the Bank prefers placing available liquid funds into long-term government bonds rather than deposits with the National Bank of Hungary.

On the equity & liabilities side, liabilities towards credit institutions fell by HUF 14,852 million and amounts payable to customers declined by HUF 8,572 million compared to 2015. These decreases were partly set off by a HUF 4,013 million increase in subordinated liabilities and a HUF 8,244 million increase in equity.

The Bank's clients can be grouped into two major categories: retail and micro enterprises.

The Bank's key financial indicators are set out in Appendix 1.

Below is an analysis of the number of active clients as at 31 December 2016:

Description	<i>No. of people</i>	
	31.12.2015	31.12.2016
Number of active customers	55,690	57,975
Private customers	42,672	45,619
Micro enterprises	11,423	10,761
Medium and corporate enterprises	1,595	1,595

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Changes in the number of accounts held with the Bank:

Description	31.12.2015	31.12.2016	Change	<i>piece</i>
				Change %
Number of customer accounts	102,217	103,085	868	0.8%
Savings accounts	7,367	6,925	-442	-6.0%
Deposit accounts	16,051	10,763	-5,288	-32.9%
Current accounts	60,720	62,146	1,426	2.3%
Loan accounts	18,079	23,251	5,172	28.6%

In 2016, while the number of branches was reduced further, our customers were served by a total of 9 branches in Budapest plus local branches in a number major cities across the country. Overall, the Bank had 27 branches and one bank shop at 31 December 2016.

Following the rationalisation of our branch network, the number of ATM machines fell to 29 by 31 December 2016.

2.2. Financial position of the Bank and the result of its operations

2.2.1. Assets

Liquid assets

BS.ref	Description	31.12.2015	31.12.2016	Change	<i>HUF millions</i>
					Change %
1	Liquid assets	52,193	27,343	-24,850	-47.6%

At the end of 2016, liquid assets totalled HUF 27,343 million, which is a HUF 24,850 million decrease on the previous year. In 2016, the National Bank of Hungary (MNB) continued to restructure its monetary arrangements and, as a result, terminated two-week deposits and limited the total amount banks can place in three-month deposits. As a result, our short-term deposits held with the central bank continuously decreased and available cash was invested mostly in long-term government bonds.

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Government bonds

					<i>HUF millions</i>	
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %	
2	Treasury bills and similar securities	45,200	55,773	10,573	23.4%	
2a)	held for trading	24,205	8,455	-15,750	-65.1%	
2b)	held as financial fixed assets	20,995	47,318	26,323	125.4%	
2./A	Valuation difference on treasury bills	52	218	166	319.2%	

Government bonds increased by HUF 10,573 million on the previous year.

Government bonds held for trading fell by HUF 15,750 million, while government bonds held as financial fixed assets increased by HUF 26,323 million.

Government bonds held for sale include Hungarian treasury bonds reclassified from held to maturity government bonds. The revaluation gain on government bonds increased from HUF 52 million to HUF 218 million.

The details of the securities owned by the bank are presented in appendix 3.

Receivables from credit institutions

					<i>HUF millions</i>	
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %	
3	Loans and advances to credit institutions	74,427	73,245	-1,182	-1.6%	
3a)	repayable on demand	17,912	12,934	-4,978	-27.8%	
3b)	other loans and advances in connection with financial services	53,919	51,984	-1,935	-3.6%	
3ba)	with remaining maturity of less than one year	28,228	44,927	16,699	59.2%	
	Showing separately: - subsidiaries	13,073	41,990	28,917	221.2%	
3bb)	with a remaining maturity of more than one year	25,691	7,057	-18,634	-72.5%	
	Showing separately: - subsidiaries	7,704	7,020	-684	-8.9%	
3c)	in connection with investment services	2,596	8,327	5,731	220.8%	

Receivables from credit institutions reduced by HUF 1,182 million as a result of a HUF 4,978 million decrease in demand deposits and a HUF 1,935 million drop in receivables from financial services. This decrease was partly set off by a HUF 5,731 increase in receivables from investment services. The increase in receivables from investment services within one year was due to a HUF 32,181 million increase in short-term deposits. This effect was partly set off by the fact that the cash collateral for a European Investment Bank (EIB) loan decreased from HUF 15,120 million to zero as the related loan had been repaid.

NOTES TO THE FINANCIAL STATEMENTS

The decrease in receivables over one year was mainly due to a HUF 17,950 million decrease in cash collateral for EIB loans. Receivables from investment services include receivables from a margin deposit and one item under settlement.

The following table shows the repayment schedules in the loans to credit institutions:

BS row	<i>HUF millions</i>				
	31.12.2016	0-90 day	91-365 day	1-5 year	more than 5 year
3.b) Other loans and advances to credit institutions in connection with financial services	51,984	44,079	848	3,011	4,046

Receivables from customers

BS ref.	Description	<i>HUF millions</i>			
		31.12.2015	31.12.2016	Change	Change%
4	Loans and advances to customers	197,449	194,450	-2,999	-1.5%
4a)	in connection with financial services	197,445	194,412	-3,033	-1.5%
4aa)	with a remaining maturity of less than one year	63,158	58,221	-4,937	-7.8%
	Showing separately: - subsidiaries	761	-	-761	-100.0%
	Garay Center Kft. (subsidiaries until 28.09.2016)	516	-	-516	-100.0%
	Károlyi Ingatlan 2011 Kft.(subsidiaries)	-	-	-	0.0%
	Egressy 2010 Ingatlanformalgazó Kft. (subsidiaries)	164	-	-164	-100.0%
	East Site Kft. (leányvállalat, former: Új Garai tér Kft.)	81	-	-81	-100.0%
4ab)	with a remaining maturity of more than one year	134,287	136,191	1,904	1.4%
	Showing separately: - subsidiaries	-	-	-	0.0%
	Garay Center Kft. (subsidiaries until 28.09.2016)	-	-	-	0.0%
4b)	in connection with investment services	4	38	34	850.0%
4bb)	receivables in connection with investment services outside the exchange markets	4	-	-4	-100.0%
4bc)	receivables from customers in connection with investment services	-	38	38	100.0%

Net receivables from customers dropped by 1.5% from HUF 197,449 million in 2015 to HUF 194,450 million in 2016.

Net receivables from financial services account for 99.98% of receivables from customers and receivables from investment services account for less than 0.02%.

Net receivables from financial services fell by HUF 3,033 million from HUF 197,445 million in 2015 to HUF 194,412 million in 2016 as a result of a HUF 4,937 million drop in loans maturing within one year and a HUF 1,904 increase in loans maturing over one year.

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The overall decrease was due to the following two reasons:

1. One-off prepayments on loans

In December 2016, the Hungarian State early repaid a loan. This reduced the total loan portfolio by HUF 9,916 million.

2. Assignment of non-performing loans

As a result of the Bank's active work-outs and collection efforts, a number of significant non-performing loans were assigned to third parties in 2016. This reduced the net loan portfolio by HUF 4,709 million.

The above decreases were partly set off by a number of mostly long-term large loans (over HUF 1 billion each) granted in 2016.

The breakdown by maturity of the balance sheet row 4a) Loans and advances to customers in connection with financial services is shown below. The figures below are based on the repayment schedules in the loan agreements.

BS row	Total	0-90 day	91-365 day	1-5 year	over 5 years
4.a) Other loans and advances to customers in connection with financial services	194,412	18,648	39,573	86,348	49,843

The percentage of impairment loss on debtors compared to the total gross loan portfolio dropped from 16.36% to 12.28% in 2016.

Movements in the impairment of financial instruments are shown in the following table:

Description	Opening	Value adjustment	Value readjustment	Write-offs	Effect of foreign currency movements	Closing
Loans and advances to customers	38,635	8,252	5,513	13,994	-152	27,228
Government bonds available-for-sale	40	31	-	-	-	71
Non-financial enterprises, investments	6,308	110	5	5,160	-	1,253
Total	46,963	8,393	5,518	19,154	-152	28,552

NOTES TO THE FINANCIAL STATEMENTS

By the end of the financial year, the percentage of gross assets rated pass in the balance sheet increased from 68.55% to 76.02% as follows:

Rating of BS items	31.12.2015	31.12.2016
Pass	68.55%	76.02%
Watch	10.07%	9.34%
Substandard	2.13%	1.66%
Doubtful	11.57%	6.98%
Bad	7.68%	6.00%
Total	100.00%	100.00%

The improvement in loan ratings was due to an improvement on the quality of retail loans and to a thorough cleaning of the nonperforming corporate portfolio (project loans).

Debt securities

<i>HUF millions</i>					
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
5	Debt securities, including fixed-income securities	1,330	1,455	125	9.4%
5b)	securities issued by other borrowers	1,330	1,455	125	9.4%
5ba)	held for trading	1,330	1,455	125	9.4%

Debt securities include repurchased treasury bonds (presented as *Securities issued by other borrowers*) and increased by HUF 125 million (9.4%) in 2016. The increase due to repurchased debt securities was HUF 24 million (HUF bonds) and HUF 108 million (FX bonds) translated at central bank rates prevailing on 31 December 2016, and a lower HUF/EUR rate caused a HUF 7 million drop in the total value of the portfolio.

Shares, participations held as investments

<i>HUF millions</i>					
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
7	Shares and participations in corporations held as financial fixed assets	81	300	219	270,4%
7a)	Shares and participations in corporations held as financial fixed assets	81	300	219	270,4%
	Showing separately: - participating interests in credit institutions	67	67	-	0,0%

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In 2016, the Bank sold its 0.61% share in the Budapest Stock Exchange and its 0.01% share in Visa Europe Limited, and acquired a 0.01% share in Visa Inc.

Shares, participations in related parties

BS ref.	Description	<i>HUF</i>			
		<i>millions</i>			
		31.12.2015	31.12.2016	Change	Change %
8	Shares and participating interests in affiliated companies	548	143	-405	73,9%
8a)	Shares and participations in corporations held as financial fixed assets	548	143	-405	73,9%

The aggregate of investments held in related parties declined from HUF 548 million in 2015 to HUF 143 million in 2016 as a result of selling the Bank's quota in Garay Center Kft.

The Bank is the sole owner of **V-Dat Informatikai Kft.**, the core activity of which is the sale-purchase of properties, and other activities include letting and (sub)leasing own and rented/leased properties, facilities operations and property management.

In 2016, the company had an issued capital of HUF 3 million, capital reserve of HUF 233 thousand and retained earnings of HUF 7 million. In 2016, the Bank recognised an impairment loss of HUF 2 million on its investment in this subsidiary.

The Bank is the sole owner of **East Site Ingatlanforgalmazó és Ingatlanhasználó Kft.** (formerly: Új Garay tér Ingatlanforgalmazó és Ingatlanhasználó Kft.), the issued capital of which was HUF 7 million at the end of 2015. In 2016, the Bank remedied the entity's equity position with a 40 cash contribution by increasing the entity's issued capital by HUF 0.9 million and posting the remaining HUF 39.1 million to capital reserve. The Kft's core activity is the sale-purchase of own properties; other activities include renting out, operating and managing own and rented properties. The Bank recognised an impairment loss of HUF 12.4 million on this investment in 2016.

The Bank is the sole owner of **Egressy 2010 Kft.**, the issued capital of which is HUF 3 million and its core activity is the sale and purchase of own properties. The Bank did not recognise any impairment loss on its investment in this subsidiary in 2016.

The Bank is the sole owner of **Károlyi Ingatlan 2011 Kft.**, the core activity of which is the sale and purchase of own properties; other activities include letting and (sub)leasing own and rented/leased properties, facilities operations and property management. The subsidiary's issued capital is HUF 3 million and its capital reserve increased to HUF 455.3 million as a

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result of a capital injection of HUF 349 million in 2015. The Bank recognised an impairment loss of HUF 45 million on its investment in this subsidiary in 2016.

Until 27 September 2016, the Bank used to be the sole owner of **Garay Center Kft.** which was sold on 28 September 2016. The company's core activity is the sale and purchase of own property; its other activities include letting and (sub)leasing own and rented/leased properties, facilities operations and property management.

V-Dat Informatikai Kft., East Site Ingatlanforgalmazó és Ingatlanhasznosító Kft., Egressy 2010 Kft. and Károlyi Ingatlan 2011 Kft. are fully consolidated, and the profit or loss of Garay Center Kft. was considered until the date of its disposal in the Bank's consolidated financial statements that are available at the Bank's registered offices.

Investments and their dividends

Description	Participation (%)		Net book value		Received dividend*	
	31.12.2015	31.12.2016	31.12.2015	31.12.2016	2015	2016
	<i>HUF millions</i>					
Garay Center Kft.	100.00%	-	380	-	-	-
V-DAT Kft.	100.00%	100.00%	11	8	-	-
East Site Kft.	100.00%	100.00%	-	23	-	-
Egressy 2010 Kft.	100.00%	100.00%	-	-	-	-
Károlyi Ingatlan 2011 Kft.	100.00%	100.00%	157	112	-	-
Shares and participating interests in affiliated companies			548	143	-	-
Fundamenta- Lakáskassza Lakástakarékpénztár Zrt.	1.39%	1.39%	67	67	35	35
Garantiqa I lítelgarancia Zrt.	0.13%	0.13%	10	10	-	-
S.W.I.F.T.	0.01%	0.01%	1	1	-	-
Budapesti Értéktőzsde Zrt.	0.61%	-	3	-	3	-
Visa Inc.	-	0.01%	-	222	-	-
Shares and participations in corporations held as financial fixed assets			81	300	38	35
Total Investments			629	443	38	35

*Dividends received, paid in the given year

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Main indicators of local investments over 20%

HUF millions

Name and address of the entity	Equity	Registered capital	Registered but not paid capital	Reserves	Net result
	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016
V-DAT Kft. 1088 Budapest, Rákóczi út 7.	8	3	-	7	-2
East Site Kft 1088 Budapest, Rákóczi út 7.	23	8	-	12	3
Egressy 2010 Kft. 1088 Budapest, Rákóczi út 7.	-12	3	-	-274	259
Károlyi Ingatlan 2011 Kft. 1088. Budapest, Rákóczi út 7.	112	4	-	154	-46

Intangible and tangible assets

HUF millions

BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
9	Intangible assets	1,621	1,332	-289	-17.8%
9a)	Intangible assets	1,621	1,332	-289	-17.8%
10	Tangible assets	2,253	1,693	-560	-24.9%
10a)	Tangible assets for financial and investment services	2,253	1,693	-560	-24.9%
10aa)	Land and buildings	1,780	1,313	-467	-26.2%
10ab)	Machinery, equipment, fittings, fixtures and vehicles	461	374	-87	-18.9%
10ac)	Assets under construction	12	6	-6	-50.0%

Intangible assets decreased by HUF 289 million from HUF 1,621 million to HUF 1,332 million mainly as a result of annual amortisation exceeding capitalisations in the year.

Tangible assets fell by HUF 560 million from HUF 2,253 million to HUF 1,693 million mainly as a result of the fact that the extraordinary depreciation due to branch close-downs reduced tangible assets by a total of HUF 329 million. Besides, the value of additions in 2016 was below the annual depreciation charge.

NOTES TO THE FINANCIAL STATEMENTS

Changes in the cost of intangible and tangible assets:

HUF millions

Description	Opening balance	Additions	Disposals	Reclassifications	Closing balance
Intangible assets	7,821	1,300	827	-	8,294
Rights and concessions	82	-	-	-	82
Intellectual property	7,707	633	186	-	8,154
Other intangible assets	17	-	-	-	17
Assets under construction	15	667	641	-	41
Tangible assets	6,260	285	703	-	5,842
Land and buildings	3,540	15	291	-	3,264
Plant, machinery and equipment	2,708	116	252	-	2,572
Assets under construction	12	154	160	-	6

Small value assets totalled HUF 254 million at the year-end.

Changes in the amortisation/depreciation of intangible and tangible assets:

HUF millions

Description	Opening balance	Additions	Disposals	Reclassifications	Closing balance
Intangible assets	6,200	927	165	-	6,962
Rights and concessions	81	-	-	-	81
Intellectual property	6,102	927	165	-	6,864
Other intangible assets	17	-	-	-	17
Tangible assets	4,007	675	533	-	4,149
Land and buildings	1,760	480	289	-	1,951
Plant, machinery and equipment	2,247	195	244	-	2,198

Ordinary depreciation and amortisation totalled HUF 1,226 million in 2016, extraordinary depreciation amounted to HUF 374 million. Of the total ordinary depreciation, HUF 5 million related to small value tangible assets.

NOTES TO THE FINANCIAL STATEMENTS

Other assets, revaluation gain or loss

BS ref.	Description	<i>HUF millions</i>			
		31.12.2015	31.12.2016	Change	Change %
12	Other assets	358	543	185	51.7%
12a)	Inventories	24	44	20	83.3%
12b)	Other receivables	334	499	165	49.4%
	Showing separately: - from affiliated companies	1	6	5	500.0%
12./B	Positive valuation difference on derivatives	1,717	1,139	-578	-33.7%

Other assets increased from HUF 358 million in 2015 to HUF 543 million in 2016 owing to a near 50% increase in other receivables.

The revaluation gain on derivatives declined by HUF 578 million to HUF 1,139 million in 2016 mainly as a result of a reduced revaluation gain on basis swaps: a number of basis swaps were closed in 2016 and their revaluations balances were derecognized as a result. The decrease in revaluation gain was also due to a waning effect of foreign exchange fluctuation as the HUF was weaker at the end of 2016 than at the end of 2015.

Prepaid expenses and accrued income

BS ref.	Description	<i>HUF millions</i>			
		31.12.2015	31.12.2016	Change	Change %
13	Prepayments and accrued income	2,216	3,196	980	44.2%
13a)	accrued income	1,640	2,609	969	59.1%
13b)	prepaid expenses	317	331	14	4.4%
13c)	deferred expenses	259	256	-3	-1.2%

Prepaid expenses and accrued income increased by 44.2% in total as a result of a 59.1% increase in accrued income, a 4.4% increase in deferred expenses and a minimal 1.2% increase in prepaid expenses.

NOTES TO THE FINANCIAL STATEMENTS

2.2.2. Equity and liabilities

Liabilities to credit institutions

<i>HUF millions</i>					
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
1	Amounts owed to credit institutions	82,099	67,247	-14,852	-18.1%
1a)	repayable on demand	1,170	1,639	469	40.1%
1b)	with agreed maturity dates or periods of notice in connection with financial services	80,929	62,541	-18,388	-22.7%
1ba)	with remaining maturity of less than one year	8,975	31,290	22,315	248.6%
	Showing separately: - subsidiaries	-	24,600	24,600	100.0%
	- National Bank of Hungary	6,789	4,949	-1,840	-27.1%
1bb)	with remaining maturity of more than one year	71,954	31,251	-40,703	-56.6%
	Showing separately: - subsidiary: Sberbank of Russia	24,597	-	-24,597	-100.0%
	National Bank of Hungary	19,936	21,560	1,624	8.1%
1c)	in connection with investment services	-	3,067	3,067	100.0%

Amounts owed to credit institutions at the year-end totalled HUF 67,247 million which is a HUF 14,852 million decrease on the previous year.

Long-term liabilities to credit institutions fell by HUF 40,703 million on 2015, mainly as a result of the reclassification of a HUF 24,600 million loan from Sberbank Russia to current liabilities and the repayment of an EIB loan (HUF 15,656 million). The increase in short-term loans (maturing within one year) was due primarily to the reclassification of the HUF 24,600 million loan from Sberbank Russia to current liabilities.

Liabilities from investment services included an item under settlement at the year-end.

The following table presents a maturity analysis of balance sheet row 1 "Amounts owed to credit institutions".

<i>HUF millions</i>					
BS row	31.12.2016	0-90 day	90-365 day	1-5 year	over 5 year
1a) repayable on demand	1,639	1,639	-	-	-
1b) with agreed maturity dates or periods of notice in connection with financial services	62,541	1,234	30,056	21,155	10,096
1c) in connection with investment services	3,067	3,067	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

HUF 31,290 million was reclassified from long-term liabilities to current due to maturity or instalments due within one year as shown in the table below:

HUF millions

BS ref.	Description	2016
1bb)	Amounts owed to credit institutions with agreed maturity dates or periods of notice in connection with financial services with remaining maturity of more than one year	31,251
1ba)	Amounts owed to credit institutions with agreed maturity dates or periods of notice in connection with financial services with remaining maturity of less than one year	31,290
	<i>Liabilities reclassified from long term category</i>	31,290
	<i>because of maturity</i>	25,666
	<i>because of payment within a year</i>	5,624

Reclassified instalments due within one year relate to loans from the central bank and to other refinancing loans.

The following table presents securities and receivables pledged for NBH's Funding for Growth Program as at 31 December 2016:

Lender	Type of state bond placed as collateral	Pledged amount in HUF
National Bank of Hungary	government bond	13,579,605,340
		13,579,605,340

NOTES TO THE FINANCIAL STATEMENTS

Other liabilities in connection with financial services to customers

HUF millions

BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
2	Amounts owed to customers	227,449	218,877	-8,572	-3.8%
2a)	savings deposits	9	8	-1	-11.1%
2ab)	with remaining maturity of less than one year	9	8	-1	-11.1%
2ac)	with remaining maturity of more than one year	-	-	-	-
2b)	other liabilities in connection with financial services	227,387	218,801	-8,586	-3.8%
2ba)	repayable on demand	117,664	136,524	18,860	16.0%
	Showing separately: - to subsidiaries	176	139	-37	-21.0%
	V-DAT Kft. (subsidiary)	10	8	-2	-20.0%
	East Site Kft. (previously: Új Garay tér Kft. (subsidiary))	5	24	19	380.0%
	Egressy 2010 Kft. (subsidiary)	5	1	-4	-80.0%
	Garay Center Kft (subsidiary until 28.09.2016)	16	-	-16	-100.0%
	Károlyi Ingatlan 2011 Kft. (subsidiary)	140	106	-34	-24.3%
2bb)	with remaining maturity of less than one year	104,448	65,150	-39,298	-37.6%
	Showing separately: - to affiliated companies	196	-	-196	-100.0%
	Garay Center Kft (subsidiary until 28.09.2016)	196	-	-196	-100.0%
2bc)	with remaining maturity of more than one year	5,275	17,127	11,852	224.7%
2c)	in connection with investment services	53	68	15	28.3%
2cc)	liabilities to customers in connection with investment services	53	68	15	28.3%

Amounts owed to customers dropped from HUF 227,449 million to HUF 218,877 million which was caused mainly by a HUF 39,298 million decline in liabilities maturing within one year partly set off by the HUF 18,860 million increase in payables on demand and by the HUF 11,852 million increase in liabilities maturing over one year.

NOTES TO THE FINANCIAL STATEMENTS

Maturity break-down of the balance sheet category „2. Amounts owed to customers“:

HUF millions

Description	31.12.2016	0-90 day	90-365 day	1-5 year	over 5 year
2ab) with remaining maturity of less than one year	8	7	1	-	-
2ac) with remaining maturity of more than one year	-	-	-	-	-
2a) savings deposits	8	7	1	-	-
2ba) repayable on demand	136,524	136,524	-	-	-
2bb) with remaining maturity of less than one year	65,150	39,055	26,095	-	-
2bc) with remaining maturity of more than one year	17,127	-	-	17,127	-
2b) other liabilities in connection with financial services	218,801	175,579	26,095	17,127	-

Of long-term other liabilities towards customers, HUF 8,344 million was reclassified to current liabilities as they will mature in 2017.

HUF millions

BS ref.	Description	2016
2bc)	Other liabilities owed to customers in connection with financial services with remaining maturity of more than one year	17,127
2bb)	Other liabilities owed to customers in connection with financial services with remaining maturity of less than one year	65,150
	<i>Liabilities reclassified from long term category</i>	8,344
	<i>because of maturity</i>	8,344
	<i>because of payment within a year</i>	-

Liabilities from issued debt securities

HUF millions

BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
3	Issued bonds and other interest-bearing securities	5,547	5,517	-30	-0.5%
3a)	issued bonds	5,547	5,517	-30	-0.5%
3ab)	due more than one year	5,547	5,517	-30	-0.5%

Liabilities from debt securities issued dropped from HUF 5,547 million in 2015 to HUF 5,517 million in 2016. The HUF 30 million decrease was attributable purely to a sliding HUF/EUR rate.

NOTES TO THE FINANCIAL STATEMENTS

Other liabilities

<i>HUF millions</i>					
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
4	Other liabilities	11,365	2,799	-8,566	-75.4%
4a)	due within one year	11,365	2,799	-8,566	-75.4%
	Of which: - subsidiaries:	9,620	237	-9,383	-95.5%
	Sberbank Europe AG (shareholder)	192	237	45	23.4%
4./A	Negative valuation difference on derivatives	292	1,419	1,127	386.0%

Other liabilities at the end of the year amounted to HUF 2,799 million which shows a HUF 8,566 million decrease on the previous year. Other liabilities include suppliers, taxes and social security payables, amounts payable to pension funds and to employees, and amounts in transit.

The revaluation loss on derivatives increased by HUF 1,127 million due mostly to an increase in the revaluation loss on interest rate swaps that increased from HUF 31 million in 2015 to HUF 907 million in 2016 primarily as a result of the new derivative contracts made in 2016 and declining money market yields.

Accrued expenses and deferred income

<i>HUF millions</i>					
BS ref.	Description	31.12.2015	31.12.2016	Change	Change %
5	Accruals and deferred income	2,640	3,090	450	17%
5a)	deferred revenue	0	119	119	0.0%
5b)	accrued expenses	2,609	2,946	337	12.9%
5c)	deferred income	31	25	-6	-19.4%

Accrued expenses and deferred income totalled to HUF 3,090 million, which is a HUF 450 million increase on the previous year.

Provisions

<i>HUF millions</i>					
BS ref	Description	31.12.2015	31.12.2016	Change	Change %
6	Provisions for liabilities and charges	1,154	725	-429	-37,2%
6b)	provisions for contingent liabilities and for (future) commitments	762	407	-355	-46,6%
6d)	other provisions	392	318	-74	-18,9%

NOTES TO THE FINANCIAL STATEMENTS

Provisions decreased by HUF 429 million on the previous year. In accordance with its accounting policies, the Bank did not make a general risk provision in 2016.

The following table shows changes in provisions in the reporting year:

<i>HUF millions</i>						
Title	Opening	Allocation	Utilization	Release	FX difference	Closing
Provisions for contingent liabilities and for (future) commitments	762	102	458	-	1	407
Other provisions	392	239	312	-	-1	318
Total	1,154	341	770	-	0	725

Other provisions dropped by HUF 74 million in 2016. Of this amount, HUF 258 million was a decrease in the provision made for liabilities expected from the closed down branches, while HUF 10 million more was provided for penalties and HUF 174 million more was set aside for other expected costs and expenses.

Subordinated liabilities

Subordinated liabilities include subordinated loan capital received under the following conditions:

Subordinated loan capital					
	31.12.2015		31.12.2016		
Amount (CCY):	42,500,000 CHF	15,000,000 EUR	42,500,000 CHF	15,000,000 EUR	13,000,000 EUR
Start date:	15-02-2012	27-07-2015	15-02-2012	27-07-2015	11-04-2016
Maturity:	11-11-2017	27-07-2025	11-11-2017	27-07-2025	11-04-2024
Interest rate:	3 M CHF LIBOR + 233 bps	3 M EURIBOR + 650 bps	3 M CHF LIBOR + 233 bps	3 M EURIBOR + 650 bps	3 M EURIBOR + 490 bps
Lender:	SBERBANK RUSSIA	SBERBANK EUROPE AG	SBERBANK RUSSIA	SBERBANK EUROPE AG	SBERBANK EUROPE AG
Amount in HUF in BS:	12,298,650,000	4,696,800,000	12,299,925,000	4,665,300,000	4,043,260,000

In 2016, the Bank's majority shareholder, Sberbank Europe AG, granted a subordinated loan capital of EUR 13 million to the Bank. The new loan increased the value of subordinated loan capital by HUF 4,043 million, while the related FX rate fluctuations reduced it by HUF 30 million.

NOTES TO THE FINANCIAL STATEMENTS

Equity

Changes in equity are presented in the following table:

Description	Opening	Increase	Decrease	Closing
8. Subscribed capital	37,268	1	33,542	3,727
9. Subscribed capital called but unpaid (-)	-	-	-	-
10. Capital reserve	74,745	13,617	-	88,362
a) share premium	73,855	13,617	-	87,472
b) other	890	-	-	890
11. General reserve	-	-	-	-
12. Profit reserve (±)	-68,924	33,542	11,276	-46,658
13. Tied-up reserves	-	-	-	-
14. Revaluation reserve	91	356	-	447
15. Profit or loss for the financial year (±)	-11,276	11,276	5,730	-5,730
Total equity	31,904	58,792	50,548	40,148

HUF millions

The 26% increase in equity was due to the following three factors:

- losses suffered during 2016 reduced equity by HUF 5.7 billion,
- the revaluation gain on available-for-sale bonds increased equity by HUF 356 million,
- in aggregate, the capital increase and the capital reduction during the year increased equity by HUF 13.6 billion.

Last year's loss was posted to retained earnings based on the resolution of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

2.2.3. Profit and loss account

While the Bank still had a pre-tax loss for 2016 (HUF -5.7 billion), it was only half of the loss for 2015. This improvement was due largely to improved commission income and net financial income. Net interest income remained practically unchanged. In 2015, high other losses were caused by compensation of FX loan debtors, but no such losses incurred in 2016.

The shift in costs and expenses was also more favourable than in 2015.

<i>HUF millions</i>				
Description	2015	2016	Change	Change %
Net interest income	8,245	8,166	-79	-1.0%
Income from securities	38	35	-3	-7.9%
Income from commissions	3,221	3,856	635	19.7%
Net profit or net loss on financial operations	83	471	388	467.5%
Other operating profit	-6,793	-4,455	2,338	-34.4%
Result from impairment and provisions	-4,034	-2,518	1,516	-37.6%
General administrative expenses	-10,699	-10,059	640	-6.0%
Depreciation	-1,337	-1,226	111	-8.3%
Profit or loss on ordinary activities	-11,276	-5,730	5,546	-49.2%
Profit (loss) before tax	-11,276	-5,730	5,546	-49.2%
Income tax	-	-	-	-
Net profit (loss) for the year	-11,276	-5,730	5,546	-49.2%

Net interest income

In 2016, the interest margin was HUF 8,166 million, which is a HUF 79 million (1%) drop on last year's net interest income of HUF 8,245 million.

Interest received and recognised decreased due to a reduced loan portfolio and lower reference interest rates.

The average annual net loan portfolio declined by 18% (nearly HUF 44 billion) and so did the annual average of deposits (by 16%, HUF 41 billion).

The average balance sheet total decreased similarly, by 16%.

The profit reducing effects of these decreases was partly set off by a 25 basis point increase in the net interest margin, chiefly as a result of higher asset margins.

NOTES TO THE FINANCIAL STATEMENTS

HUF millions

P&L ref.	Description	2015	2016	Change	Change %
1	Interest received and similar income	11,805	10,051	-1,754	-14.9%
1a)	interest received and similar income from fixed-income securities	757	1,802	1,045	138.0%
1b)	other interest received and similar income	11,048	8,249	-2,799	-25.3%
	Showing separately: - from related parties	287	351	64	22.3%
	Sberbank Russia	273	283	10	3.7%
	Sberbank Europe AG	-	68	68	-
	East Site Kft. (subsidiary)	4	-	-4	-100.0%
	Károlyi Ingatlan Kft. (subsidiary)	10	-	-10	-100.0%
2	Interest paid and similar charges	3,560	1,885	-1,675	-47.1%
	Showing separately: - to related parties	382	635	253	66.2%
	Sberbank Russia	243	195	-48	-19.8%
	Sberbank Europe AG	134	439	305	227.6%
	Garay Center Kft (subsidiary until 28.09.2016)	5	1	-4	-80.0%
(1-2)	Net interest income	8,245	8,166	-79	-1.0%

Income from securities

HUF
millions

P&L ref.	Description	2015	2016	Change	Change %
3	Income from securities	38	35	-3	-7.9%
3c)	income from other securities (dividends and profit-sharing)	38	35	-3	-7.9%

The HUF 35 million recorded as income from securities fully represents dividends received in the financial year of 2016.

Commission income and expense

HUF
millions

P&L ref.	Description	2015	2016	Change	Change %
4	Commissions and fees received or due	6,923	6,817	-106	-1.5%
4a)	in connection with other financial services	6,899	6,797	-102	-1.5%
	Showing separately: - from related parties	1	28	27	2,700.0%
	Garay Center (subsidiary until 28.09.2016)	1	1	-	-
4b)	in connection with investment services (not including trading operations)	24	20	-4	-16.7%
5	Commissions and fees paid or payable	3,702	2,961	-741	-20.0%
5a)	in connection with other financial services	3,702	2,961	-741	-20.0%
	Showing separately: - to related parties	1,428	1,367	-61	-4.3%
	Sberbank Europe AG	1,428	1,367	-61	-4.3%
5b)	in connection with investment services (not including trading operations)	-	-	-	-
(4-5)	Net income from commissions	3,221	3,856	635	19.7%

NOTES TO THE FINANCIAL STATEMENTS

In 2016, net income from commissions totalled HUF 3,856 million which is a HUF 635 million improvement on last year's HUF 3,221 million and was due to the following factors:

- Revenues from commissions and banking fees related to banking operations decreased primarily as a result of a decline in the banking services used by customers.
- The guarantees received from the parent company to secure loans reduced net commissions by HUF 1,320 million.
- Expenses on other financial services dropped by HUF 741 million on the previous year due to the fact that, in 2015, the Bank revised the commission deferrals related to the commissions paid to agents in the previous years and reversed a significant amount of deferred commissions and no such one-off adjustment was necessary in 2016.

Net financial profit

Net financial profit increased from HUF 83 million in 2015 to HUF 471 million in 2016. Previous year's loss from investment services (trading activity) of HUF 664 million increased to HUF 1,436 million. This was due to the increased net loss on derivatives compared to 2015 which could not be set off by the slight gains on government bonds. Profit from other financial services improved from HUF 747 million to HUF 1,907.

NOTES TO THE FINANCIAL STATEMENTS

The following tables show the changes in income and expenses from the Bank's investment services:

*HUF
millions*

P&L ref.	Description	2015	2016	Change	Change %
	Organization of issue of securities	-	-	-	0.0%
	Other services	23	18	-5	-21.7%
	Custody services, portfolio management	1	2	1	100.0%
4b)	In connection with investment services (not including trading operations)	24	20	-4	-16.7%
	Trading operation	1,553	1,112	-441	-28.4%
	-showing separately revaluation difference	684	228	-456	-66.7%
6c)	In connection with investment services (income from trading operations)	1,553	1,112	-441	-28.4%
4b)+6c)	Income from investment services	1,577	1,132	-445	-28.2%
	Organization of issue of securities	-	-	-	0.0%
5b)	In connection with investment services (not including trading operations)	-	-	-	0.0%
	Trading operation	2,217	2,548	331	14.9%
	-showing separately revaluation difference	776	1,305	529	68.2%
6d)	In connection with investment services (expenses on trading operations)	2,217	2,548	331	14.9%
5b)+6d)	Expenses of investment services	2,217	2,548	331	14.9%

Profit/Loss from non-financial and non-investment services

*HUF
millions*

P&L ref.	Description	2015	2016	Change	Change %
	Income from re-charged KAVOS fees	-	-	-	0.0%
	Income from re-charged postal services fees	82	61	-21	-25.6%
	Income from items re-charged to employees	6	3	-3	-50.0%
	Income from other re-charged items	8	7	-1	-12.5%
7a)	Income from operations other than financial and investment services	96	71	-25	-26.0%
	Re-charged KAVOS fees	-	-	-	0.0%
	Re-charged postal services fees	82	62	-20	-24.4%
	Expenses re-charged to employees	6	3	-3	-50.0%
	Other re-charged expenses	8	6	-2	-25.0%
10a)	Charges on operations other than financial and investment services	96	71	-25	-26.0%
7a)-10a)	Result on operations other than financial and investment services	0	0	0	0.0%

In case of non-financial and non-investment services, both the revenues and the expenses fell by HUF 25 million, taken together they did not have a significant effect on the result.

NOTES TO THE FINANCIAL STATEMENTS

Other income

HUF millions

P&L ref.	Description	2015	2016	Change	Change %
	Income from sale of loan	4,465	3,197	-1,268	-28.4%
	Income from sale of property	7	13	6	85.7%
	Amounts refunded by liquidator, executor, court	35	39	4	11.4%
	Income from sale of tangible asset	57	0	-57	-100.0%
	Received compensations	10	9	-1	-10.0%
	Release of provision related to branch closures	254	0	-254	-100.0%
	Release of provision related to customer compensation	5,572	312	-5,260	-94.4%
	Customer compensation	2,331	0	-2,331	-100.0%
	Others	69	486	417	607.8%
7b)	Other income	12,800	4,056	-8,744	-68.3%
	Expenses from sale of loan	4,465	3,222	-1,243	-27.8%
	Bad debts written off	26	57	31	119.2%
	Expenses from sale of tangible asset	3	0	-3	-100.0%
	Fixed asset scrapping, demolition, write off	155	32	-123	-79.4%
	Extraordinary depreciation of fixed assets	251	374	123	49.0%
	Paid penalties and compensations	73	406	333	456.2%
	Expenses from damages	10	4	-6	-60.0%
	Surtax of financial institutions	2,252	1,062	-1,190	-52.8%
	Innovation contribution	47	50	3	6.4%
	Bank contribution	92	60	-32	-34.8%
	Local business tax	311	342	31	10.0%
	Tax paid in abroad	4	0	-4	-100.0%
	Other tax	7	6	-1	-14.3%
	Transactions fee	2,592	2,414	-178	-6.9%
	Others	162	243	81	50.4%
	Customer compensation	8,752	0	-8,752	-100.0%
	Provision for branch closure	312	31	-281	-90.1%
	Provision for fine	79	10	-69	-87.3%
	Provision for unused vacation	0	102	102	0.0%
	Other provision	0	96	96	0.0%
	Other provision for compensation of retail debtors	0	0	0	0.0%
10b)	Other expenses	19,593	8,511	-11,081	-56.6%
7b)- 10b)	Other result	-6,793	-4,455	2,337	-34.4%

NOTES TO THE FINANCIAL STATEMENTS

Details of **other income from and other expenses on business activities** in 2016:

- 44.66% of other expenses incurred in 2015 was due to the compensation of retail debtors. 61.74% of other income in 2015 included provisions used for reimbursing overpayments by customers and the amounts of interest and penalty interest that had to be considered settled/offset under the FX Loan Act. In 2016, no other income or expense incurred in relation to the compensation of FX loan debtors.
- Financial transactions tax, which was first imposed on the banking sector in 2013, totalled HUF 2,413 million in 2016 (28.36% of other expenses).
- The banking tax expense makes totalled HUF 1,061 million in 2016, which is by 52.9% less than in 2015 as a result of changes in related legislation.
- Expenses on sold loan receivables totalled HUF 3,222 million (37.86% of other expenses).
- Other income was mostly attributable to receivables sold, of which HUF 2,668 million were receivables from non-financial companies and HUF 529 million were retail receivables.

General administrative expenses

General administrative expenses of HUF 10,699 million in 2015 declined by HUF 640 million to HUF 10,059 million in 2016. The decrease is the combined result of a HUF 140 million decrease in payments to personnel and a HUF 500 decrease in other administration costs.

Staff and payroll information

HUF millions

P&L ref.	Description	2015	2016	Change	Change %
8aa)	Wages and salaries	4,333	4,291	-42	-1,0%
8ab)	Other employee benefits	247	223	-24	-9,7%
	Risk money	14	10	-4	-28,6%
	Sick-leave, sick allowance	34	30	-4	-11,8%
	In-kind benefits	134	128	-6	-4,5%
	Representation costs	11	9	-2	-18,2%
	Tax on taxable costs	32	30	-2	-6,3%
	Travel cost	13	11	-2	-15,4%
	Others	9	5	-4	-44,4%
8ac)	Contributions on wages and salaries	1,361	1,287	-74	-5,4%
8a)	Employee-related expenses	5,941	5,801	-140	-2,4%

NOTES TO THE FINANCIAL STATEMENTS

Description	2015	2016	Change	Change %
Average number of employees	677	578	-99	-14.6%

head

Remuneration of senior executives

The members of the Board of Directors and the Supervisory Board received no remuneration for their board activities in 2016.

Loans provided to the members of the Board of Directors and the Supervisory Board were HUF 6 million on 2016.12.31

The Bank has no retirement benefit paying obligation to former senior executives.

Other administrative expenses

P&L ref.	Description	2015	2016	Change	Change %
8b)	Other administrative expenses (materials and supplies)	4,758	4,258	-500	-10.5%

HUF millions

Other administrative expenses decreased by HUF 500 million in 2016 mainly as a result of a HUF 200 million reduction in branch rents. The costs recognised in relation to advisory services also decreased.

Audit and advisory fees paid in 2016, as presented among other administrative expenses, dropped by HUF 11 million (see the details below):

Description	2016
Audit of the annual financial statements	66
Other audit fees	25
Tax advisory services	5
Other, non-audit fee	10
Total	106

HUF millions

Other general administrative expenses by category are presented in detail in Appendix 5.

NOTES TO THE FINANCIAL STATEMENTS

Depreciation

<i>HUF millions</i>					
P&L ref.	Description	2015	2016	Change	Change %
9	Depreciation	1,337	1,226	-111	-8.3%

The annual depreciation charge totals HUF 1,226 million, which is HUF 111 million less than in the previous year.

Extraordinary income and expenses

Further to the Bank's decision laid down in its accounting policies, the extraordinary income and expense categories are no longer used. For the purposes of comparison and in line with the relevant provisions of the accounting law, the extraordinary items presented in last year's financial statements have been reclassified to the other income and expense categories in the 2016 annual financial statements.

Impairment loss and risk provisions

<i>HUF millions</i>					
P&L ref.	Description	2015	2016	Change	Change %
11	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	8,937	8,354	-583	-6.5%
11a)	value adjustments in respect of loans and advances	8,614	8,252	-362	-4.2%
11b)	risk provisions for contingent liabilities and for (future) commitments	323	102	-221	-68.4%
12	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	8,407	5,971	-2,436	-29.0%
12a)	value readjustments in respect of loans and advances	8,234	5,513	-2,721	-33.0%
12b)	risk provisions for contingent liabilities and for (future) commitments	173	458	285	164.7%
13	Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	3,520	141	-3,379	-96.0%
14	Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	16	6	-10	-62.5%

NOTES TO THE FINANCIAL STATEMENTS

Impairment loss recognised on debtors in 2016 totalled HUF 8,354 million which is by HUF 583 million less than in 2015. Reversed impairment loss and released provisions on debtors totalled HUF 5,971 million which is by HUF 2,436 million less than in 2015.

The impairment loss recognised on debt securities, participations and investments totalled HUF 141 million in 2016 as opposed to HUF 3,520 million in 2015, while reversed impairment losses totalled HUF 6 million as opposed to HUF 16 million in 2015. This was due to the fact that there was no event in 2016 that would have been comparable to the impairment loss recognised in 2015 relation to a capital increase in Garay Center Kft. (a fully owned subsidiary in 2015).

Less impairment loss had to be recognised in 2016 than in the previous year, primarily as a result of a stabilising retail mortgage portfolio and the disposal of project loans that generated material extra impairment losses in 2015.

The significant decrease in impairment reversals compared to 2015 was primarily due to the fact that the significant reversal in 2015 related to the compensation of FX loan debtors and to other other settlements in connection with the statutory conversion of foreign exchange mortgage loans to HUF. In 2016, impairment losses were reversed as a result of recovered nonperforming loans, large volume debt transfers, successful restructurings and improved collateral values due to increasing property prices as a result of significantly improved prospects for the local property market.

NOTES TO THE FINANCIAL STATEMENTS

Corporate income tax

The Bank's corporate tax expense for 2016 is zero. As a result of the net loss, no general reserve was made.

	<i>HUF millions</i>
Profit before tax	-5,730
Disallowed items	3,169
Provision	275
Ordinary depreciation, sale, scrapping	1,633
Fine determined in legal resolution	25
Costs incurred outside the normal course of business	8
Forgiven debt of related party	356
Tax inspection, self-revision	45
Tax paid abroad	-
Impairment	110
Transfer pricing	360
Other disallowed items	357
Deductible items	1,584
Tax depreciation, book value of assets sold or scrapped	1,168
Dividends received	35
Reversal of provision	353
Tax audit, self-correction	22
Reversal of impairment	6
Corporation tax base	-4,145
Corporation tax	10;19%
Corporation tax liabilities	-

NOTES TO THE FINANCIAL STATEMENTS

2.2.4. Contingencies (Off-balance sheet items)

The Bank has the following contingent (off balance sheet) items in line with effective accounting regulations:

- commitments and contingent liabilities,
- collaterals received,
- contingent interest,
- securities held by third parties.

Commitments and contingent liabilities/assets as at 31 December 2016:

Source: "Bankügyleti számvitel" [Bank operations accounting department]

HUF millions

	31.12.2015	31.12.2016	
Contingent assets			Note
Collateral received to the extent of receivables	149,333	133,548	
Collateral received beyond the amount of receivables	62,382	58,869	
Contingent assets due to pending lawcases	193	1,114	
Contingent assets	41,203	20,915	
Fx option	970	524	delivery
Index option	700	700	delivery
Total	254,781	215,670	
Future receivables			Note
Unpaid part of purchased receivables	317	254	
FX forwards	2,098	30,603	settlement
FX forwards	1,898	784	delivery
Liabilities due to forward part of swap transactions	59,976	33,333	delivery
CCS (Cross Currency Swap)	74,007	28,461	delivery
IRS (Interest Rate Swap)	17,842	51,583	settlement
Total	156,138	145,018	
Contingent liabilities			Note
Assumed guarantees and surety	11,322	16,264	
Contingent liabilities due to pending lawcases	2,557	1,676	
Letters of credit	41,234	28,002	
Undrawn credit facilities	40,037	40,923	
Fx option	979	517	delivery
Total	96,129	87,382	
Commitments			Note
FX forwards	2,108	30,651	settlement
FX forwards	1,896	768	delivery
Liabilities due to forward part of swap transaction	60,001	33,547	delivery
CCS (Cross Currency Swap)	73,980	28,358	delivery
IRS (Interest Rate Swap)	17,341	51,276	settlement
Total	155,326	144,600	

NOTES TO THE FINANCIAL STATEMENTS

Contingent interest:

HUF millions

Suspended interest	31.12.2015	31.12.2016	Change	Change %
Deal interest	3,477	3,129	-348	-10.0%
Default interest	8,379	6,032	-2,347	-28.0%
Total	11,856	9,161	-2,695	-22.7%

Out of the contingent interest at 31 December 2015, a total of HUF 781 million was collected in 2016.

Collateral and securities received (total value and up to the outstanding receivable):

Description	<i>HUF millions</i>	
	On full value	
	31.12.2015	31.12.2016
Cash coverage	10,966	7,971
Bank guarantee, suretyship	11,881	5,620
State guarantee	31,579	35,201
Securities	697	378
Assigned sales revenue	264	249
Assigned receivables	2,483	666
Mortgage	153,866	142,332
Total	211,716	192,417

Description	<i>HUF millions</i>	
	Up to the value of receivables	
	31.12.2015	31.12.2016
Cash coverage	9,463	6,996
Bank guarantee, suretyship	10,144	4,881
State guarantee	30,468	33,368
Securities	533	320
Assigned sales revenue	121	80
Assigned receivables	1,071	263
Mortgage	97,533	87,640
Total	149,333	133,548

Securities held by third parties at the end of 2016 were as follows:

in FCY million

Description	Currency	Nominal value
Owned by customers	EUR	3,336
	HUF	11,879
	USD	97

NOTES TO THE FINANCIAL STATEMENTS

2.2.5. Informative part

Deposit protection funds:

The Bank paid membership fees to the National Deposit Protection Fund (HUF 201 million) and the Investor Protection Fund (HUF 5 million) in 2016.

Calculation of regulatory capital:

	<i>HUF millions</i>
Subscribed capital	3 727
Capital reserve	88 362
Positive components of core capital	92 089
Profit reserve	-46 658
Tied-up reserve	-
Profit for the financial year	-5 730
Committed reserve	-
Intangible assets	-1 332
Negative components of core capital	-53 720
Core capital	38 369
Subordinated borrowed capital	10 007
Valuation reserve	447
Subsidiary capital	10 454
Regulatory capital before deductions	48 823
Capital adjustment due to PIBB	-
Regulatory capital for limitations	48 823
Total amount of deductions due to large exposures	-

The amount of large risk as calculated in line with Regulation 575/2013/EU totalled HUF 20,679 million at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

Changes in fair valuation difference of assets:

HUF millions

Descriptions	2015	2016	Change	P&L effect 2016	Equity (BS) effect 2016
Valuation difference on government bonds	52	218	166	-190	356
Positive valuation difference on derivatives	1,717	1,139	-578	-578	-

Revaluation differences on the liabilities side:

HUF millions

Description	2015	2016	Change	Accounted
Negative valuation difference on derivatives	292	1,419	1,127	in P&L

No other revaluation gain or loss incurred either at the end of 2015 or 2016.

Profit or loss impact of forward, option and swap contracts closed in 2016:

HUF millions

Deal	Income	Expense	Profit/Loss
Fx Forward	11	-19	-8
Fx Swap	256	-234	22
IRS	479	-408	71
CCS	27	-453	-426
Fx Option	79	-	79

Securities held-to-maturity with no inherent credit risk:

HUF millions

Description	ISIN code	CCY	Maturity	Nominal amount	Book value
A171220C14	HU0000402821	HUF	20.12.2017	7,000	7,015
A180622C15	HU0000402979	HUF	22.06.2018	5,000	5,164
A181024D15	HU0000402987	HUF	24.10.2018	1,400	1,399
A181220A13	HU0000402631	HUF	20.12.2018	15,000	16,523
A190624A08	HU0000402433	HUF	24.06.2019	11,000	12,151
A191030C16	HU0000403092	HUF	30.10.2019	3,000	3,098
A200624B14	HU0000402953	HUF	24.06.2020	5,000	5,397
A201112A04	HU0000402235	HUF	12.11.2020	3,000	3,703
A231124A07	HU0000402383	HUF	24.11.2023	9	11
A250624B14	HU0000402748	HUF	24.06.2025	2	2
A281022A11	HU0000402532	HUF	22.10.2028	4	5

NOTES TO THE FINANCIAL STATEMENTS

Revenues per geographical segment:

Segment	Interest received	Income from securities	Commission income	Income from financial operations	Other income	Total
Domestic	9,178	35	6,564	3,467	4,127	23,372
From EU	393	-	147	-	-	540
From outside of EU	307	-	94	-	-	401
- of which Serbia	4	-	-	-	-	4
- of which Russia	168	-	11	-	-	180
Total	10,051	35	6,817	3,467	4,127	24,497

The Bank has cross-border lending operations which incurred taxes totalling HUF 0.4 million paid to foreign tax authorities.

Open spot contracts at the end of 2016:

Currency	Amount received (currency)	Amount received (HUF million)	Amount paid (currency)	Amount paid (HUF million)
CAD	386	-	-	-
CHF	215,057	62	-	-
CZK	14,943	-	-	-
DKK	-	-	-	-
EUR	9,325,400	2,900	-	-
GBP	3,274	1	-	-
HRK	5,183	-	-	-
HUF	6,184,799	6	507,294,554	507
NOK	4,220	-	-	-
PLN	1,328	-	-	-
RON	153	-	-	-
RUB	-	-	1,234,183	6
SEK	58,930	2	-	-
USD	628,101	184	9,004,320	2,644

NOTES TO THE FINANCIAL STATEMENTS

Rated assets and contingencies at 31 December 2016:

HUF millions

Rating categories	Loans and advances to customers	Debt securities	Shares, holdings	Inventories	Balance sheet total	Off-balance sheet liabilities
Pass	151,514	1,455	300	44	153,313	123,255
Watch						
-Gross value	27,905	-	-	-	27,905	2,113
-Value adjustments	-828	-	-	-	-828	-15
-Net book value	27,077	-	-	-	27,077	2,098
Substandard						
-Gross value	4,953	-	-	-	4,953	21
-Value adjustments	-1,139	-	-	-	-1,139	-6
-Net book value	3,814	-	-	-	3,814	15
Doubtful						
-Gross value	20,811	-	-	-	20,811	134
-Value adjustments	-10,927	-	-	-	-10,927	-46
-Net book value	9,884	-	-	-	9,884	88
Bad						
-Gross value	16,495	-	1,396	-	17,891	143
-Value adjustments	-14,334	-	-1,253	-	-15,587	-102
-Net book value	2,161	-	143	-	2,304	41
Total net book value	194,450	1,455	443	44	196,392	125,497

Collectively assessed loan receivables at 31 December 2016:

HUF millions

Rating category	Gross value	Value adjustments	Net book value
Pass	77,219	-	77,219
Watch	11,629	235	11,394
Substandard	3,559	-757	2,802
Doubtful	17,060	-9,207	7,853
Bad	10,543	-8,907	1,636
Total	120,010	-19,106	100,904

Rated restructured loans:

HUF millions

Restructured loans	31.12.2015	31.12.2016
Gross value	24,153	20,493
Value adjustments	-8,066	-6,051
Net book value	16,087	14,442

NOTES TO THE FINANCIAL STATEMENTS

The restructured gross loan portfolio and the related impairment loss both decreased on previous year's closing balances, mostly as a result of significant (gross) loan portfolio transfers. Impairment losses recognised for the restructured loan portfolio at the year-end also decreased as significant, previously nonperforming gross loans healed in 2016 and this caused a material reduction in impairment losses.

Composition of FX assets and liabilities:

HUF millions

Description	Total	EUR	CHF	Other currencies
1. Liquid assets	936	589	22	325
2. Government securities	1,521	1,521	-	-
3. Receivables from credit institutions	70,453	35,778	136	34,539
4. Receivables from customers	54,870	41,432	4,794	8,646
5. Debt securities, including fixed-income securities	1,194	1,194	-	-
7. Shares and participations for investment purposes	223	-	-	223
12. Other assets	33,366	1,860	33,130	-1,624
12./B Positive valuation difference on derivatives	50	106	-63	7
13. Prepaid expenses and accrued income	478	465	-1	14
Foreign exchange assets	163,091	82,945	38,018	42,128
1. Liabilities to credit institutions	38,552	10,424	24,601	3,527
2. Amounts owed to customers	96,423	56,768	1,117	38,538
3. Issued bonds and other interest-bearing securities	4,517	4,517	-	-
4. Other liabilities	1,176	1,140	0	36
4/A. Negative valuation difference on derivatives	12	3	0	9
5. Accrued expenses and deferred income	1,356	1,340	1	15
6. Provisions	43	43	0	0
7. Subordinated liabilities	21,008	8,709	12,300	-
Foreign exchange liabilities	163,087	82,945	38,019	42,125

A table of the details of foreign securities held by the Bank per FX denomination is presented in Appendix 3.

At 31 December 2016, the Bank did not have any outstanding repurchase agreements.

NOTES TO THE FINANCIAL STATEMENTS

Appendices:

- 1. Financial indicators and definitions
- 2. Cash flow statement
- 3. Securities
- 4. Statements of derivative transactions (FRA, IRS, FRW, SWAP, Options)
- 5. Other administrative expenses by category

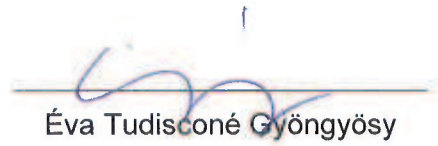
Budapest, 28 April 2017



Richárd Szabó

Chairman-CEO

Sberbank Hungary Ltd.



Éva Tudisconé Gyöngyösy

Chief Financial Officer

Sberbank Hungary Ltd.

NOTES TO THE FINANCIAL STATEMENTS

Appendix 1

Asset and capital indicators

Description	2015	2016
Fixed asset coverage	17.07%	20.68%
Current asset ratio	50.17%	45.30%
Capital structure	90.59%	87.82%
Equity ratio	8.41%	11.13%
Increase in equity	-26.15%	25.84%

Liquidity and profitability indicators:

Description	2015	2016
<i>Liquidity</i>		
Prompt liquidity ratio	58.99%	29.15%
Annual liquidity ratio	80.50%	67.04%
<i>Return on equity</i>		
Return on equity from financial and investment service activity	-35.34%	-14.26%
Gross return on equity	-35.34%	-14.26%
Net return on equity	-35.34%	-14.26%
Clean return on equity	-35.34%	-14.26%
<i>Trading profitability</i>		
Return on interest	69.84%	81.25%
Return on financial and investment services	-15.33%	-23.46%
Trading profitability	-15.28%	-23.39%
<i>Asset quality</i>		
Quality of loan portfolio	23.20%	19.34%
Coverage of rated loans	70.53%	63.51%
<i>Efficiency</i>		
Costs to assets	3.17%	3.10%
General funding cost indicator	1.04%	0.59%
Earnings per capital	-16,659	-9,913
<i>Other profitability indices</i>		
Net operating margin	157.35%	128.08%
Net interest margin	2.17%	2.26%
Credit multiplier	87.83%	93.56%

NOTES TO THE FINANCIAL STATEMENTS

Definitions of indicators:

I. Asset and capital indicators:

Fixed asset margin: Equity / Fixed assets

Current asset ratio: Current assets / Total assets

Gearing: Current and long-term liabilities/ Equity and liabilities

Equity ratio: Equity / Equity and liabilities

Equity increase: Movements in equity/Prior year's equity

II. Liquidity and profitability indicators

Liquidity

Prompt liquidity ratio: (Liquid assets + Receivables on demand from banks credit institutions)/(Demand liabilities towards credit institutions + Demand liabilities towards savings account customers + Other demand liabilities towards customers from financial services)

Annual liquidity ratio: Liquid assets / Liquid liabilities

where

Liquid assets: Liquid assets + Held for trading government bonds + Receivables on demand from banks credit institutions + Current receivables from credit institutions from financial services + Current receivables from customers for financial services + Held for trading government debt securities + Other available for sale debt securities + Held for trading shares and quotas + Held for trading variable yield securities

Liquid liabilities: Demand liabilities towards credit institutions + Current liabilities towards credit institutions for financial services + Liabilities towards credit institutions from investment services + Demand liabilities towards savings account customers + Current liabilities towards savings account customers + Other demand liabilities towards customers from financial services + Current liabilities towards customers from financial services + Liabilities towards customers from investment services + Bonds maturing within one year

NOTES TO THE FINANCIAL STATEMENTS

Return on equity (ROE)

Return on equity from financial and investment services: Profit or loss on investment services / Equity

Gross ROE: Pre-tax profit or loss / Equity

Net ROE: Net profit or loss after tax / Equity

Clean ROE: Profit or loss for the year / Equity

Return on interest: Interest gains or losses / Interest received and similar income

Return on financial and investment services: Profit or loss on investment services / (Interest received and similar income + Revenues from securities + Commission received and similar income from other financial services + Commission received and similar income from investment services + Income from other financial services + Income from investment services + Other income from (financial and investment) operations)

Trading profitability: Profit or loss on ordinary activities / (Interest received and similar income + Revenues from securities + Commission received and similar income from financial services + Commission received and similar income from investment services + Income from other financial services + Income from investment services + Other income from operations)

NOTES TO THE FINANCIAL STATEMENTS

III. Asset quality

Loan portfolio quality: Rated loans / Gross loans, total

Coverage of rated loans: Impairment loss on loans / Rated loans

IV. Efficiency

Cost to assets: (General administration costs + Depreciation charge) / Total assets

General funding cost: Interest paid and similar charges / (Current liabilities, total + Long-term liabilities, total)

Earnings per capita: Pre-tax profit or loss / Headcount

V. Other profitability indicators

Net operating margin: (Interest received and similar income + Gains on securities + Commission received and similar income from other financial services + Commission received and similar income from investment services + Income from other financial services + Income from investment services + Other income from operations) / (Interest paid and similar charges + Commission paid and similar charges on financial services + Commission paid and similar charges on investment services + Expenses on other financial services + Expenses on investment services + General administration costs + Depreciation charge)

Net interest margin: Interest gain or loss / Equity and liabilities

Credit multiplier: (Amounts receivable from credit institutions + Amounts receivable from customers) / (Amounts payable to credit institutions + Amounts payable to customers)

NOTES TO THE FINANCIAL STATEMENTS

Appendix 2

Description	<i>HUF millions</i>	
	2015	2016
Interest income	11,805	10,051
+ Income from other financial services (except impairment on securities and the positive valuation difference of receivables)	8,210	9,152
+ Other income (except for release of provisions, reversal of impairment on inventories and extraordinary depreciation)	6,974	3,743
+ Income from other investment services (except for impairment on securities and positive valuation difference)	893	904
+ Income from operations other than financial and investment services	96	71
+ Dividend income	38	35
+ Extraordinary income	0	0
- Interest expenses	-3,560	-1,885
- Other financial services expenses (except for impairment on securities and the negative valuation difference of receivables)	-3,889	-3,409
- Other expenses (except for provisions, impairment on inventories, and extraordinary depreciation)	-19,202	-8,272
- Investment services expenses (except for impairment on securities and negative valuation difference)	-1,441	-1,243
- Expenses on operations other than financial and investment services	-96	-71
- General administrative expenses	-10,699	-10,059
- Extraordinary expenses (not including corporate tax payable for the financial year)	0	0
- Corporate tax payable for the financial year	-	-
- Dividends paid	-	-
Operating cash-flow	-10,871	-983
Change in liabilities (increase (+), decrease (-))	-56,082	-17,500
Change in receivables (increase (-), decrease (+))	80,578	986
Change in inventories (increase (-), decrease (+))	45	-20
Change in securities disclosed under current assets (increase (-), decrease (+))	-1,091	15,625
Change in securities disclosed under fixed assets (increase (-), decrease (+))	-15,560	-26,241
Change in tangible assets under construction (including prepayments) (increase (-), decrease (+))	57	6
Change in intangible assets (increase (-), decrease (+))	-587	-592
Change in tangible assets (except tangible assets under construction and prepayments) (increase (-), decrease (+))	233	209
Change in prepayments and accrued income (increase (-), decrease (+))	1,078	-980
Change in accruals and deferred income (increase (+), decrease (-))	-74	450
+ Share issue (selling price)	-	4,190
+ Non-repayable funds received by virtue of legal regulation	-	-
- Non-repayable funds transferred by virtue of legal regulation	-	-
- Nominal value of shares and share certificates withdrawn	-	-
Net cash-flow	-2,274	-24,850
of which: - change in cash (HUF and foreign currency)	-570	350
- change in account balances (HUF and foreign currency accounts placed with the NBH, deposit accounts with remaining maturity of less than one year, and current deposit accounts maintained in HUF at other credit institutions by virtue of specific other legislation)	-1,704	-25,200

NOTES TO THE FINANCIAL STATEMENTS

Appendix 3

3/A. Listed securities held by the Bank

Securities held for trading
Government securities (E/2.a.)
Hungarian government bonds
Treasury bills
Securities for investment purposes
Government securities (E/2.b.)
Hungarian government bonds

3/B. Securities held by the Bank

Description	31.12.2015		31.12.2016	
	Nominal amount	Book value	Nominal amount	Book value
Government securities	45,480	45,200	52,097	55,773
Securities held for trading (E/2.a.)	24,272	24,205	8,682	8,455
Securities for investment purposes (E/2.b.)	21,208	20,995	43,415	47,318
Securities issued by other borrowers	1,470	1,330	1,595	1,455
Securities held for trading (E/5.ba.)	1,470	1,330	1,595	1,455

3/C. Securities held by third parties

Description	HUF millions	
	31.12.2016	
	Nominal value	
Dematerialized securities	9,645	
Printed securities	5,667	
in own vault	1,590	
in own legal vault	4,077	

3/D. Foreign securities per currency

Deviza	HUF millions	
	31.12.2016	
	Book value	
Euro	1,521	
Swiss franc	-	

NOTES TO THE FINANCIAL STATEMENTS

Appendix 4

4/A. Contractual amounts of derivatives open at 31 December 2016:

HUF millions

Descriptions	31 December 2015.			31 December 2016		
	Receivable	Payable	Net position	Receivable	Payable	Net position
<i>Concluded on the exchange market</i>	-	-	-	-	-	-
<i>Concluded on the interbank market</i>						
Interest-rate swap deals	17,842	-17,341	501	51,583	-51,276	307
CCIRS deals	74,007	-73,980	27	28,461	-28,358	104
Foreign exchange option deals	970	-979	-9	524	-517	6
Foreign exchange swap deals	59,976	-60,001	-25	33,333	-33,547	-214
Foreign exchange forward deals	3,996	-4,004	-8	31,387	-31,420	-33
Derivative index deals	700	-	700	700	-	700

4/B. Expected P&L and cash flow impact of derivate contracts open at 31 December 2016:

HUF millions

Descriptions	Impact on profit and loss	Impact on cash-flow
<i>Concluded on the exchange market</i>	-	-
<i>Concluded on the interbank market</i>		
Interest-rate swap deals	-474	307
CCIRS deals	337	104
Foreign exchange option deals	58	6
Foreign exchange swap deals	-205	-214
Foreign exchange forward deals	13	-33
Derivative index deals	0	0

The Bank enters into derivative contracts only in order to eliminate any interest and FX risks. However, these contracts do not qualify for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

4/C. Maturity analysis of derivatives open at the end of 2016

HUF millions

Description	Receivables	Liabilities	Net position	Fair value
Interest-rate swap deals	51,583	-51,276	307	-474
91-365 days	35	-35	-	-
1-5 years	47,229	-46,965	264	-348
over 5 years	4,319	-4,276	43	-126
CCIRS deals	28,461	-28,358	103	336
0-90 days	7,671	-7,712	-41	62
91-365 days	20,791	-20,670	121	274
1-5 years	-	23	23	-
Foreign exchange option deals	524	-517	7	58
0-90 days	429	-429	-	-4
91-365 days	46	-39	7	36
1-5 years	49	-49	-	26
Foreign exchange swap deals	33,333	-33,547	-214	-205
0-90 days	33,177	-33,391	-214	-205
91-365 days	156	-156	-	-
Foreign exchange forward deals	31,387	-31,420	-33	13
0-90 days	3,755	-3,738	17	18
91-365 days	26,985	-27,032	-47	-8
1-5 years	647	-650	-3	3
Derivative index deals	700	-	700	-
1-5 years	700	-	700	-

NOTES TO THE FINANCIAL STATEMENTS

5 Appendix

Additional information as required by section 25(14) of government decree 250/2000 (XII.24.)

Breakdown of other administrative expenses (material-type expenses):

Number	Description	<i>HUF millions</i>	
		2015	2016
1.	Raw materials and consumables	160	133
2.	Contracted services	4,550	4,066
3.	Other service activities	48	59
6.	Material costs (1+2+3+4+5)	4,758	4,258

Breakdown of expenses on operations other than financial and investment services

Number	Description	<i>HUF millions</i>	
		2015	2016
5.	Value of services sold (intermediated)	96	71
6.	Material costs (1+2+3+4+5)	96	71
12.	Expenses on operations other than financial and investment services (6+10+11)	96	71