

Sberbank Magyarország Zrt.

Consolidated annual financial statements

31 December 2015

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Sberbank Magyarország Zrt.

Report on the consolidated financial statements

1.) We have audited the accompanying 2015 consolidated annual financial statements of Sberbank Magyarország Zrt. ("the Company"), which comprise the consolidated balance sheet as at 31 December 2015 - showing a balance sheet total of HUF 379,927 million and a loss for the year of HUF 10,874 million -, the related consolidated profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2.) Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with the Hungarian Accounting Law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

6.) In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of Sberbank Magyarország Zrt. as at 31 December 2015 and of the results of its operations for the year then ended in accordance with the Hungarian Accounting Law.

Other matters

7.) This independent auditor's report has been issued for consideration by the forthcoming shareholders' meeting for decision making purposes and, as such, does not reflect the impact, if any, of the resolutions to be adopted at that meeting.

Other reporting requirement - Report on the consolidated business report

8.) We have reviewed the consolidated business report of Sberbank Magyarország Zrt. for 2015. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian Accounting Law. Our responsibility is to assess whether the consolidated business report is consistent with the consolidated financial statements for the same financial year. Our work regarding the consolidated business report has been restricted to assessing whether the consolidated business report is consistent with the consolidated annual financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the consolidated business report of Sberbank Magyarország Zrt. for 2015 corresponds to the disclosures in the 2015 consolidated annual financial statements of Sberbank Magyarország Zrt.

Budapest, 7 April 2016

(The original Hungarian language version has been signed.)

Virágh Gabriella
Ernst & Young Kft.
Registration No. 001165

Virágh Gabriella
Registered auditor
Chamber membership No.: 004245

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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

Consolidated financial statements for 2015

Date: Budapest, 07 April 2016



Szabó Richard
Chairman-CEO
Sberbank Hungary Ltd.



Éva Tudisconé Gyöngyösy
CFO
Sberbank Hungary Ltd.

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SBERBANK HUNGARY LTD.

Balance Sheet Assets
31 December 2015

Data in MHUF

Description	Previous year	Current year
1. Liquid assets	54,467	52,193
2. Government securities	32,950	45,200
<i>a) held for trading</i>	23,114	24,205
<i>b) for investment purposes</i>	9,836	20,995
2.A Valuation difference on government securities	67	52
3. Receivables from credit institutions	66,138	74,427
<i>a) repayable on demand</i>	7,060	17,912
<i>b) other receivables in connection with financial services</i>	55,845	53,919
ba) due within one year	2,033	28,228
Of which: - subsidiaries	370	13,073
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	-	-
- clearing houses	-	-
bb) due more than one year	53,812	25,691
Of which: - subsidiaries	8,520	7,704
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	-	-
- clearing houses	-	-
<i>c) in connection with investment services</i>	3,233	2,596
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
- clearing houses	-	-
3.A Valuation difference on receivables from credit institutions	-	-
4. Receivables from customers	280,435	196,688
<i>a) in connection with financial services</i>	280,414	196,684
aa) due within one year	76,090	62,397
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
ab) due more than one year	204,324	134,287
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
<i>b) in connection with investment services</i>	21	4
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
ba) receivables in connection with investment services on the stock exchange	-	-
bb) receivables in connection with investment services outside the stock exchange (OTC)	12	4
bc) receivables from customers in connection with investment services	9	-
bd) claims from clearing houses	-	-
be) receivables in connection with other investment services	-	-
4.A Valuation difference on receivables from customers	-	-
5. Debt securities, including fixed-income securities	977	1,330
<i>a) issued by local municipalities and other public bodies (not including treasury bills and similar securities)</i>	-	-
aa) held for trading	-	-
ab) for investment purposes	-	-
<i>b) securities issued by other borrowers</i>	977	1,330
ba) held for trading	-	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
- repurchased own shares	-	-
bb) for investment purposes	977	1,330
Of which: - issued by subsidiaries	-	-
- issued by affiliated companies	-	-
5.A Valuation difference on debt securities	-	-

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SBERBANK HUNGARY LTD.

Balance Sheet Assets
31 December 2015

Description	Data in MHUF	
	Previous year	Current year
6. Shares and other variable-yield securities	-	-
a) shares and participations held for trading	-	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
b) variable-yield securities	-	-
ba) held for trading	-	-
bb) for investment purposes	-	-
6.IA Valuation difference on shares and other variable-yield securities	-	-
7. Shares and participations for investment purposes	82	81
a) shares and participations for investment purposes	82	81
of which: - shares in financial institutions	66	67
b) revaluation of shares and participations for investment purposes	-	-
of which: - shares in financial institutions	-	-
7.IA Valuation difference on shares and participations for investment purposes	-	-
8. Shares and participations in affiliated companies	-	-
a) shares and participations for investment purposes	-	-
of which: - shares in financial institutions	-	-
b) revaluation of shares and participations for investment purposes	-	-
of which: - shares in financial institutions	-	-
c) capital consolidation difference	-	-
- from subsidiary and joint companies	-	-
- from affiliated companies	-	-
9. Intangible assets	1,860	1,621
a) intangible assets	1,860	1,621
b) revaluation of intangible assets	-	-
10. Tangible assets	5,196	3,530
a) tangible assets for financial and investment services	5,196	3,530
aa) land and buildings	4,469	3,055
ab) machinery, equipment, fittings, fixtures and vehicles	658	463
ac) construction-in-progress	69	12
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	1,604	863
a) inventories	595	507
b) other receivables	1,009	356
Of which: - subsidiaries	2	1
- to other companies linked by virtue of participating interests	-	-
c) corporate tax refund due (calculated) in connection with consolidation	-	-
12.IA Valuation difference on other assets	-	-
12.IB Positive valuation difference on derivatives	4,915	1,717
13. Prepaid expenses and accrued income	3,295	2,225
a) accrued income	1,883	1,647
b) prepaid expenses	316	319
c) accrued payables	1,096	259
Total assets	451,986	379,927
Of which: - CURRENT ASSETS		
{1+2.a)+3.c)+3.a)+3.ba)+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}	172,551	190,119
- 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}	276,140	187,582

Date: Budapest, 07 April 2016



Richard Szabó
Chairman - CEO
Sberbank Hungary Ltd.



Éva Tudi
CFO
Sberbank Hungary Ltd.

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SBERBANK HUNGARY LTD.

Balance Sheet Liabilities
31 December 2015

Data in MHUF

Description	Previous year	Current year
1. Liabilities to credit institutions	128,991	82,509
a) repayable on demand	4,755	1,170
b) with agreed maturity dates or periods of notice in connection with financial services	123,493	81,339
ba) due within one year	18,799	9,385
Of which: - subsidiaries	7,872	0
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	5,593	6,789
- clearing houses	-	-
bb) due more than one year	104,694	71,954
Of which: - subsidiaries	22,257	24,597
- to other companies linked by virtue of participating interests	-	-
- National Bank of Hungary	18,319	19,936
- clearing houses	-	-
c) in connection with investment services	743	-
Of which: - subsidiaries	-	-
- 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	248,891	227,077
a) savings deposits	12	9
aa) repayable on demand	-	-
ab) due within one year	12	9
ac) due more than one year	-	-
b) other liabilities in connection with financial services	248,854	227,015
ba) repayable on demand	103,119	117,488
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
bb) due within one year	143,033	104,252
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
bc) due more than one year	2,702	5,275
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
c) in connection with investment services	25	53
Of which: - subsidiaries	-	-
- 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	25	53
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	5,573	5,547
a) issued bonds	5,573	5,547
aa) due within one year	-	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
ab) due more than one year	5,573	5,547
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
b) other debt securities issued	-	-
ba) due within one year	-	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
bb) due more than one year	-	-
Of which: - subsidiaries	-	-
- significant owned enterprises with participating interest	-	-
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	-	-
- to other companies linked by virtue of participating interests	-	-
cb) due more than one year	-	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-

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SBERBANK HUNGARY LTD.

Balance Sheet Liabilities
31 December 2015

Data in MHUF

Description	Previous year	Current year
4. Other liabilities	2,927	11,429
a) due within one year	2,927	11,429
Of which: - subsidiaries	239	9,620
- 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	-	-
- to other companies linked by virtue of participating interests	-	-
c) corporate tax payable (calculated) in connection with consolidation	-	-
4/A. Negative valuation difference on derivatives	2,464	292
5. Accrued expenses and deferred income	2,737	2,663
a) deferred revenue	2	2
b) accrued expenses	2,683	2,630
c) deferred income	52	31
6. Provisions	6,092	1,128
a) provisions for pension and severance pay	-	-
b) provisions for contingent liabilities and for (future) commitments	644	736
c) general risk provisions	-	-
d) other provisions	5,448	392
7. Subordinated liabilities	11,129	16,995
a) subordinated loan	11,129	16,995
Of which: - subsidiaries	11,129	16,995
- to other companies linked by virtue of participating interests	-	-
aa) Capital consolidation difference	-	-
-from subsidiary and joint companies	-	-
b) other contributions received from members in respect of co-operative credit institutions	-	-
c) other subordinated liabilities	-	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
8. Subscribed capital	37,268	37,268
Of which: - repurchased own shares on nominal value	-	-
9. Subscribed but unpaid capital (-)	-	-
10. Capital reserve	74,745	74,745
a) share premium	73,855	73,855
b) other	890	890
11. General reserve	-	-
12. Profit reserve (±)	-53,752	-62,633
13. Tied-up reserves	-	-
14. Valuation reserve	112	91
a) revaluation reserve on value adjustments	-	-
b) fair value reserve	112	91
15. Net profit (loss) for the year	-9,448	-10,874
16. Changes in the equity capital of subsidiaries and joint companies (±)	-5,726	-6,267
17. Changes due to consolidation (±)	-17	-43
- from the balance of debt consolidation	0	0
- from the difference of the interim result	-17	-43
18) Minority interest	0	0
Total liabilities	451,986	379,927
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]	275,877	244,078
- LONG-TERM LIABILITIES		
[1.bb)+2.ac)+2.bc)+3.ab)+3.bb)+3.cb)+4.b)+7]	124,098	99,771
- EQUITY		
(8-9+10+11+12+13+14+15)	43,182	32,287
Off-balance sheet receivables	545,701	410,108
1. Contingent assets	304,610	253,969
2. Future receivables	241,091	156,139
Off-balance sheet liabilities	337,130	251,286
1. Contingent liabilities	97,044	95,960
2. Commitments	240,086	155,326

Date: Budapest, 07 April 2016



Richard Szabó
Chairman – CEO
Sberbank Hungary Ltd.



Eva Tudišová Gyöngyösi
CFO
Sberbank Hungary Ltd.

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SBERBANK HUNGARY LTD.

Income statement
31 December 2015

Data in MHUF

Description	Previous year	Current year
1. Interest received and similar income	17,099	11,791
a) interest received and similar income from fixed-income securities	2,806	757
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
b) other interest received and similar income	14,293	11,034
Of which: - subsidiaries	215	272
- to other companies linked by virtue of participating interests	-	-
2. Interest paid and similar expenses	6,199	3,555
Of which: - subsidiaries	557	377
- significant owned enterprises with participating interest	-	-
Interest margin	10,900	8,236
3. Income from securities	31	38
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 other securities (dividends and profit-sharing)	31	38
4. Commission and fee income	7,160	6,922
a) in connection with other financial services	7,072	6,898
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
b) in connection with investment services (excluding trading activities)	88	24
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
5. Commission and fee expenses	1,534	3,702
a) in connection with other financial services	1,455	3,702
Of which: - subsidiaries	7	1,428
- to other companies linked by virtue of participating interests	-	-
b) in connection with investment services (excluding trading activities)	79	-
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
6. Net financial profit	1,033	22
a) income on other financial services	1,766	900
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
- valuation difference	-	-
b) expense on other financial services	358	214
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
- valuation difference	-	-
c) income on investment services (income from trading activities)	1,623	1,553
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
- release of impairment on securities held for trading	-	-
- valuation difference	719	684
d) expense on investment services (expense from trading activities)	1,998	2,217
Of which: - subsidiaries	-	26
- to other companies linked by virtue of participating interests	-	-
- impairment on securities held for trading	-	-
- valuation difference	161	776
7. Other income from business activities	2,411	11,448
a) Income from non-financial and non-investment services	566	96
Of which: - subsidiaries	8	4
- to other companies linked by virtue of participating interests	-	-
b) other income	1,845	11,352
Of which: - subsidiaries	3	280
- to other companies linked by virtue of participating interests	-	-
- release of impairment on inventories	-	-
ba) consolidation difference increasing profits arising from debt consolidation	-	-
8. General administrative costs	11,321	11,000
a) staff costs	5,880	5,941
aa) wages and salaries	4,270	4,333
ab) other employee benefits	278	247
Of which: - social security costs	-	-
= pension related costs	-	-
ac) contributions on wages and salaries	1,332	1,361
Of which: - social security costs	1,158	1,168
= pension related costs	-	-
b) other administrative expenses (materials and supplies)	5,441	5,059

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SBERBANK HUNGARY LTD.

Income statement
31 December 2015

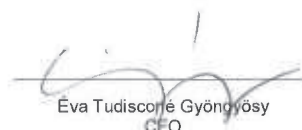
Data in MHUF

A tétel megnevezése	Előző év	Tárgyév
9. Depreciation	1,410	1,405
10. Other expense on business activities	13,591	11,977
a) Expenses on non-financial and investment services	568	96
Of which: - subsidiaries	-	-
- to other companies linked by virtue of participating interests	-	-
b) other expenses	13,023	11,881
Of which: - subsidiaries	-	411
- to other companies linked by virtue of participating interests	-	-
- impairment on inventories	-	-
ba) consolidation difference decreasing profits arising from debt consolidation	-	-
11. Impairment on loans and advances and provision for contingent liabilities and for (future) commitments	10,147	8,231
a) impairment on loans and advances	10,002	7,935
b) provision for contingent liabilities and for (future) commitments	145	296
12. Reversal of impairment on loans and advances and release of provision for contingent liabilities and for (future) commitments	7,014	5,176
a) reversal of impairment on loans and advances	6,935	5,002
b) release of provision for contingent liabilities and for (future) commitments	79	174
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	19	-
14. Reversal of impairment on debt securities held for investment purposes, and on shares and participations in subsidiaries and affiliated companies	18	16
15. Profit or loss from ordinary activities	-9,455	-4,457
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]	-9,453	-4,457
- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES [7.a)-10.a)]	-2	0
16. Extraordinary income	13	2,338
17. Extraordinary expenses	5	8,753
18. Net profit (loss) of extraordinary items (16-17)	8	-6,415
19. Profit before tax (+15+18)	-9,447	-10,872
20. Income tax	1	2
a) (calculated) corporate income tax difference arising from consolidation	-	-
21. Profit after tax (+19-20)	-9,448	-10,874
22. Charge and release of general reserves (+,-)	-	-
23. Retained earning used for dividends and profit-sharing	-	-
24. Dividend and profit-sharing payable	-	-
Of which: - subsidiaries	-	-
- affiliated companies	-	-
25. Net profit (loss) for the year (+21-/+22+23-24)	-9,448	-10,874

Date: Budapest, 07 April 2016



Richard Szabó
Chairman - CEO
Sberbank Hungary Ltd.



Éva Tudisorné Gyöngyösi
CFO
Sberbank Hungary Ltd.

SBERBANK Hungary
private company limited by shares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED 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 a number 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.

The Bank's issued capital as at 31 December 2015 registered at the Companies Court comprised 37,268 printed ordinary shares each with a nominal value of HUF 1,000,000 (that is one million Hungarian forints). The capital reserve amounted to HUF 74.745 million.

Ownership structure and the breakdown of shares as at 31 December 2015:

Shareholder	Number of ordinary shares (pcs)	Voting share (%)	Total number of shares (pcs)	Ownership ratio (%)
Sberbank Europe AG AT 1010 Wien Schwarzenberplatz 3.	36,868	99	36,868	99
Türkiye Halk Bankası TU 06240 Ankara Eskisehir Yolu 2. Cadde No: 63, Söğütözü	400	1	400	1
Total:	37,268	100.00	37,268	100.00

Details of Sberbank Hungary Ltd.:

- Registered office: 1088 Budapest, Rákóczi út 7.
- Company registration number: 01-10-041720
- Tax ID: 10776999-2-44

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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
- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- services related to underwriting guarantees
- investment services or auxiliary services related to instruments underlying derivatives

TEÁOR numbers (Standard Sector Classification of Business Activities):

V-Dat Informatikai Szolgáltató és Kereskedelmi Kft.

- 6810'08 Purchase/sale of own properties (main activity)
- 6820'08 Rent/lease-out of own and borrowed property, property management
- 2611'08 Manufacturing of electronic parts
- 4614'08 Agency trade of machinery, vessels and aircraft
- 4651'08 Wholesale of computer hardware, peripherals and software
- 4652'08 Wholesale of electronic and telecommunication equipment and spare parts
- 4666'08 Wholesale of other office machinery and equipment
- 4741'08 Retail of computer hardware, peripherals and software
- 4742'08 Retail of telecommunication products
- 5819'08 Other publishing activities
- 5821'08 Publication of computer games
- 5829'08 Publication of other software
- 6201'08 Computer programming
- 6202'08 IT advisory services
- 6203'08 Operating computers
- 6209'08 Other IT services
- 6311'08 Data processing, web hosting
- 6312'08 Web portal services
- 7010'08 Business management
- 7021'08 PR, communication
- 7022'08 Business and other management consultancy
- 7112'08 Engineering activities and related technical consultancy
- 7120'08 Technical review and analysis
- 7490'08 Other professional, scientific and technical activities n.e.c
- 7733'08 Office equipment rental (including computers)
- 8299'08 Activities auxiliary to business services n.e.c
- 8560'08 Activities supplementing education
- 9511'08 Repair of computer peripherals

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

East Site Ingatlanforgalmazó és Ingatlanhasználó Kft.

- 6810'08 Purchase/sale of own properties (main activity)
- 6820'08 Rental and operation of own or rented property

Egressy 2010 Kft.

- 6810'08 Purchase/sale of own properties (main activity)
- 6832'08 Property management

Károlyi Ingatlan 2011 Kft.

- 6810'08 Purchase/sale of own properties (main activity)
- 6820'08 Rental and operation of own or rented property

Garay Center Ingatlanforgalmazó és Ingatlanhasználó Kft.

- 6810'08 Purchase/sale of own properties (main activity)

Senior officers

Sberbank Hungary Ltd's senior officers at 31 December 2015:

Supervisory Board members	Function	Company
András Krisztián Hámori	Chair	Sberbank Europe AG
Elena Valentinovna Viklova	Deputy	Sberbank Russia
dr. Philipp Freimann	Member	Sberbank Europe AG
Yulia Arsentyeva Vitalievna	Member	Sberbank Russia
Katalin Viktória Pinke	Member	Sberbank Magyarország Zrt.
Dr. Zoltán Fényi	Member	Sberbank Magyarország Zrt.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015 annual financial statements was 31 December 2015.

The effects of economic events on the financial statements for the reporting year were taken into account by 10 January 2016, i.e. the balance sheet preparation date.

The Bank prepares version "A" of both the balance sheet and the 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 Vienna, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Sberbank of Russia (Russia, 117997 Moscow, Vavilova str. 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 auditor responsible for the audit is: Gabriella Virágh (mother's maiden name: Erzsébet Kiss, address: 1032 Budapest, Kiscelli út 74;. Chamber registration number: 004245)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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 authentic and generally accepted providers of market information, Bloomberg and Reuters, and this market information is used to evaluate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General measurement policies for derivatives

FX forwards and futures

The two opposing cash flows in the transaction as denominated in different currencies are discounted at the appropriate yield curve points and then these discounted cash flows are aggregated as translated to the basis currency at the central bank's prevailing middle rate.

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 middle rate of the National Bank of Hungary.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 risk provision made in the previous years was used up in 2012.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 THUF 100 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

1.3.1.7. Consolidation

The assets and liabilities of the consolidated entities are recognised and measured in line with the parent's accounting policies.

No new subsidiary, associate or joint venture was acquired by the Bank, either in part or in full, in 2015. As in 2014, all the subsidiaries were fully consolidated.

The following subsidiaries of the Bank were included in the consolidation as at 31 December 2015:

- V-Dat Informatikai Kft.
- East Site Ingatlanforgalmazó és Ingatlanhasznosító Kft. (formerly: Új Garay tér Ingatlanforgalmazó és Ingatlanhasznosító Kft.)
- Egressy 2010 Kft.
- Károlyi Ingatlan 2011 Kft.
- Garay Center Kft.

1.4 The impact of changes in legislation to enforce of compliance with the Mandatory Ruling No. 2/2014. of the Curia (Supreme Court) on the Bank's operations in 2015

1.4.1 Impact of the changes in legislation that clarify certain issues and the way of settlement with retail debtors following the Curia's mandatory ruling on retail loan agreements

On 4 July 2014, the Curia ruled that the exchange rates used by banks during the disbursement of loans and throughout the repayment period in FX based retail loan and mortgage agreements signed after 1 May 2004, and the unilaterally changed interests were unfair. In order to enforce compliance with the consequences of this ruling, the Parliament passed act XXXVIII of 2014 on the settlement of issues related to the Mandatory Ruling of the Curia on FX based retail loans, and act XL of 2014 on the rules of settlements with retail debtors at fix FX rates and related requirements. The new laws allowed banks to defend their positions regarding the unilaterally changed interest rates at court. The Bank used this option

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

but lost the case at first instance and also at the appeal court. As a result, the Bank completed the statutory compensation process with the relevant retail debtors during the course of 2015. At the end of 2014, the Bank set aside other provision for the resulting contingent liability. This provision was used in 2015 concurrently with the statutory compensation process. The provision was made in 2014 in a 'net manner', i.e. the amounts refunded to the compensated debtors (extraordinary expenses) were net of the amounts of overdue debts (extraordinary income) as well as any impairment loss that could be reversed due to the debts owed by customers reduced as a result of the statutory compensation process.

1.4.2 The effect of legislation on the issues related to changing the currencies of certain retail loan agreements

As opposed to its general year-end revaluation practice, as at 31 December 2014, certain receivables (along with the related impairments, provisions and accrued interests) were translated to HUF on a different legal basis than regular year-end FX revaluations. The receivables and other items affected by the non-standard revaluation fall in the scope of act XXXVIII of 2014 on the settlements of issues related to the retail loans of credit institutions as affected by the pertaining mandatory decision of the Curia and act XI of 2014 on the rules of compensation and other related requirements. These items were translated at the foreign exchange rates set out in section 10 of act LXXVII of 2014. The currencies of the mortgage agreements affected by the statutory compensation were changed in line with the underlying laws during the course of 2015.

1.4.3 Treatment of the financial effects of the statutory compensation of customers because of unfair FX rates and unilateral interest rate hikes by banks and the conversion of FX loans to HUF

In order to manage the financial effects of the events described above in note 1.4.1 („compensation”) and 1.4.2 („conversion to HUF”) the Bank made a provision for the resulting contingencies in 2014 and entered into foreign currency forward contracts with the National Bank of Hungary. As a result, the financial loss caused by the compensation process was recognised in 2014.

The provision for the compensation process was calculated based on information available at the time of the preparation of the financial statements for 2014. While there were several changes in the customers affected and in the amounts actually owed to the customers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

between the preparation of the financial statements for 2014 and the actual compensation process, the impacts of these were not material; the amount of provision made covered the actual losses:

in million HUF

	Amount of compensation of retail debtors and the interest offset thereof as reported in the financial statements of 31.12.2014	Amount of compensation of retail debtors and the interest offset thereof translated at the FX rates prevailing on the booking date	Exchange difference between the end of year and posting date	Actual closing balances under the Act on settlements	Difference between provisions in the financial statement of 31.12.2014 and actual closing balances under the Act on settlements
	A	B	C=B-A	D	E=D-B
Extraordinary expenses Amount of compensation of retail debtors under the Act on settlements	-7,832	8,730	898	8,750	19
Extraordinary income Amount of interest offset from the compensation under the Act on settlements	2,029	2,244	215	2,330	86
Release of impairment Release of impairment on loans with customers, in connection with the enforcement of the Act on settlements	608	669	61	669	0
Total	-5,195	-5,817	-622	-5,750	67

The gains on forward contracts with the National Bank of Hungary set off the losses suffered on the translation of FX mortgage loans to HUF at the statutory rates, hence it has no impact on the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.5 Subsequent events

With respect to the competition proceedings started in 2012, the Hungarian Competition Authority (hereafter: GVH) developed its final but not yet binding position as to the practice of using the 'BankAdat' database which is co-operated by the Banking Association and Bankárképző Ltd. along with the participation of most of the credit institutions. According to the Authority's not binding position, the practice followed by the participants was able to distort fair competition. Although the decision is not yet binding and the Banking Association has appealed against it, on a prudent basis, the Bank has made a provision of HUF 79,2 million for any consequent contingencies.

The Bank's shareholders' meeting of 31 December 2015 decided to increase the share capital. Sberbank Europe AG, the majority shareholder, made a contribution of HUF 9,428,500,000 to the Bank. As the capital increase was registered by the Companies Court on 12 January 2016, a day after the balance sheet preparation date, the capital contribution by the parent bank was presented among other liabilities due within one year at 31 December 2015. Following registration by the Companies Court, HUF 1,000,000 was posted to issued capital and HUF 9,427,500,000 was posted to capital reserve.

Concurrently with the capital increase, a decision was made to reduce the Bank's share capital. As a result, the face value of each share was reduced from HUF 1,000,000 to HUF 100,000. Registration by the Companies Court was still outstanding at the time of the shareholders' meeting that approved the financial statements.

In November 2015, the Bank received a buying offer for its share (a single share) in VISA Europe from the issuer company. No written and signed agreement as to the final purchase price and the method of settlement has yet been reached, but currently available information suggests that the purchase price will considerably exceed the book value of the VISA Europe share as presented in the Bank's books.

Again, in January 2016, the Bank received an offer from the National Bank of Hungary, the majority shareholder of its investment, Budapest Stock Exchange to buy the Bank's shares in it. No decision as to the sale of the shares had been reached until the balance sheet preparation date.

In order to rationalise the Bank's operations, 7 branches were closed down in December 2015, followed by 6 more branches in January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SPECIFIC PART

2.1. Key indicators of the Bank Group in 2015 and their analysis

The consolidated balance sheet total dropped by 15.9% (HUF 72,039 million) on the previous year from HUF 451,986 million in 2014 to HUF 379,947 million in 2015.

On the assets side of the balance sheet, the most significant change was a HUF 83,747 million decrease in receivables from customers which was only partly set off by a HUF 12,250 million increase in government bonds.

The most important change in the equity and liabilities side was a decrease in liabilities to credit institutions from HUF 128,991 million at 31 December 2014 to HUF 82,509 million by the end of 2015. Amounts payable to customers also fell significantly by HUF 21,814 million compared to 2014. The effect of these movements was partly offset by a HUF 5,866 million increase in subordinated debt as a result of the subordinated loan granted by the Bank's majority shareholder in 2015.

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

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

Below is an analysis of the number of active clients as at 31 December 2015:

Description	head	
	2014.12.31	2015.12.31
Number of active customers	57,960	55,685
Private customers	44,506	42,672
Micro enterprises	11,852	11,423
Medium and corporate enterprises	1,602	1,590

**The number of active customers at 31 December 2014 does not match the figure presented in the financial statements for 2014 as the definition of 'active customer' was different in 2014. The figures for 2014 in the above table reflect the actual number of active customers based on the new definition.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in the number of accounts held with the Bank Group:

Description	2014.12.31	2015.12.31	Change	Change %
Number of customer accounts	112,447	102,199	-10,248	-9.1%
Savings accounts	7,591	7,367	-224	-3.0%
Deposit accounts	20,870	16,049	-4,821	-23.1%
Current accounts	64,476	60,708	-3,768	-5.8%
Loan accounts	19,510	18,075	-1,435	-7.4%

In 2015, the number of branches was reduced further to 16 branches in Budapest, while local branches served customers in a number of major cities across the country. Overall, the Bank had 35 branches and one bank shop at 31 December 2015.

Following the rationalisation of our branch network, the number of ATM machines changed to 38 by 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2.1. Assets

Liquid assets

<i>in HUF million</i>					
BS.ref	Description	31.12.2014	31.12.2015	Change	Change %
1	Liquid assets	54,467	52,193	-2,274	-4.2%

At the end of 2015, liquid assets totalled HUF 52,193 million, which is a HUF 2,274 million drop on the previous year. In 2015, the National Bank of Hungary (MNB) restructured its monetary arrangements and reduced the total limit of two-week deposits available to all the banks a whole. As a result, our short-term deposits held with the central bank decreased and available cash was invested mostly in long-term government bonds.

Government bonds

<i>in HUF million</i>					
BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
2	Treasury bills and similar securities	32,950	45,200	12,250	37.2%
2a)	held for trading	23,114	24,205	1,091	4.7%
2b)	held as financial fixed assets	9,836	20,995	11,159	113.5%
2/A	Valuation difference on treasury bills	67	52	-15	-22.4%

Government bonds increased by HUF 12,250 million on the previous year.

Government bonds held for trading increased by HUF 1,091 million while government bonds *held for investment* grew by HUF 11,159 million.

- The revaluation gain recognised on government bonds totalled HUF 52 million.
- The increase in *government bonds held for trading* was due primarily to an increase in discounted treasury bills and to the reclassification of maturing government *bonds held for investment* to held for trading.
- The Bank's government bond portfolio significantly increased (by HUF 9,375 million) on 2015. Of the *held for investment* portfolio, HUF 557 million was reclassified to *held for trading* as they will mature in 2016.
- The increase in *held for investment government bonds* was due mainly to the long-term government bond package purchased in 2015 at a total face value of HUF 11,415 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The revaluation gain on government bonds decreased by HUF 15 million, primarily as a result of the fact that only HUF 91 million fair valuation gain was recognised in 2015 as opposed to a gain of HUF 124 million in 2014.

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

Receivables from credit institutions

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
3	Loans and advances to credit institutions	66,138	74,427	8,289	12.5%
3a)	repayable on demand	7,060	17,912	10,852	153.7%
3b)	other loans and advances in connection with financial services	55,845	53,919	-1,926	-3.4%
3ba)	<i>with remaining maturity of less than one year</i>	2,033	28,228	26,195	1288.5%
	Showing separately: - subsidiaries	370	13,073	12,703	3433.2%
3bb)	<i>with a remaining maturity of more than one year</i>	53,812	25,691	-28,121	-52.3%
	Showing separately: - subsidiaries	8,520	7,704	-816	-9.6%
3c)	c)in connection with investment services	3,233	2,596	-637	-19.7%

Amounts receivable from credit institutions increased by HUF 8,289 million, mostly as a result of a HUF 10,852 million increase in loans repayable on demand. The increase in amounts receivable within one year was due primarily to a HUF 10,323 million increase in short-term deposits and to the reclassification of funds totalling HUF 15,120 million that were pledged for the loans granted by the European Investment Bank (hereafter: EIB) to amounts receivable within one year. The decrease in amounts receivable over one year was due, again, to the reclassification of funds totalling HUF 15,120 million pledged for EIB loans to amounts receivable within one year as well as a HUF 11,930 million decrease in these pledged receivables. Receivables in connection with investment services include amounts due from margins.

The following table shows the deposits and securities pledged as collateral for loans drawn from EIB, as at 31 December 2015:

Number of contract	Deposit placed as collateral in HUF	State bond placed as collateral in HUF	Loans in FCY	FCY	Loans in HUF (HNB rate)	Maturity
FI.N.24674	15,120,000,000	-	-	CHF	-	2016.12.15
FI.N.25750	17,950,000,000	-	50,000,000	EUR	15,656,000,000	2017.12.22
	33,070,000,000	-	50,000,000		15,656,000,000	

The loan under contract No. FI.N.24674 was repaid by the Bank prior to maturity but the collateral has not been refunded yet. EIB has to refund collaterals within two months, that is why no loan appears in the above table connection with this contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents balance sheet row 3b) Other loans and advances in connection with financial services broken down by maturity:

in HUF million

BS row	31.12.2015	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	53,919	27,018	1,211	20,885	4,805

Receivables from customers

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
4	Loans and advances to customers	280,435	196,688	-83,747	-29.9%
4a)	in connection with financial services	280,414	196,684	-83,730	-29.9%
4aa)	with a remaining maturity of less than one year	76,090	62,397	-13,693	-18.0%
4ab)	with a remaining maturity of more than one year	204,324	134,287	-70,037	-34.3%
4b)	b) in connection with investment services	21	4	-17	-81.0%
4bb)	receivables in connection with investment services outside the exchange markets	12	4	-8	-66.7%
4bc)	receivables from customers in connection with investment services	9	-	-9	-100.0%

Net receivables from customers fell by 29.9% from HUF 280,435 million in 2014 to HUF 196,688 million in 2015.

Net receivables from financial services account for 99.99% of receivables from customers and receivables from investment services account for less than 0.01%.

Net receivables from financial services fell by HUF 83,730 million from HUF 280,414 million in 2014 to HUF 196,684 million in 2015. 84% of this decrease was due to long-term loans repayable over one year. The overall decrease was due to the following three reasons:

1. Statutory treatment of FX mortgage loans (compensation and conversion to HUF):

As referred to in note 1.4, in 2015, the Bank completed the compensation of debtors and the conversion of FX loans to HUF in accordance with act XL of 2014 and act LXXVII of 2014. The compensation of debtors for prior excessive payments reduced the Bank's gross receivables in case of live mortgage agreements (i.e. not closed at the date of compensation) by HUF 7,106 million.

2. One-off prepayments on loans

During 2015, a number of public and state owned companies and institutions made prepayments on their loans. The effect of this reduced the Bank's loan portfolio by HUF 29,591 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Certain large corporate customers with outstanding debts over HUF 1,000 million also made significant prepayments towards their loans. Such repayments reduced the Bank's net loan portfolio by further HUF 28,517 million.

3. Assignment of non-performing loans

As a result of the Bank's active work-out and collection efforts, a number of significant non-performing loans (typically, project loans) were assigned to third parties in 2015. This reduced the loan portfolio by HUF 5,007 million.

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 days	91-365 days	1-5 year	over 5 years
4.a) Other loans and advances to customers in connection with financial services	196,684	22,085	40,312	64,029	70,258

The percentage of impairment loss on debtors compared to the total gross loan portfolio increased from 12.6% to 16.14% in 2015.

Movements impairment on 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	40,532	7,935	5,002	6,014	383	37,834
Government bonds available-for-sale	54	-	14	-	-	40
Domestic credit institutions, investments	1	-	1	-	-	-
Non-financial enterprises, investments	22	-	-	-	-	22
Total	40,609	7,935	5,017	6,014	383	37,896

By the end of the financial year, the percentage of gross assets rated pass in the balance sheet dropped from 73.10% to 70.43% as follows:

Rating of BS items	31.12.2014	31.12.2015
Pass	73.10%	70.43%
Watch	9.08%	10.33%
Substandard	2.87%	2.18%
Doubtful	9.75%	11.24%
Bad	5.20%	5.82%
Total	100.00%	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The percentage of pass assets dropped mainly as a result of the fact that most of the significant prepayments (as detailed under *Amounts receivable from customers*) typically affected the pass category and this effect was not set off by the work-out efforts to reduce the nonperforming portfolio.

Debt securities

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
5	Debt securities, including fixed-income securities	977	1,330	353	36.1%
5b)	securities issued by other borrowers	977	1,330	353	36.1%
5bb)	held as financial fixed assets	977	1,330	353	36.1%

Within debt securities, repurchased treasury bonds (presented as *Securities issued by other borrowers*) increased by HUF 353 million (36.1%) in 2015. The increase due to repurchased debt securities was HUF 39 million (HUF bonds) and HUF 318 million (FX bonds) translated at central bank rates prevailing on 31 December 2015; a lower HUF/EUR rate caused a HUF 4 million drop in the total value of the portfolio.

Shares, participations held as investments

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
7	Shares and participations in corporations held as financial fixed assets	82	81	-1	-1.2%
7a)	shares and participations in corporations held as financial fixed assets	82	81	-1	-1.2%
	Showing separately: - participating interests in credit institutions	66	67	1	1.5%

Investments and their dividends

in HUF million

Description	Participation (%)		Book value		Received dividend*	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	2014	2015
Fundamenta- Lakáskassza Lakástakarékpénztár Zrt	1.39%	1.39%	66	67	28	35
Garantiqa Hitelgarancia Zrt.	0.13%	0.13%	10	10	-	-
S.W.I.F.T.	0.01%	0.01%	2	1	-	-
Budapesti Értéktőzsde	0.61%	0.61%	4	4	3	3
Shares and participations in corporations held as financial fixed assets			82	82	31	38
Total Investments			100	629	31	38

*Dividend received, paid in the given year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Intangible and tangible assets

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
9	Intangible assets	1,860	1,621	-239	-12.8%
9a)	intangible assets	1,860	1,621	-239	-12.8%
10	Tangible assets	5,196	3,530	-1,666	-32.1%
10a)	tangible assets for financial and investment services	5,196	3,530	-1,666	-32.1%
10aa)	land and buildings	4,469	3,055	-1,414	-31.6%
10ab)	machinery, equipment, fittings, fixtures and vehicles	658	463	-195	-29.6%
10ac)	tangible assets in course of construction	69	12	-57	-82.6%

Intangible assets decreased by HUF 239 million from HUF 1,860 million to HUF 1,621 million mainly as a result of annual amortisation exceeding capitalisations in the year.

Tangible assets fell by HUF 1,666 million from HUF 5,196 million to HUF 3,530 million mainly as a result of the fact that the value of capitalised capital projects were below the actual depreciation charge. The assets written off as a result of the closed down branches also contributed to the decrease in tangible assets.

Changes in the cost of intangible and tangible assets:

in HUF million

Description	Opening balance	Additions	Disposals	Reclassifications	Closing balance
Intangible assets	7,601	1,206	986	-	7,821
Rights and concessions	83	-	1	-	82
Intellectual property	7,501	581	375	-	7,707
Other intangible assets	17	-	-	-	17
Assets under construction	-	625	610	-	15
Tangible assets	14,192	333	2,764	-	11,761
Land and buildings	10,120	34	1,084	-	9,070
Plant, machinery and equipment	4,003	167	1,491	-	2,679
Assets under construction	69	132	189	-	12

Small value assets totalled HUF 262 million at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

in HUF million

Description	Opening balance	Additions	Disposals	Reclassifications	Closing balance
Intangible assets	5,741	825	366	-	6,200
Rights and concessions	81	-	-	-	81
Intellectual property	5,643	825	366	-	6,102
Other intangible assets	17	-	-	-	17
Tangible assets	8,996	877	1,642	-	8,231
Land and buildings	5,651	560	196	-	6,015
Plant, machinery and equipment	3,345	317	1,446	-	2,216

Ordinary depreciation and amortisation totalled HUF 1,405 million in 2015, extraordinary depreciation amounted to HUF 300 million. Of the total ordinary depreciation, HUF 69 million related to small value tangible assets.

Other assets, revaluation gain or loss

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
12	Other assets	1,604	863	-741	-46.2%
12a)	inventories	595	507	-88	-14.8%
12b)	other receivables	1,009	356	-653	-64.7%
12./B	Positive valuation difference on derivatives	4,915	1,717	-3,198	-65.1%

Other assets decreased from HUF 1,604 million in 2014 to HUF 863 million in 2015 primarily due to a significant fall in debtors and receivables from swap contracts. Other assets include active items related to bank operations and settlements (taxes, cards, lending, cash and others) and debtors.

The decrease in other receivables from HUF 1,209 million to HUF 356 million was explained partly by the fact that the Bank introduced a new bookkeeping method in 2015 with respect to the spot rate adjustment related to basis swap contracts. Previously, the gains or losses on spot rate adjustments were presented as deposits on the assets or liabilities side of the balance sheet, respectively, and the fair value of the basis swap positions was determined based on the initial principal amount and presented in the opposite side of the balance sheet to the direction of the deposits. Starting as of 2015, the Bank changed this method and the fair values of basis swaps are now determined and presented based on the principal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

amounts as adjusted with the spot rate adjustments, i.e. the spot rate adjustments no longer appear in a separate line in the balance sheet. This change affected the Bank's balance sheet total in that the assets and liabilities were netted off.

The revaluation gain on derivatives fell by HUF 3,198 million on the previous year as a result of the considerably positive effect of a weaker HUF at the end of 2014 on certain higher nominal FX buying swap positions. As the related contracts matured (including the EUR and CHF swap contracts related to the statutory conversion of retail FX loans to HUF) no similar impact was experienced in 2015.

Prepaid expenses and accrued income

<i>in HUF million</i>					
BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
13	Prepayments and accrued income	3,295	2,225	-1,070	-32.5%
13a)	accrued income	1,883	1,647	-236	-12.5%
13b)	prepaid expenses	316	319	3	0.9%
13c)	deferred expenses	1,096	259	-837	-76.4%

Prepaid expenses and accrued income dropped by 32.5% in total as a result of a 12.5% drop in accrued income, a 76.4% decrease in deferred expenses and a merely 0.9% increase in prepaid expenses.

Deferred expenses were reduced by HUF 807 million as 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 in connection with the statutory HUF conversion of retail FX mortgage loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.2. Equity and liabilities

Liabilities to credit institutions

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
1	Amounts owed to credit institutions	128,991	82,509	-46,482	-36.0%
1a)	repayable on demand	4,755	1,170	-3,585	-75.4%
1b)	with agreed maturity dates or periods of notice in connection with financial services	123,493	81,339	-42,154	-34.1%
1ba)	<i>with remaining maturity of less than one year</i>	18,799	9,385	-9,414	-50.1%
	Showing separately: - subsidiaries	7,872	-	-7,872	-100.0%
	- National Bank of Hungary	5,593	6,789	1,196	21.4%
1bb)	<i>with remaining maturity of more than one year</i>	104,694	71,954	-32,740	-31.3%
	Showing separately: - subsidiary: Sberbank of Russia	22,257	24,597	2,340	10.5%
	- National Bank of Hungary	18,319	19,936	1,617	8.8%
1c)	in connection with investment services	743	-	-743	-100.0%

Amounts owed to credit institutions at the year-end totalled HUF 82,509 million which is a HUF 46,482 million decrease on the previous year.

Long-term liabilities to credit institutions declined by 32,740 million compared to 2014, mainly as a result of a HUF 10,898 million drop in refinancing loans to foreign banks and the repayment of HUF 24,718 million of an EIB loan. Short-term parent company loans also decreased primarily as a result of declining demand for funding.

Liabilities from investment services represent the value of variable deposits related to OTC forward contracts.

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

in HUF million

BS row	31.12.2015	0-90 day	90-365 day	1-5 year	more than 5 year
1a) repayable on demand	1,170	1,170	-	-	-
1b) with agreed maturity dates or periods of notice in connection with financial services	81,339	1,508	7,878	61,437	10,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HUF 8,975 million was reclassified from long-term liabilities to current due to maturity or instalments due within one year:

<i>in HUF million</i>		
BS ref.	Description	2015
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	71,954
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	9,385
	<i>Liabilities reclassified from long term category</i>	8,975
	<i>because of maturity</i>	3,065
	<i>because of payment within a year</i>	5,910

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 *Loan Programme for Growth* as at 31 December 2015:

Lender	Type of state bond placed as collateral	Pledged amount in HUF
National Bank of Hungary	State bond	13,535,911,340
		13,535,911,340

Other liabilities in connection with financial services to customers

<i>in HUF million</i>					
BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
2	Amounts owed to customers	248,891	227,077	-21,814	-8.8%
2a)	savings deposits	12	9	-3	-25.0%
2ab)	with remaining maturity of less than one year	12	9	-3	-25.0%
2b)	other liabilities in connection with financial services	248,854	227,015	-21,839	-8.8%
2ba)	repayable on demand	103,119	117,488	14,369	13.9%
2bb)	with remaining maturity of less than one year	143,033	104,252	-38,781	-27.1%
2bc)	with remaining maturity of more than one year	2,702	5,275	2,573	95.2%
2c)	in connection with investment services	25	53	28	112.0%
2cc)	liabilities to customers in connection with investment services	25	53	28	112.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts owed to customers dropped from HUF 248,891 to HUF 227,077 mainly as a result of a HUF 38,781 million decline in *liabilities maturing within one year* and a HUF 14,369 increase in payables on demand.

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

in HUF million

Description	31.12.2015	0-90 day	90-365 day	1-5 year	more than 5 year
2ab)with remaining maturity of less than one year	9	8	1	-	-
2a) savings deposits	9	8	1	-	-
2ba) repayable on demand	117,488	117,488	-	-	-
2bb) with remaining maturity of less than one year	104,252	71,219	33,033	-	-
2bc) with remaining maturity of more than one year	5,275	-	-	5,269	6
2b) other liabilities in connection with financial services	227,015	188,707	33,033	5,269	6

Of the long-term other liabilities towards customers maturing over one year, HUF 5,121 million was reclassified to liabilities maturing within one year.

in HUF million

BS ref.	Description	2015
2bc)	Other liabilities owed to customers in connection with financial services with remaining maturity of more than one year	5,275
2bb)	Other liabilities owed to customers in connection with financial services with remaining maturity of less than one year	104,252
	<i>Liabilities reclassified from long term category</i>	<i>5,121</i>
	<i>-because of maturity</i>	<i>5,121</i>
	<i>Liabilities reclassified from short term category</i>	<i>1,563</i>
	<i>-because of maturity</i>	<i>1,563</i>

Liabilities from issued debt securities

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
3	Issued bonds and other interest-bearing securities	5,573	5,547	-26	-0.5%
3a)	issued bonds	5,573	5,547	-26	-0.5%
3ab)	due more than one year	5,573	5,547	-26	-0.5%

Liabilities from debt securities issued dropped from HUF 5,573 million in 2014 to HUF 5,547 million in 2015. The HUF 26 million decrease was attributable purely to changes in HUF/EUR rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other liabilities

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
4	Other liabilities	2,927	11,429	8,502	290.5%
4a)	due within one year	2,927	11,429	8,502	290.5%
	Of which: - subsidiaries:	239	9,620	9,381	3925.1%
	Sberbank Europe AG (shareholder)	239	192	-47	-19.7%
4./A	Negative valuation difference on derivatives	2,464	292	-2,172	-88.1%

Other liabilities at the end of the year amounted to HUF 11,429 million which shows a HUF 8,502 million increase on the previous year. Other liabilities include creditors, taxes and social security payable, amounts payable to pension funds and to employees, money transfers to abroad and a not yet registered capital injection by Sberbank Europe AG (see note 1.5). Other liabilities include the capital injection by Sberbank Europe AG (84%) and other items that relate to money transfers to abroad (5%).

The revaluation loss (negative fair value) on derivatives decreased by HUF 2,172 million primarily as a result of closing certain swap positions within the Sberbank Group caused by shifts in financing needs.

Accrued expenses and deferred income

in HUF million

BS ref.	Description	31.12.2014	31.12.2015	Change	Change %
5	Accruals and deferred income	2,737	2,663	-74	-2.7%
5a)	deferred revenue	2	2	-	0.0%
5b)	accrued expenses	2,683	2,630	-53	-2.0%
5c)	deferred income	52	31	-21	-40.4%

Accrued expenses and deferred income totalled to HUF 2,663 million, which is a HUF 74 million drop on the previous year.

Provisions

in HUF million

BS reff	Description	31.12.2014	31.12.2015	Change	Change %
6	Provisions for liabilities and charges	6,092	1,128	-4,964	-81.5%
6b)	provisions for contingent liabilities and for (future) commitments	644	736	92	14.3%
6d)	other provisions	5,448	392	-5,056	-92.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Provisions decreased by HUF 4,964 million on the previous year. In accordance with its accounting policies, the Bank did not make a general risk provision in 2015. The following table shows changes in provisions in the reporting year:

In HUF million

Title	Opening	Allocation	Utilization	Release	Árfolyam különbözet	Closing
Provisions for contingent liabilities and for (future) commitments	644	297	173	-	-32	736
Other provisions	5,448	391	5,826	-	379	392
Total	6,092	688	5,999	-	347	1,128

Other provisions fell by HUF 5,056 million in 2015, of which HUF 5,572 million was used for the compensation of retail debtors, and HUF 254 million was used for the expected costs of branch shut-downs. Provisions made for the statutory compensation of FX loan debtors increased by HUF 379 million due to revaluation and a significantly stronger CHF in January 2015. For more details of compensating retail debtors see note 1.4.

Subordinated liabilities

Subordinated liabilities include subordinated debt received under the following conditions:

Subordinated loan capital			
	31.12.2014	2015.12.31	
Amount (CCY):	42,500,000 CHF	42,500,000 CHF	15,000,000 EUR
Start date:	15.02.2012	15.02.2012	27.07.2015
Maturity:	11.11.2017	11.11.2017	27.07.2025
Interest rate:	3 M CHF LIBOR + 233 bps	3 M CHF LIBOR + 233 bps	3 M EURIBOR + 650 bps
Lender:	SBERBANK RUSSIA	SBERBANK RUSSIA	SBERBANK EUROPE AG
Amount in HUF in BS:	11,128,625,000	12,298,650,000	4,696,800,000

In 2015, the Bank's majority shareholder, Sberbank Europe AG, granted a subordinated loan capital of EUR 15 million to the Bank. This loan increased the HUF value of subordinated loan capital by HUF 4,697 million, and the FX rate fluctuations further increased it by HUF 1,170 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Equity

Changes in equity are presented in the following table:

Description	Opening	Increase	Decrease	Closing
8. Subscribed capital	37,268	-	-	37,268
9. Subscribed capital called but unpaid (-)	-	-	-	-
10. Capital reserve	74,745	-	-	74,745
<i>a) share premium</i>	73,855	-	-	73,855
<i>b) other</i>	890	-	-	890
11. General reserve	-	-	-	-
12. Profit reserve (±)	-53,752	-	8,881	-62,633
13. Tied-up reserves	-	-	-	-
14. Revaluation reserve	112	-	21	91
15. Profit or loss for the financial year (±)	-9,448	9,448	10,874	-10,874
16. Variation in equity of subsidiary company (±)	-5,726	-	541	-6,267
17. Changes due to consolidation (+)	-17	-	26	-43
<i>- from the difference of debt consolidation</i>	-	-	-	-
<i>- from the difference of the interim result</i>	-17	-	26	-43
Total equity	43,182	9,448	20,343	32,287

The 25.2% decrease in equity was due to the losses suffered in the financial year. To compensate for these losses, the Bank received capital injection from our main shareholder, but the injection was registered only after the balance sheet preparation date (for details see note 1.5).

The valuation reserve presents the positive impact of fair value measurement of available-for-sale securities on equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.3. Profit and loss account

The Bank Group's pre-tax loss for 2015 was by HUF 1,425 million worse than in 2014. The increased loss was due primarily to falling interest income due to a reduced loan portfolio and lower net commission income. For the sake of comparability, it is important to note that the parent company reversed impairment losses totalling nearly HUF 5 billion in 2014 owing to the bank guarantees obtained to cover nonperforming loans. This had a non-recurring effect and was felt in 2014 only. The provision made for the contingent losses of statutory compensation of FX loan debtors had a similar one-of effect in 2014.

Net financial profit decreased as did net interest, but "other results" improved.

Description	2014	2015	Change	Change %
Net interest income	10,900	8,236	-2,664	-24.4%
Income from securities	31	38	7	22.6%
Income from commissions	5,626	3,220	-2,406	-42.8%
Net profit or net loss on financial operations	1,033	22	-1,011	-97.9%
Other operating result	-11,180	-529	10,651	-95.3%
Result from impairment and provisions	-3,134	-3,039	95	-3.0%
General administrative expenses	-11,321	-11,000	321	-2.8%
Depreciation	-1,410	-1,405	5	-0.4%
Profit or loss on ordinary activities	-9,455	-4,457	4,998	-52.9%
Extraordinary result	8	-6,415	-6,423	-80287.5%
Loss before tax	-9,447	-10,872	-1,425	15.1%

*in HUF
million*

In 2015, no general reserve was made or used, no total tax liability incurred and no dividends were distributed. As a result, the loss for the year equals the loss before tax.

Net interest income

In 2015, the interest margin was HUF 8,236 million, which is a HUF 2,664 million decrease on last year's profit of HUF 10,900 million.

Profit reducing items:

- Interest received and recognised decreased due to a reduced loan portfolio, lower reference interest rates and to defaults in interest payments. The Bank's average deposit portfolio fell significantly and so did the amount of interest paid by the Bank.

Changes in net interest income were due to the following factors:

- The interest earned on discounted treasury bonds was reduced by the reduced average portfolio (the portfolio of two-week central bank bonds discontinued by the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

central bank in August 2014 used to be significant) and a lower central bank base rate.

- The interest (due) received on HUF customer loans declined significantly as a result of the lower loan interest rates as the central bank base rate was gradually reduced. Non-performing debtors combined with a reduced and deteriorating loan portfolio also contributed to the decrease in interest income.

HUF millions

P&L ref.	Description	2014	2015	Change	Change %
1	Interest received and similar income	17,099	11,791	-5,308	-31.0%
1a)	interest received and similar income from fixed-income securities	2,806	757	-2,049	-73.0%
1b)	other interest received and similar income	14,293	11,034	-3,259	-22.8%
2	Interest paid and similar charges	6,199	3,555	-2,644	-42.7%
(1-2)	Net interest income	10,900	8,236	-2,664	-24.4%

Income from securities

in HUF million

P&L ref.	Description	2014	2015	Change	Change %
3	Income from securities	31	38	7	22.6%
3c)	income from other securities (dividends and profit-sharing)	31	38	7	22.6%

The HUF 38 million recorded as income from securities fully represents dividends received in the financial year of 2015.

Commission income and expense

in HUF million

P&L ref.	Description	2014	2015	Change	Change %
4	Commissions and fees received or due	7,160	6,922	-238	-3.3%
4a)	in connection with other financial services*	7,072	6,898	-174	-2.5%
4b)	in connection with investment services (not including trading operations)	88	24	-64	-72.7%
5	Commissions and fees paid or payable	1,534	3,702	2,168	141.3%
5a)	in connection with other financial services	1,455	3,702	2,247	154.4%
	Showing separately: - to subsidiaries	7	1,428	1,421	20300.0%
	Sberbank Europe AG	7	1,428	1,421	20300.0%
5b)	in connection with investment services (not including trading operations)	79	-	-79	-100.0%
(4-5)	Net income from commissions	5,626	3,220	-2,406	-42.8%

In 2015, net income from commissions totalled HUF 3,220 million which is a HUF 2,406 million decrease on last year's HUF 5,626 million due to the following factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Revenues from commissions and banking fees related to banking operations decreased primarily as a result of the decline in the banking services used by customers.
- The guarantees received from the parent company to secure loans reduced net commissions by HUF 1,350 million.
- Commissions paid also increased as a result of the fact that, as part of the statutory compensation of retail mortgage holders, 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. This had a one-off effect of HUF 807 million increase in commissions expense.

Net financial profit

Net financial profit dropped from HUF 1,033 million in 2014 to HUF 22 million in 2015. The loss from investment services (trading activity) increased from HUF 375 million to HUF 664 million. This was due to the increased net loss on derivatives compared to 2014 which could not be set off by the slight gains on government bonds. Profit from other financial services fell from HUF 1,408 million to HUF 686 million, primarily as a result of lower gains on the revaluation of FX denominated balance sheet items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

in HUF million

P&L ref.	Description	2014	2015	Change	Change %
	Organization of issue of securities	67	-	-67	-100.0%
	Other services	18	23	5	27.8%
	Custody services, portfolio management	3	1	-2	-66.7%
4b)	In connection with investment services (not including trading operations)	88	24	-64	-72.7%
	Trading operation	1,623	1,553	-70	-4.3%
	-showing separately revaluation difference	719	684	-35	-4.9%
6c)	In connection with investment services (income from trading operations)	1,623	1,553	-70	-4.3%
4b)+6c)	Income from investment services	1,711	1,577	-134	-7.8%
	Organization of issue of securities	79	-	-79	-100.0%
5b)	In connection with investment services (not including trading operations)	79	-	-79	-100.0%
	Trading operation	1,998	2,217	219	11.0%
	-showing separately revaluation difference	161	776	615	382.0%
6d)	In connection with investment services (expenses on trading operations)	1,998	2,217	219	11.0%
5b)+6d)	Expenses of investment services	2,077	2,217	140	6.7%

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

in HUF million

P&L ref.	Description	2014	2015	Change	Change %
	Income from re-charged KAVOS fees	1	-	-1	-100.0%
	Income from re-charged postal services fees	90	82	-8	-8.9%
	Income from items re-charged to employees	7	6	-1	-14.3%
	Income from other re-charged items	468	8	-460	-98.3%
7a)	Income from operations other than financial and investment services	566	96	-470	-83.0%
	Re-charged KAVOS fees	1	-	-1	-100.0%
	Re-charged postal services fees	90	82	-8	-8.9%
	Expenses re-charged to employees	7	6	-1	-14.3%
	Other re-charged expenses	470	8	-462	-98.3%
10a)	Charges on operations other than financial and investment services	568	96	-472	-83.1%
7a)-10a)	Result on operations other than financial and investment services	-2	-	2	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenues from non-financial and non-investment services dropped by HUF 470 million, while expenses on non-financial and non-investment services decreased by HUF 472 million and therefore had no impact on the profit or loss for the year.

Other income, net

in HUF million

P&L ref.	Description	2014	2015	Change	Change %
	Income from sale of loan	1,006	4,465	3,459	343.8%
	Income from sale of property	165	7	-158	-95.8%
	Amounts refunded by liquidator, executor, court	59	35	-24	-40.3%
	Income from sale of tangible asset	55	565	510	927.1%
	Received compensations	2	11	9	458.2%
	Release of provision related to branch closures	-	254	254	100.0%
	Release of provision related to customer compensation	-	5,572	5,572	100.0%
	Others	558	443	-115	-20.7%
7b)	Other income	1,845	11,352	9,507	515.3%
	Expenses from sale of loan	1,005	4,465	3,461	344.4%
	Bad debts written off	52	25	-27	-51.9%
	Expenses from sale of tangible asset	4	683	679	16560.2%
	Fixed asset Scrapping, demolition, write off	206	155	-51	-24.8%
	Extraordinary depreciation of fixed assets	81	300	219	-8050.0%
	Paid penalties and compensations	145	75	-71	-49.1%
	Expenses from damages	2	10	8	400.0%
	Surtax of financial institutions	2,252	2,252	-	-
	Innovation contribution	57	47	-10	-17.5%
	Bank contribution	194	92	-102	-52.6%
	Local business tax	382	313	-68	-17.9%
	Tax paid in abroad	19	4	-15	-78.9%
	Other tax	75	63	-12	-16.1%
	Transactions fee	2,588	2,592	4	0.2%
	Others	514	413	-101	-19.6%
	Provision for branch closure	-	312	312	100.0%
	Provision for fine	-	79	79	100.0%
	Other provision	253	-	-253	-100.0%
	Other provision for compensation of retail debtors	5,195	-	-5,195	-100.0%
10b)	Other expenses	13,023	11,881	-1,142	-8.8%
7b)- 10b)	Other result	-11,178	-529	10,649	-95.3%

Details of other income from and other expenses on business activities in 2015:

- 40.63% of other expenses incurred in 2014 was due to the compensation of retail debtors. Provisions allocated in 2014 and released in 2015 are presented as other income.
- At HUF 2,592 million (22.56%), the financial transactions tax first imposed on the banking sector in 2013 was the most significant item among other expenses in 2015.
- The HUF 2,252 million banking tax expense makes up for 19.60% of other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Expenses on sold loan receivables totalled HUF 4,465 million (38.86% of other expenses).
- Other income was mostly attributable to receivables sold, of which HUF 4,199 million were receivables from non-financial companies and HUF 266 million was from retail receivables.

General administrative expenses

General administrative expenses totalled HUF 11,321 million in 2014 and dropped by HUF 321 million to HUF 11,000 million in 2015. The decrease is the combined result of a HUF 61 million increase in payments to personnel and a HUF 382 decrease in other administration costs.

Staff and payroll information

in HUF million

P&L ref.	Description	2014	2015	Change	Change %
8aa)	Wages and salaries	4,270	4,333	63	1.5%
8ab)	Other employee benefits	277	247	-30	-10.8%
	Risk money	15	14	-1	-6.7%
	Sick-leave, sick allowance	31	34	3	9.7%
	In-kind benefits	31	29	-2	-6.5%
	Representation costs	18	11	-7	-38.9%
	Tax on taxable costs	148	113	-35	-23.6%
	Travel cost	14	13	-1	-7.1%
	Others	20	33	13	65.0%
8ac)	Contributions on wages and salaries	1,332	1,361	29	2.2%
8a)	Employee-related expenses	5,879	5,941	62	1.1%

head

Description	2014	2015	Change	Change %
Average number of employees	712	677	-35	-4.9%

Remuneration of senior executives

The members of the Board of Directors and the Supervisory Board received no remuneration for their board activities in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Loans disbursed to members of the Supervisory Board and the Board of Directors totalled HUF 25 million at the end of 2014 and increased to HUF 33 million by the end of 2015.

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

Other administrative expenses

<i>in HUF million</i>					
P&L ref.	Description	2014	2015	Change	Change %
8b)	Other administrative expenses (materials and supplies)	5,441	5,059	-382	-7.0%

Other administrative expenses decreased by HUF 382 million in 2015 mainly as a result of a HUF 110 million reduction in branch rents and a HUF 92 million decrease in marketing expenses. Legal costs (legal advice, public notary) also decreased.

Audit and advisory fees paid in 2015, as presented among other administrative expenses increased by HUF 24 million (see details below):

<i>in HUF million</i>	
Description	2015
Audit of the annual financial statements	71
Other audit fees	27
Tax advisory services	4
Other, non-audit fee	20
Total:	122

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

Depreciation

<i>in HUF million</i>					
P&L ref.	Description	2014	2015	Change	Change %
9	Depreciation	1,410	1,405	-5	-0.4%

The annual depreciation charge totals HUF 1,405 million, which is HUF 5 million less than in the previous year.

Extraordinary income and expenses

<i>in HUF million</i>					
P&L ref.	Description	2014	2015	Change	Change %
	Offsetting of overdue interest and default interest as per the Act on settlements with retail debtors	0	2,330	2,330	100.0%
	Others	13	8	-5	-38.5%
16	Extraordinary income	13	2,338	2,325	17884.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Expenses as per the Act on settlements with retail debtors	0	8,750	8,750	100.0%
	Others	5	3	-2	-40.0%
17	Extraordinary expenses	5	8,753	8,748	168226.9%
18	Extraordinary result	8	-6,415	-6,423	-82343.6%

Extraordinary items resulted in an overall net loss of HUF 6,415 million, which is HUF 6,423 million deterioration on last year's extraordinary profit of HUF 8 million. The change almost exclusively reflects the overall loss between the refunded retail mortgage loans and the amount of overdue interest collected as part of the compensation process.

Impairment loss and risk provisions

<i>in HUF million</i>					
PI ref.	Description	2014	2015	Change	Change %
11	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	10,147	8,231	-1,916	-18.9%
11a)	value adjustments in respect of loans and advances	10,002	7,935	-2,067	-20.7%
11b)	risk provisions for contingent liabilities and for (future) commitments	145	296	151	104.1%
12	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	7,014	5,176	-1,838	-26.2%
12a)	value readjustments in respect of loans and advances	6,935	5,002	-1,933	-27.9%
12b)	risk provisions for contingent liabilities and for (future) commitments	79	174	95	120.3%
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	19	-	-19	-100.0%
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	18	16	-2	-11.1%

Impairment loss recognised on debtors in 2015 totalled HUF 8,231 million which is by HUF 1,916 million less than in 2014. Reversed impairment loss and released provisions on debtors totalled HUF 5,176 million which is by HUF 1,838 million more than in 2014.

No impairment loss was recognised on debt securities, participations and investments in 2015 as opposed to HUF 19 million in 2014. Impairment loss reversed on participations and debt securities totalled HUF 16 million in 2015 as opposed to HUF 18 million in 2014.

Significant impairment losses had to be recognised on retail mortgage loans again in 2015 mainly as a result of the deteriorating quality of the retail mortgage portfolio. Further impairment losses were necessary in the corporate portfolio, too, especially in the project financing sector as a result of certain unsuccessful restructuring attempts and collateral revaluations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank reversed a significant amount of impairment losses in connection with the statutory compensation of retail mortgage holders, and the conversion of FX loans to HUF terminated to FX risk previously caused by the differences between the value of the collateral and the currency of the outstanding loan.

Impairment loss was reversed in the non-performing portfolio due to recovered bad debts, significant debt assignments, successful restructurings and FX fluctuations. Owing to an improved outlook for the property market, the rise in property prices was reflected to some extent in lower impairment losses as a result of improved collateral values.

Corporate income tax

Corporate tax expense of the Bank for 2015 is zero. As a result of the net loss, no general reserve was made.

<i>in HUF million</i>	
Profit before tax	-10,872
Disallowed items	15,955
Provision	486
Ordinary depreciation, sale, scrapping	2,766
Fine determined in legal resolution	24
Costs incurred outside the normal course of business	12,270
Forgiven debt of related party	6
Tax inspection, self-revision	32
Tax paid abroad	-
Transfer pricing	80
Other disallowed items	282
Impairment	9
Deductible items	8,780
Tax depreciation, book value of assets sold or scrapped	2,717
Dividends received	38
Reversal of provision	6,003
Tax audit, self-revision	-
Other deductible items	-
Reversal of impairment	11
Losses carried forward	10
Corporation tax base - consolidated	-3,697
<i>- of which: positive taxbase</i>	10
Taxbase based on income minimum	20
<i>Corporation tax base - Egressy 2010 Kft.</i>	7
<i>Corporation tax base - Garay Center Kft.</i>	11
<i>Corporation tax base - Károlyi Ingatlan 2011 Kft.</i>	2
Corporation tax	10;19%
Corporation tax liabilities	2

2.2.4. Contingencies (Off-balance sheet items)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Commitments and contingent liabilities/assets as at 31 December 2015:

	31.12.2014	31.12.2015	<i>in HUF million</i>
Contingent assets			Note
Collateral received to the extent of receivables	182,014	148,521	
Collateral received beyond the amount of receivables	68,147	62,382	
Contingent assets due to pending lawcases	164	193	
Contingent assets	53,446	41,203	
Fx option	139	970	delivery
Index option	700	700	delivery
Total	305,931	253,969	
Future receivables			Note
Unpaid part of purchased receivables	384	317	
FX forwards	11,816	2,098	settlement
FX forwards	749	1,899	delivery
Liabilities due to forward part of swap transactions	130,750	59,976	delivery
CCS (Cross Currency Swap)	79,372	74,007	delivery
IRS (Interest Rate Swap)	18,020	17,842	settlement
Total	241,091	156,139	
Contingent liabilities			Note
Assumed guarantees and surety	8,920	11,322	
Contingent liabilities due to pending lawcases	2,633	2,557	
Letters of credit	53,446	41,234	
Undrawn credit facilities	31,905	39,868	
Fx option	140	979	delivery
Total	97,044	95,960	
Commitments			Note
FX forwards	11,906	2,108	settlement
FX forwards	650	1,896	delivery
Liabilities due to forward part of swap transaction	129,650	60,001	delivery
CCS (Cross Currency Swap)	80,481	73,980	delivery
IRS (Interest Rate Swap)	17,399	17,341	settlement
Total	240,086	155,326	

Contingent interest:

	31.12.2014	31.12.2015	Change	Change%
Suspended interest				
Deal interest	4,163	3,477	-686	-16.5%
Default interest	10,210	8,379	-1,831	-17.9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total	14,373	11,856	-2,517	-17.5%
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Of the contingent interest at 31 December 2014, a total of HUF 1,769 million was collected in 2015, excluding the contingent interest on the principal amounts refunded to FX mortgage debtors as part of the statutory compensation process of mortgage debtors.

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

in HUF million

Description	On full value	
	31.12.2014	31.12.2015
Cash coverage	23,715	10,966
Bank guarantee, suretyship	19,516	11,715
State guarantee	31,483	31,579
Securities	1,129	697
Assigned sales revenue	1,346	264
Assigned receivables	3,286	2,463
Mortgage	169,686	153,218
Total	250,161	210,903

in HUF million

Description	Up to the value of receivables	
	31.12.2014	31.12.2015
Cash coverage	20,957	9,463
Bank guarantee, suretyship	12,018	9,979
State guarantee	31,483	30,468
Securities	1,098	533
Assigned sales revenue	240	121
Assigned receivables	1,409	1,071
Mortgage	114,809	96,885
Total	182,014	148,521

Securities held by third parties at the Bank at the end of 2015 were as follows:

in FCY million

Description	Currency	Nominal value
Owned by customers	EUR	11.12
	HUF	47,402.18
	USD	0.32

2.2.5. Informative part

Deposit protection funds:

The Bank paid membership fees to the National Deposit Protection Fund (HUF 243 million for 2015) and the Investor Protection Fund (a regular annual contribution of HUF 2 million and an extraordinary contribution of HUF 2 million) in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Calculation of regulatory capital:

<i>in HUF million</i>	
Subscribed capital	37,268
Capital reserve	74,745
Positive components of core capital	112,013
Profit reserve	-68,924
General reserve	-
Profit for the financial year	-11,276
Committed reserve	-
Intangible assets	-1,621
Negative components of core capital	-81,821
Core capital	30,192
Subordinated borrowed capital	8,789
Valuation reserve	91
Subsidiary capital	8,880
Regulatory capital before deductions	39,072
Capital adjustment due to PIBB	-
Regulatory capital for limitations	39,072
Total amount of deductions due to large exposures	-

The amount of large risk as calculated in line with Regulation 575/2013/EU totalled HUF 67,595 million at the end of the year.

The table above shows the standalone regulatory capital data of the Bank since the subsidiaries are not under the scope of regulatory supervision.

Changes in fair valuation difference of assets:

<i>in HUF million</i>					
Descriptions	2014	2015	Change	P&L effect 2014	Equity (BS) effect 2014
Valuation difference on government bonds	67	52	-15	6	-21
Positive valuation difference on derivatives	4,915	1,717	-3,198	-3,198	-

Revaluation differences on the liabilities side:

<i>in HUF million</i>				
Description	2014	2015	Change	Accounted
Negative valuation difference on derivatives	2,464	292	-2,172	in P&L

No other revaluation gain or loss incurred either at the end of 2014 or 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Profit or loss impact of forward, option and swap contracts closed in 2015:

in HUF million

Deal	Income	Expense	Profit/Loss
Fx Forward	64	-68	-4
Fx Swap	454	-553	-99
IRS	157	-24	133
CCS	118	-701	-583
Fx Option	57	-	57

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

Description	ISIN code	CCY	Maturity	Nominal amount	Book value
A160212C05	HU0000402318	HUF	2.12.2016	100	97
A190624A08	HU0000402433	HUF	6.24.2019	1,000	754

Revenues per geographical segment:

in HUF million

Segment	Interest received	Income from securities	Commission income	Income from financial operations	Other income	Total
Domestic	11,229	38	6,640	2,453	5,607	25,957
From EU	316	-	142	-	13	471
From outside of EU	260	-	140	-	-	400
- of which Szerbia	35	-	9	-	-	44
- of which Russia	221	-	27	-	-	248
Total	11,795	38	6,922	2,453	5,620	26,828

The Bank has cross-border lending operations which incurred taxes totalling HUF 4 million paid to foreign tax authorities.

Open spot contracts at the end of 2015:

Currency	Amount received (currency)	Amount received (HUF million)	Amount paid (currency)	Amount paid (HUF million)
CHF	3,252,736	941	-	-
EUR	-	-	5,000,000	1,566
HUF	628,400,000	628	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rated assets and contingencies at 31 December 2015:

Rating categories	Loans and advances to customers	Debt securities	Shares, holdings	Inventories	Balance sheet total	Off-balance sheet liabilities
Pass	142,668	1,330	81	507	144,586	90,108
Requiring special attention						
-Gross value	32,109	-	-	-	32,109	2,174
-Value adjustments	-835	-	-	-	-835	-64
-Net book value	31,274	-	-	-	31,274	2,110
Substandard						
-Gross value	6,789	-	-	-	6,789	11
-Value adjustments	-1,406	-	-	-	-1,406	-4
-Net book value	5,383	-	-	-	5,383	7
Doubtful						
-Gross value	34,897	-	-	58	34,955	-
-Value adjustments	-18,667	-	-	-38	-18,705	-
-Net book value	16,230	-	-	20	16,250	-
Bad						
-Gross value	18,086	-	-	-	18,086	130
-Value adjustments	-16,953	-	-	-	-16,953	-130
-Net book value	1,133	-	-	-	1,133	-
Total net book value	196,688	1,330	81	527	198,626	92,225

Collectively assessed loan receivables at 31 December 2015:

Rating category	Gross value	Value adjustments	Net book value
Pass	69,752	-	69,752
Watch	15,471	-302	15,773
Substandard	5,700	-1,181	6,881
Doubtful	25,357	-13,358	38,715
Bad	6,088	-5,500	11,588
Total	122,368	-20,341	142,709

Restructured loans based on individual arrangements:

Restructured loans	31.12.2014	31.12.2015
Gross value	26,548	24,153
Value adjustments	-8,537	-8,066
Net book value	18,011	16,087

The amounts of restructured gross loans fell compared to the previous year-end as a result of assignment of loans with material gross amount to third parties based on specific one-off arrangements. The provision made for restructured loans at the end of 2015 is lower than in 2014 as mostly nonperforming loans with high impairment were disposed of during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Composition of FX assets and liabilities:

Description	Total	EUR	CHF	Other currencies
1. Liquid assets	642	362	30	250
2. Government securities	1,532	1,532	-	-
3. Receivables from credit institutions	39,233	26,520	162	12,551
4. Receivables from customers	59,876	48,514	8,693	2,669
5. Debt securities, including fixed-income securities	1,093	1,093	-	-
7. Shares and participations for investment purposes	-	-	-	-
12. Other assets	30	28	-	2
12./B Positive valuation difference on derivatives	81	78	3	-
13. Prepaid expenses and accrued income	487	483	2	2
Foreign exchange assets	102,974	78,610	8,890	15,474
1. Liabilities to credit institutions	52,370	27,246	24,598	526
2. Amounts owed to customers	90,731	52,392	1,458	36,881
3. Issued bonds and other interest-bearing securities	4,547	4,547	-	-
4. Other liabilities	1,123	946	-	177
4/A. Negative valuation difference on derivatives	-38	-42	-	4
5. Accrued expenses and deferred income	1,222	1,170	5	47
6. Provisions	56	56	-	-
7. Subordinated liabilities	16,996	4,697	12,299	-
Foreign exchange liabilities	167,007	91,012	38,360	37,635

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015, the Bank did not have any outstanding repurchase transactions.

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, 07 April 2016



Szabó Richard

Chairman-CEO

Sberbank Hungary Ltd.



Éva Tudisóné Gyöngyösy

Chief Financial Officer

Sberbank Hungary Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Appendix 1

Asset and capital indicators

Description	2014	2015
Fixed asset coverage	15.64%	17.21%
Current asset ratio	38.18%	50.04%
Capital structure	88.49%	90.50%
Equity ratio	9.55%	8.50%
Increase in equity	-21.88%	-33.68%

Liquidity and profitability indicators:

Description	2014	2015
<i>Liquidity</i>		
Prompt liquidity ratio	57.04%	59.08%
Annual liquidity ratio	60.17%	79.59%
<i>Return on equity</i>		
Return on equity from financial and investment service activity	-21.89%	-13.80%
Gross return on equity	-21.88%	-33.67%
Net return on equity	-21.88%	-33.68%
Clean return on equity	-21.88%	-33.68%
<i>Trading profitability</i>		
Return on interest	63.75%	69.85%
Return on financial and investment services	-32.02%	-13.69%
Trading profitability	-31.42%	-13.65%
<i>Asset quality</i>		
Quality of loan portfolio	33.87%	23.03%
Coverage of rated loans	39.80%	70.09%
<i>Efficiency</i>		
Costs to assets	2.82%	3.27%
General funding cost indicator	1.55%	1.03%
Earnings per capital	-13,268	-16,059
<i>Other profitability indices</i>		
Net operating margin	131.86%	147.79%
Net interest margin	2.41%	2.17%
Credit multiplier	91.71%	87.57%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Definitions of indicators:

I. Asset and capital indicators:

Fixed asset coverage: 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: Profit or loss for the year / 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

services + Current liabilities towards customers from financial services + Liabilities towards customers from investment services + Bonds maturing within one year

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)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 CONSOLIDATED FINANCIAL STATEMENTS

Appendix 2

	<i>in HUF million</i>	
Description	2014	2015
Interest income	17,099	11,791
+Income from other financial services (except impairment on securities and the positive valuation difference of receivables)	8,838	8,175
+ Other income (except for release of provisions, reversal of impairment on inventories and extraordinary depreciation)	1,845	5,527
+Income from other investment services (except for impairment on securities and positive valuation difference)	992	893
+ Income from operations other than financial and investment services	566	96
+ Dividend income	31	38
+ Extraordinary income	13	2,338
- Interest expenses	-6,199	-3,555
- Other financial services expenses (except for impairment on securities and the negative valuation difference of receivables)	-1,813	-3,916
- Other expenses (except for provisions, impairment on inventories, and extraordinary depreciation)	-7,575	-11,108
- Investment services expenses (except impairment on securities and negative valuation difference)	-1,916	-1,441
- Expenses on operations other than financial and investment services	-568	-96
- General administrative expenses	-11,321	-11,000
- Extraordinary expenses (not including corporate tax payable for the financial year)	-5	-8,753
- Corporate tax payable for the financial year	-1	-2
- Dividends paid	-	-
Operating cash-flow	-14	-11,013
Change in liabilities (increase (+), decrease (-))	-46,263	-55,659
Change in receivables (increase (-), decrease (+))	23,946	75,828
Change in inventories (increase (-), decrease (+))	-401	88
Change in securities disclosed under current assets (increase (-), decrease (+))	58,871	-1,091
Change in securities disclosed under fixed assets (increase (-), decrease (+))	-5,073	-11,512
Change in tangible assets under construction (including prepayments) (increase (-), decrease (+))	407	57
Change in intangible assets (increase (-), decrease (+))	-348	-588
Change in tangible assets (except tangible assets under construction and prepayments) (increase (-), decrease (+))	-242	620
Change in prepayments and accrued income (increase (-), decrease (+))	588	1,070
Change in accruals and deferred income (increase (+), decrease (-))	-1,007	-74
+ Share issue (selling price)	14,670	-
+ 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	45,134	-2,274
of which: - change in cash (forint and foreign currency)	-62	-570
- 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)	45,196	-1,704

NOTES TO THE CONSOLIDATED 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	31.12.2014		31.12.2015	
	Nominal amount	Book value	Nominal amount	Book value
Government securities	33,797	32,950	45,480	45,200
Securities held for trading (E/2.a.)	23,495	23,114	24,272	24,205
Securities for investment purposes (E/2.b.)	10,302	9,836	21,208	20,995
Securities issued by other borrowers	1,106	977	1,470	1,330
Securities for investment purposes (E/5.bb.)	1,106	977	1,470	1,330

3/C. Securities held by third parties

Description	<i>in HUF million</i>	
	31.12.2015	
	Nominal value	
Dematerialized securities	10,331	
Printed securities	40,647	
in own vault	2,929	
in own legal trezor	37,718	

3/D. Foreign securities per currency

Foreign currency	<i>in HUF million</i>	
	31.12.2015	
Euro	2,625	
Swiss franc	0	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Appendix 4

4/A. Contractual amounts of derivatives open at 31 December 2015:

in HUF million

Descriptions	31 December 2014			31 December 2015		
	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	18,020	-17,399	621	17,842	-17,341	501
CCIRS deals	79,372	-80,481	-1,109	74,007	-73,980	27
Foreign exchange option deals	139	-140	-1	970	-979	-9
Foreign exchange swap deals	130,750	-129,650	1,100	59,976	-60,001	-25
Foreign exchange forward deals	12,565	-12,556	9	3,996	-4,004	-8
Derivative index deals	700	-	700	700	-	700

4/B. Expected P&L and cash flow impact of derivate contracts open at 31 December 2015:

in HUF million

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	496	502
CCIRS deals	872	28
Foreign exchange option deals	78	78
Foreign exchange swap deals	-24	-26
Foreign exchange forward deals	3	-7
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 CONSOLIDATED FINANCIAL STATEMENTS

4/C. Maturity analysis of derivatives open at the end of 2015

in HUF million

Description	Receivables	Liabilities	Netto position	Fair value
Interest-rate swap deals	17,842	-17,341	501	496
1-5 years	15,644	-15,148	496	491
5 years	2,198	-2,193	5	5
CCIRS deals	74,007	-73,980	27	872
0-90 days	12,478	-12,455	23	174
91-365 days	25,071	-25,219	-148	185
1-5 years	36,458	-36,306	152	513
Foreign exchange option deals	970	-979	-9	78
0-90 days	906	-915	-9	41
91-365 days	25	-25	-	20
1-5 years	39	-39	-	17
Foreign exchange swap deals	59,976	-60,001	-25	-24
0-90 days	59,976	-60,001	-25	-24
Foreign exchange forward deals	3,996	-4,004	-8	3
0-90 days	1,142	-1,162	-20	-19
91-365 days	2,854	-2,842	12	22
Derivative index deals	700	-	700	0
1-5 years	700	-	700	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Appendix 5

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

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

<i>in HUF million</i>			
Number	Description	2014	2015
1.	Raw materials and consumables	243	208
2.	Contracted services	4,963	4,728
3.	Other service activities	99	52
4.	Cost of goods sold	49	11
5.	Value of services sold (intermediated)	87	60
6.	Material costs (1+2+3+4+5)	5,441	5,059

Breakdown of expenses on operations other than financial and investment services

<i>in HUF million</i>			
Number	Description	2014	2015
5.	Value of services sold (intermediated)	568	96
6.	Material costs (1+2+3+4+5)	568	96
12.	Expenses on operations other than financial and investment services (6+10+11)	568	96