Annual Report 2010

Raiffeisen BANK

Annual Report 2010

Raiffeisen BANK
Hungary

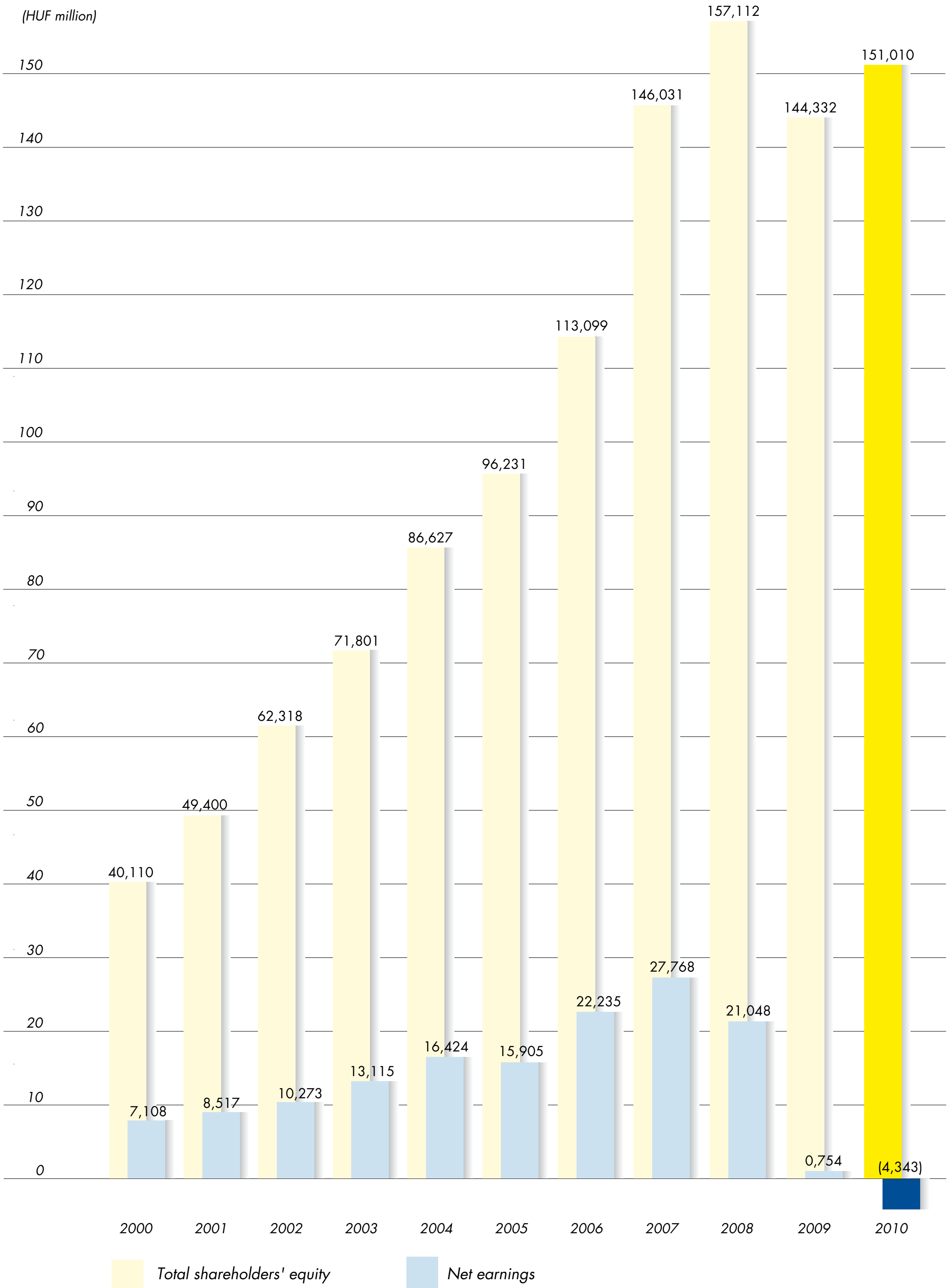
Consolidated key data of Raiffeisen Bank Zrt.

Monetary values in euro mn	2010	Change	2009
Income statement			
Net interest income	253	11.95%	226
Net fee and commission income	75	(2.60%)	77
Trading profit (loss)	131	(31.05%)	190
Administrative expenses	164	5.13%	156
Profit before tax	(24)	14.29%	(21)
Profit after tax	(19)	35.71%	(14)
Balance sheet			
Loans and advances to banks	296	124.24%	132
Loans and advances to customers	5,793	(0.96%)	5,849
Deposits from banks	1,903	(22.23%)	2,447
Deposits from customers	4,749	(1.68%)	4,830
Equity (incl. minorities and profit)	544	1.30%	537
Balance sheet total	8,496	(2.90%)	8,750
Resources			
Number of staff on balance-sheet day	3,446	(2.13%)	3,521
Banking outlets on balance-sheet day	142	0.71%	141

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2010 was 278,75 HUF/EUR in 2009 was 270,84 HUF/EUR.

Contents

Non-consolidated net earnings and total shareholders' equity, 2000–2010



Foreword by the Chairman of the Board

Ladies and Gentlemen,

Although most banking executives remember 2009 as an incredibly intensive year, 2010 raised the bar again for intensity. This time, however, the bulk of our efforts were internal, as we were working on a major reorganization of our Group. Raiffeisen International, the former parent company of Raiffeisen Hungary Zrt, was merged with the principal business areas of Raiffeisen Zentralbank (RZB) to form Raiffeisen Bank International (RBI), which was entered in the commercial register in October. One of the goals of the merger was to combine the dense network of Raiffeisen International in CEE with RZB's product development expertise in the field of corporate and investment banking, thereby generating added value for both our customers and shareholders. In addition, RBI now benefits from even better refinancing opportunities – where Raiffeisen International previously accessed the equities market and RZB used the debt market, the new RBI can now access both.

2010 was also the year in which our home market Central and Eastern Europe (CEE) showed the first signs of improvement, after the outflow of liquidity at year-end 2008 and the resulting economic downturn. The sharp declines in growth in 2009 were replaced by a return to real gains in economic performance. Besides the growing stabilization in CEE, economists expect that these markets will return to a higher level of growth than in the eurozone. We expect economic growth in CEE to be around 2 percentage points greater than in the Western European economies. The driver for this trend is the continuing high potential for catch-up in the region, which should re-emerge in the long term as Europe's growth zone. Despite the merger and resulting expansion of our area of activity, CEE will continue to be the central focus of our strategy.

Our result for 2010 shows that we took the right countermeasures during the crisis. Despite the continuing slight rise in nonperforming loans, which we expect to finally peak in the course of 2011, the RBI Group achieved a consolidated profit of EUR 1,087 million. This represents growth of 142 percent on the previous year, which is a strong performance even by international comparison. The emerging economic recovery, the measures initiated in the current year to improve our efficiency and competitiveness as well as the trust shown by our customers and shareholders give me confidence for our whole group for 2011.

On behalf of the Board of Directors, I thank all employees and the Management Board for the significant improvements achieved in 2010. I also extend my thanks to the clients for choosing Raiffeisen Bank and other members of the Raiffeisen Group as their financial partner.

Herbert Stepic
Chairman of the Board of Directors

Foreword by the Chief Executive Officer

For Raiffeisen Bank Zrt., 2010 was still a very difficult year with non-performing loans still rising and overall business activity remaining weak. The introduction of the special banking levy resulted in a loss for the full year and more than offset the positive developments, specifically on the expense and risk cost side.

What could be seen over the full year is that the rise in payment delinquencies has slowed down compared to the previous year and therefore less risk provisioning had to be made. This positive trend is expected to continue in 2011, although it would still be too early to say that the worst is over. The moratorium on FX retail mortgage loans which was enacted by the government, and several times extended, produced additional problems for the banks and the residential real estate market.

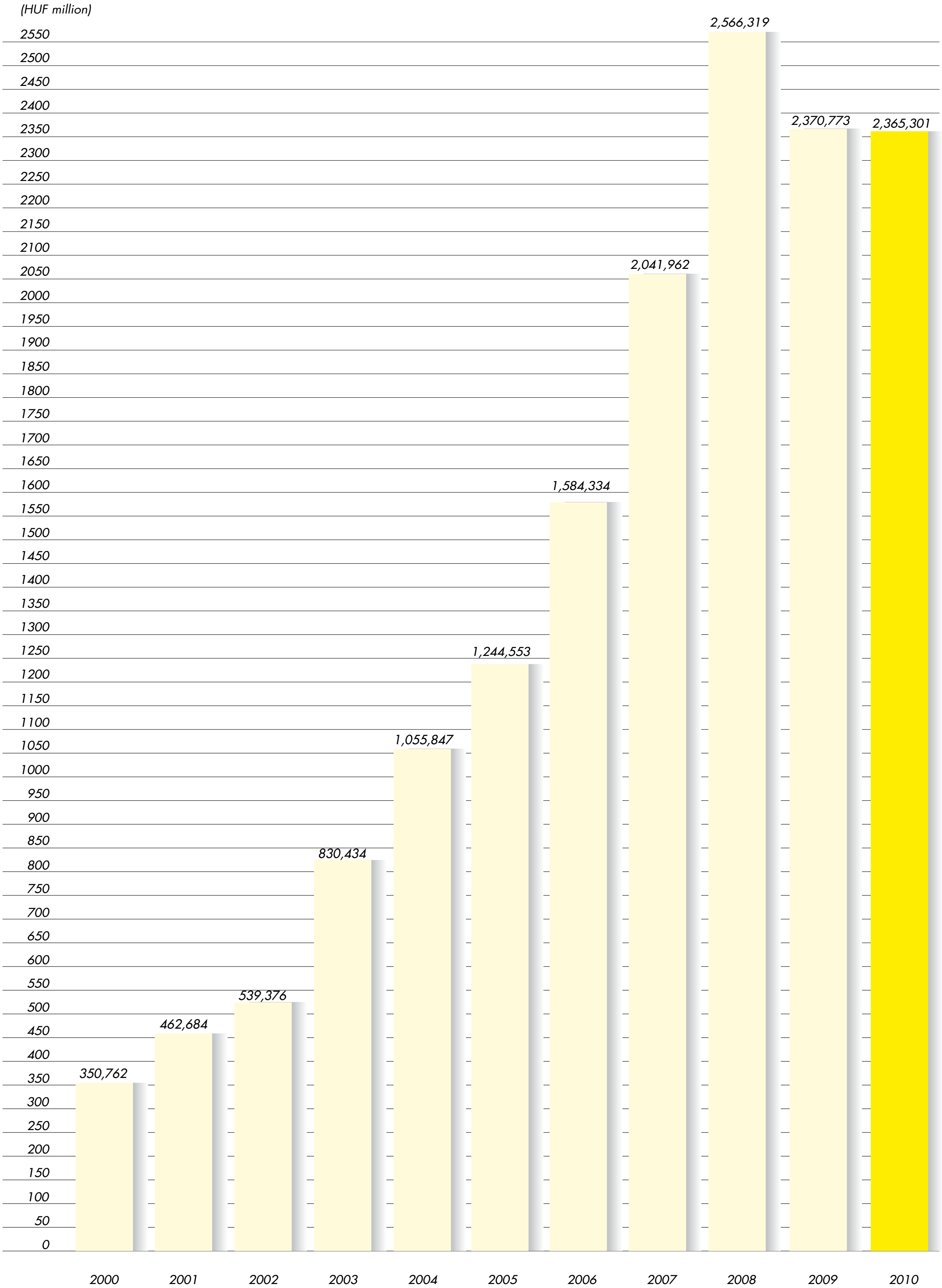
In 2010, Raiffeisen Bank Zrt. concentrated on efficiency improvements as well as on strengthening work-out and collection teams and procedures. In addition, strong efforts were made to improve the transparency and communication towards the customers as part of a concerted drive towards "Fair Banking". The bank also used the time to adapt its organizational structure from a regional to a functional one.

After over 20 years at the helm of Raiffeisen Bank Zrt., Peter Felcsuti left the Bank upon expiry of his contract. He had been instrumental in developing this bank from a very small player to one of the largest universal banks in Hungary, and I do thank him for his efforts and achievements.

In 2011, we will focus on improving our customer business, paying utmost attention to customer service and quality, while at the same time continuing to improve efficiency.

Heinz Wiedner
Chief Executive Officer

Non-consolidated total assets, 2000–2010



Overview of the 2010 business year

Macroeconomic environment

1. Global economic environment

The year 2010 was a time of economic recovery, following the nosedive of 2009. In all developed markets, without exception, economies grew; both the output of companies and world trade displayed a significant upturn after the pronounced slump of the preceding period. This growth came at a price, however, as in line with earlier predictions the anti-cyclical government measures aimed at stimulating the economies caused state debts to take on increasingly alarming proportions. Attention has now clearly shifted away from the crisis of the financial institutions and towards the debt crises of the individual sovereign states, which look set to remain on the agenda for a relatively long period. In the meantime, fears of a "double-dip" recession – in which a short-term upswing is followed by a fresh wave of recession – have gradually faded, and the growth outlook continues to present an encouraging picture.

The United States economy having effectively remained stagnant in 2008 and displaying a 2.6% fall in GDP in 2009, produced growth of 2.9% in 2010. The outlook for 2011 is also favourable, as business activity reports bear witness to falling inventory levels accompanied by growing order books, which raises the prospect of a further upturn in economic activity in the months ahead.

As regards the eurozone, at first glance one could be forgiven for thinking that economic growth is close to its former potential rate of increase, as the year 2010 brought a 1.7% expansion in GDP. This performance barely fell short of the 2.1% average GDP growth that preceded 2009, the lowest point of the recession (GDP: -4.0%). The driver for the growth was industrial output (+7% y/y), and exports (+9.6% y/y). In a closer study of economic activity in the individual eurozone countries, however, substantial divergence can be observed. Besides Germany's robust, 3.6% GDP growth (unprecedented since the country's reunification), Austria and Finland also performed exceptionally well, while the Spanish and Irish economies stagnated (or contracted moderately), and the Greek economy continued to plummet (-4.4% y/y). We can conclude that without the performance of the German economy – which accounts for more than a quarter of eurozone output – the eurozone's economy would only have been capable of half this growth (that is, the rate of GDP expansion would have remained well under 1%).

We will continue to see divergence between the European economies in the quarter ahead, which will primarily reflect the austerity measures implemented in response to the member states' levels of indebtedness. According to our expectations, the average public finance deficit in the eurozone could decrease from the 2010 figure of 6.3%, to 4.6% in 2011. As a consequence of the austerity measures, however, the rate of GDP expansion will also fail to return to its former potential level; and we forecast that it will come to 1.8% over the year as a whole. As a result of this, the average rate of unemployment in the eurozone will remain around the 10% level that typified 2010, which means that there continues to be no substantive force pushing up prices on the demand side. An upturn in inflation will be associated with hikes in consumption taxes and increases in energy prices, and therefore we expect inflation to significantly exceed the level regarded as desirable by the European Central Bank (just under 2%), on average over the year. Due to a strengthening of external inflationary pressure, in the interest of avoiding secondary effects European central bankers support a gradual tightening of monetary conditions.

The downside of all this continues to be the European debt crisis. After Greece, Ireland was the next to have to seek financial assistance from the EU and the IMF. This, however, did not alleviate the worries, but simply caused the market to turn its attention to the next weaker (most indebted) countries – Portugal and Spain. Due to the high external financing requirement of the countries on Europe's periphery, it is conceivable that the European debt crisis will continue to make waves; but if the bond auctions of the peripheral countries are unsuccessful, growing pressure from the market could accelerate the process of finalising the common European rescue mechanism.

The outlook for the German economy, which is of key importance from the Hungarian perspective (as we conduct around a quarter of our foreign trade with this country) is exceptionally favourable for the months ahead. The German labour market situation is looking better than it has done for decades: the current 7.1% rate of unemployment was last seen in 1992. Germany's business activity indicators also give clear cause for optimism, and therefore we predict growth of 2.5% in 2011.

The Swiss economy, which builds on European foreign trade, achieved GDP growth that exceeded that of the eurozone, at 2.6%, despite a strengthening of the Swiss franc to an all-time high, which was detrimental to the competitiveness of the Alpine nation. Besides its favourable growth indicators the Swiss economy also has stable public finances; nevertheless, there is no likelihood of a tightening of the current exceptionally lax monetary conditions for as long as the Swiss franc remains so close to its record high. The factors conducive to a strengthening of the Swiss franc remain in place (status as a refuge currency, stable growth and public finance, sustained foreign trade surplus, net CHF credit repayment); in the long term, however – over a horizon of several years – the franc could weaken again as the debt problems of the eurozone recede.

From time to time the global capital markets witnessed a return to risk aversion in 2010 in response to the waves sent out by the European debt crisis, but the second half of the year brought a marked upswing, partly in response to the second round of quantitative easing announced by the Fed. In 2011 the maintenance of lax monetary conditions will continue to support the international markets, which will be threatened by the inflationary pressure generated by commodities and foodstuffs.

2. The Hungarian economy

Following the lacklustre performance of 2008 (GDP: 0.7%), and the most severe economic nosedive of the post-communist era in 2009 (GDP: -6.5%), the year 2010 was a time of economic recovery, in Hungary as elsewhere. Gross domestic product grew by 1.2% over the year as a whole, which surpassed preliminary expectations; however, Hungary's rate of GDP growth continued to lag behind those of our competitors in the region.

In 2009 around a fifth of exports and industrial output, which were the driving force behind the economy, melted away. For precisely this reason, it was also in these areas that the 2010 recovery was at its most pronounced. Industrial output grew by 10.5% and exports rose by around 20%, mainly because the speeding up of the German economy boosted the activity of manufacturer-industry companies producing for export. Household consumption declined further in the shadow of burgeoning loan repayment instalments, due to the record strengthening of the Swiss franc. Weak domestic consumption meant that imports grew at a more modest rate than exports, resulting in an unprecedented foreign trade surplus in 2010, which peaked at more than EUR 5 billion. A similar trend was discernible in terms of the balance of payments, as in contrast to the previous period, here, too, Hungary was effectively funding the foreign markets rather than the other way round.

The labour market saw gradual improvement in 2010, although the 11.2% average unemployment rate for the whole year still significantly exceeded the 10% average of 2009, when the crisis was at its peak. Following the record highs (around 12%) of the beginning of the year, unemployment fell steadily, mainly because in order to expand their capacities companies manufacturing for export had to take on new workers.

Despite the strict budgetary policy, GDP-proportionate state debt broke through the 80% barrier in 2010, while the public finance deficit, at 4.2%, was slightly higher than the 3.8% limit stipulated as a condition for the EUR 20 billion credit line made available by the IMF and the EU. In order to maintain the downward trend in the deficit, however, it was necessary to levy a HUF 160 billion crisis tax on telecommunication and energy companies, and a HUF 180 billion tax on banks, and to divert the compulsory private pension fund contributions in the last two months of the year (HUF 60 billion). The year 2011 may bring the first reduction in the state debt for a long time; however, this might be achieved through the nationalisation of savings held in the private pension funds. The withdrawal of the government securities making up a part of the private pension fund assets may even result in a substantial public finance surplus in 2011, while the crisis taxes will remain in effect and the channelling of private pension fund contributions into the state system will also help to balance the budget.

The external upswing, in other words the momentum of the German economy, may benefit the Hungarian economy again in 2011, by enabling it to maintain the rapid rate of export growth. Over the year as a whole, we expect GDP growth of around 2.5%. After a lengthy hiatus we may see an upturn in investments, and household consumption could also rise as a result of the personal income tax law changes and the gradual improvement in the employment situation. In 2010 the average rate of inflation topped 4.9%, partly due to the delayed impact of the 2009 VAT increase, and partly due to the rise in food prices resulting from the unfavourable weather conditions, and rising energy prices. We expect the rate of increase in the consumer price index to remain between 4% and 5% in 2011, which is well above the central bank's target of 3%. As well as the increases in international food and raw-materials prices, the hikes in household energy prices and excise tax are also barriers to any decline in inflation.

3. Interest rates and money markets

The disruptions of 2009 – extreme movements in exchange rates and the drying up of the government securities market – were no longer a feature of the domestic market in 2010, even though the waves of the European debt crisis had also reached Hungary. The EUR/HUF exchange rate typically fluctuated between 260 and 290, and the yields on government securities only rose above 8% temporarily. Because investor concerns focused mainly on the European debt crisis, the risk ratings of countries with high debt ratios deteriorated from one period to the next.

At the beginning of the year the improvement in the risk environment allowed the National Bank of Hungary to reduce its base rate from 6.25% to 5.25%; the debt worries related to Greece, however, led to a considerable flight from risk in the global capital market. While the rest of Europe was intent on curbing the spiralling public finance deficits, the Hungarian government would have preferred to loosen fiscal conditions.

By September, however, the government committed itself to achieving the original deficit targets (2010: 3.8%; 2011: 3%). The perception of Hungary's risk began to improve temporarily, but as the waves of debt crisis spread across Europe we again came under close scrutiny, due to the uncertainty surrounding the equilibrium of the state budget in the medium term. In this environment, the National Bank of Hungary embarked on a fresh, 25 basis-point cycle of interest rate raises, and the credit rating agencies all downgraded the country's sovereign debt to the lowest investment-grade category.

However, Hungary is unlikely to be relegated to the junk category this year either, and following a more detailed working of the structural reforms we expect Hungary's outlook, as determined in the systems of the credit rating agencies to improve. We do not believe that the National Bank of Hungary's cycle of interest rate raises will continue, and we consider it likely that the forint will stabilise at a stronger level (target EUR/HUF exchange rate for December: 270).

Source: Raiffeisen Bank Zrt. Investment Analysis Department

Business results

The financial crisis caught up with the Hungarian bank system at the end of 2008, which resulted in a considerable slowing of portfolio growth. A further slowdown in both lending and the collection of deposits was also observed in 2010. The sector's customer loan portfolio fell continuously over the year in terms of customer numbers and new origination; the growth in the portfolios was caused by the exceptionally volatile exchange rate, the effect of which was reinforced by the significant foreign currency content on the loans side.

The bank sector's overall credit portfolio grew by 4%, while deposits displayed an approximately 1% decline, which can be attributed to general market trends. Demand for loans picked up somewhat during the year, the population's ability to save continued to decline, and a restructuring of savings portfolio was also observed.

In the face of what can still be regarded as a tough economic environment, the Bank maintained its liquidity and stability. The Bank's balance sheet total for the end of 2010 came to HUF 2,365 billion – this slight reduction in total assets relative to the previous year's HUF 2,371 billion figure is attributable to factors in the external environment. Business revenue decreased by 9.03% year on year to HUF 129 billion, and owing to its conservative risk management policy the Bank was able to reduce the extent of its provisioning in 2010. Raiffeisen Bank's provisioning was more conservative than the average, as it set aside provisions in a total of HUF 56.0 billion in 2010. (In 2009 impairment and provisioning amounted to HUF 70.7 billion.) Business costs and expenses exceeded those of the previous year by 8.91%. This was due to other and extraordinary expenses, which include the amount of the special tax on banks.

The pre-tax result in 2010 was HUF (-6) billion, and due to payment of the special tax on banks, the Bank closed the 2010 business year with an after-tax result of HUF (-4.3) billion.

Raiffeisen Investment Fund Management Zrt. successfully leveraged the growth opportunities inherent in the market for investment products. A major factor contributing to this was the commitment of the Bank, and especially the retail division, to the sale of investment products. The annual average growth in assets under management, which exceeded the target figure, would also have resulted in our operating profit target being exceeded, but the costs of the unforeseen bank tax and changes to the commission structure means that operating profit remained at the planned level. Together with the dividend payable by the facility management company, Raiffeisen Fund Management exceeded its pre-tax profit target by more than 30% and its after-tax profit target by 50%. (The difference stems from a change in the rate of corporate tax.)

The main priority of Raiffeisen Leasing Zrt.'s strategy for 2010 was to continuously monitor the existing active portfolio, and to cut down on costs, which the company achieved primarily through a restructuring of business processes. On 31 December 2010 the portfolio of receivables from customers totalled HUF 47.636 billion, which represents a 25.6% drop in comparison to the HUF 63.985 figure of the end of the previous year. This substantial decrease resulted from the fall in new transactions, and the factoring out of bad receivables. Due to the rationalisation of operations, operating costs fell further and the extent of provisioning decreased significantly, from HUF 8,062 million in 2009 to HUF 4,403 million in 2010, which represents a 45.4% improvement.

A year rich in developments

As a universal bank, Raiffeisen Bank is constantly developing its products and services, in order to adapt to the rapidly changing demands and requirements of the market. The Bank won several awards in 2010 in relation to its developments.

The "DíjNullázó" (FeeAnnuler) account package launched in the retail savings segment enables customers with average incomes to enjoy the benefits of free banking. Within a short time after its introduction the package proved to be highly popular among both existing and new customers.

To manage the repayment problems of customers with foreign-currency loans, the Bank drew up a variety of easing plans and solutions – including a temporary interest-reduction scheme – from among which customers could choose the one that best suited their individual circumstances.

New in 2010 was the Raiffeisen Premium Banking service, which added a third level to the Bank's retail customer service model. The service is aimed at more financially aware customers with higher demands and substantial savings or income, for whom the Bank offers a range of tailored solutions including free account management, fast-track service in branches, personal consultation opportunities, a wide range of investment products and a comprehensive financial planning service.

In the SME segment, the Bank paid close attention to the management of its existing portfolio, besides increasing its new loan volume in the second half of the year. This is partly due to the introduction of new loan products designed for micro-enterprises, and to the more transparent and competitive pricing. For customers facing difficulties and struggling with payment problems, an opportunity was created for the restructuring of the loans, reducing the expenses of the customers.

Simple services with a good price/value ratio were also introduced on the funding side, for example the "Kamathegyező" (Interest Booster) savings account, which pays a better rate of interest than a current account, but also offers flexible, instant access for the account, and the flat-rate packages, which make the account-management costs of enterprises plannable and calculable.

A team of dedicated, highly qualified and experienced customer relationship managers help us to provide a high quality of service, supporting customers in choosing the best solutions for them. In the Business Partner Club program, a series of conferences was held in 19 towns for our small and medium-sized enterprise customers, to expand the market and financial skills of entrepreneurs.

Friedrich Wilhelm Raiffeisen Private Banking offers a solution for customers with the most exacting requirements. This division was among the first in Hungary to introduce a life-path model for wealth management, through which it developed a range of investment forms customised to suit the individual. Owing to the high quality of service, despite the tough economic circumstances Friedrich Wilhelm Raiffeisen not only protected, but further increased the wealth of its customers.

Despite the continued decline in credit demand, Raiffeisen Bank's Corporate Division maintained its share of the lending market, while effectively increasing its share of deposits in comparison to the end of 2009. We continue to offer our customers a wide range of inland and cross-border Cash Management and credit products, from the "classic" products through complex, structured financing facilities.

The Bank places particular emphasis on developing financial awareness and encouraging people to save on a regular basis – the Raiffeisen Regular Savings Program continued apace, and the "MegtakarítOK" attitude-shaping campaign was launched.

The Bank was also active in the field of technical innovation, overhauling its website, enhancing the functionality of the DirektNet internet banking system and establishing a presence in the world of social networking media.

Expert Staff

The employee headcount of Raiffeisen Bank increased slightly in 2010 (by approx. 80 persons), to 3,104 persons as of 31 December. The primary source of this change was the direct hiring of colleagues who had previously worked under a contract staffing arrangement, partly for reasons of cost-effectiveness.

To make the most efficient possible use of personnel costs from the perspective of both employer and employee, and to ensure a competitive remuneration system, during the year a comprehensive review of job descriptions and the wage structure was conducted, and the ratios of fixed to variable pay were fine-tuned in line with the market benchmarks. In addition to this, in several areas of sales an incentives system that rewards individual performance on a monthly or quarterly basis was developed and put into operation.

The Bank further enhanced the performance management process, with the result that in addition to the annual performance targets, personal focus areas for development are defined and subsequently evaluated for every employee, based on a one-on-one interview with the employee's direct supervisor.

The development programs are primarily geared towards the economic and environmental changes, and business priorities; but employees also have the opportunity to participate in training courses that assist them in achieving their long-term career goals.

New staff are assisted in their orientation by a series of induction and training programs, while existing employees regularly attend courses aimed at providing them with new professional skills and developing their existing capabilities.

E-learning is an increasingly popular means of development, which is why the Bank has made a portion of its skills-transfer and information-sharing courses available to employees in electronic form.

In 2010 employees spent a total of 21,120 days attending various professional training and skills development courses, team-building programs and conferences, in addition to which more than one day per employee was spent acquiring skills through e-learning.

Changes in the Bank's organisation

On 2 January 2010 the activities conducted within the Retail Division were further subdivided into the following specialist units: the newly formed Retail Lending Division, responsible for retail credit products, and the Retail Savings Division, which oversees retail bank accounts, the related electronic channels, debit cards, fixed-term deposits, securities, the savings program and Premium Banking.

The activities of the small and medium-sized enterprise department were separated from the Retail Division. The medium-sized enterprise segment, where customers require individual management, was transferred to the large corporate division, while the small business segment came under the supervision of the newly formed Small Business Division.

Based on a decision made by the Board of Directors in June 2010, the universal regions were broken down into retail and business regions, and the Collateral Management Department was integrated with the Credit Risk Department.

The activities of the Organisation Department, which ceased to exist in December 2010, were transferred to two new departments: the Organisation-Process-Quality Department, and the IT Design, Architecture and Testing Department.

The card operations group of the Electronic Channels Department was integrated with the Credit Centre, while the Money and Capital Market Back Office Department continues now operations as a part of the Bank Operations Department.

In 2010 the following changes occurred to the composition of the Board of Directors and management team:

Péter Verő resigned his post as Chief Operating Officer and his seat on the Board of Directors, with effect from 1 July 2010. Following his departure the position of COO was taken up by Martin Melkowitsch, from 1 September 2010 for an indefinite period.

On 24 September 2010 Dr. Johann Strobl and Dr. Karl Sevelda were elected as new members of the Board of Directors. Deputy CEO Róbert Huszár left the Bank on 3 December 2010.

Dr. Péter Felcsuti's mandate as chairman of the Board of Directors expired on 31 December 2010, and his place was taken by Mag. Heinz Wiedner with effect from 1 January 2011.

Corporate social responsibility

The Raiffeisen Közösen (Together) Program

The Raiffeisen Közösen Program encompasses all of the Bank's charitable activities. The Bank strives to work in true partnership with organisations dedicated to serving a variety of good causes, this contributing to the broader community in which our Bank operates – for us, corporate social responsibility means more than just generating profit and complying with the laws.

The main elements of the Raiffeisen Közösen Program, launched in 2008, are the annual tender for donations to support programs that develop the life skills of children raised in care, a cause-related promotion to support the provision of meals for children living in poverty, and a program of voluntary work in child protection institutions.

The Bank implements all the elements of the program jointly with a professional partner from the NGO sector, which in the case of the latter two initiatives is selected in an open tender.

In the 2010 tender for donations, entitled "Volunteer Youth in Action", seven civil initiatives each received a share of the HUF 20 million in assistance grants offered by the Bank. The winning organisations were selected from among the 22 applicants with the assistance of the Kurt Lewin Foundation and the participation of external consultants. The young people involved are given a role in the planning, implementation and video-documentation of the volunteering schemes, which helps and encourages them to mature into independent, cooperative and responsible adults in the long term.

Under the promotion that ran from the 1st to the 30th of October 2010, whenever a participant in the Raiffeisen Regular Savings Program performed a card transaction resulting in an automatic saving, the Bank donated HUF 100 to the Children's Meals Foundation (Gyermekétkeztetési Alapítvány). With the HUF 18,322,200 in donations thus set aside, with the professional assistance of the Children's Meals Foundation, some 455 needy children in nine towns and villages were provided with hot meals at weekends and during school/nursery holidays, over a period of six months, as a part of the Lunch for All program.

When choosing which towns and villages should receive support, Raiffeisen Bank called upon the assistance of the public. A list of the municipalities that applied and fulfilled the requirements of the tender was published on the www.kozosen.hu website, where anyone could vote for the town or village that they judged to be the most in need. The donations were allocated on the basis of the ranking that resulted from the voting, which could be continuously monitored via the website.

Autumn 2010 also saw the continuation of the voluntary work program, with the participation of a total of 250 employees who performed renovation work at ten locations, thus helping to make more children's homes and institutions more attractive and pleasant to live in.

Also as a part of the Közösen Program, the Bank helped people living in disaster-struck areas. We provided HUF 10 million in aid for the towns and villages of Borsod County hit hardest by the floods of June 2010. The initiative started out with individual donations from the Bank's employees, totalling HUF 2.6 million. The Bank then supplemented this amount, bringing it to HUF 10 million. Besides this, through Devecser City Municipality, we gave HUF 1 million per customer, a total of HUF 20 million, to each of our mortgage-loan customers whose property serving as collateral for their loan is located in Devecser, which was devastated by the spillage of industrial red sludge. The donations were raised in an unparalleled display of solidarity: HUF 2,125,000 was pledged by the Bank's employees, HUF 10 million by Raiffeisen Bank in Hungary, and EUR 12,500 by each of its owners, Raiffeisen Bank International (RBI) and Raiffeisen Zentralbank (RZB).

In addition to the financial donations, the Bank granted its customers living in Devecser, Kolontár and Somlóvásárhely, all of which were affected by the red sludge catastrophe, a six-month repayment holiday, free of charges and fees, if requested. This means that mortgage-loan customers affected by the disaster did not have to pay either interest or principal instalments in the period between November 2010 and May 2011.

Besides its charitable activities, Raiffeisen Bank has other means of demonstrating its sense of social responsibility.

The initiative undertaken jointly with the Ludwig Museum under the name of the "Bus to the Museum" program continued in 2010, as the Bank transported nearly 1,500 young people, free-of-charge, to the Science of Imagination exhibition held at the museum between 29 April and 27 June.

In 2010, more than 250 Apartment Buildings and Housing Associations made use of the interest-subsidised credit products available for the financing of investments based on the use of renewable energy to achieve energy savings, as a part of the Bank's energy rationalisation program.

On 16 November 2009 the Bank launched its Regular Savings Program, the aim of which to encourage the Bank's customers to save on a regular basis, offering an automated means of assisting them in this. Encouraged by the success of this service, and based on the result of its research, the Bank decided to launch an attitude-shaping initiative under the name of the MegtakarítOk Program, which promotes a financially aware lifestyle, regular savings and the careful management of finances. As a part of this the Bank took part in free, entertaining family events, launched a Facebook page, and every quarter it now assesses the Hungarian population's ability and willingness to save, in the form of the Raiffeisen GfK Savings Index survey.

Our awards

MasterCard – Socially Responsible Bank of the Year 2010
MasterCard – Retail Account Package of the Year – 2nd place (Díjnullázó account package)
Website of the Year 2010 Special Award – Regular Savings Program micro site
User friendly website – www.raiffeisen.hu
Bank Card of the Year 2010 – Hungarian University of Fine Arts (Oxigén Credit Card)
Bank Card of the Year (Business) 2010 – Hungarian University of Fine Arts (Visa Business Card)
Primary bond distributor achieving the largest primary market share – State Debt Management Centre (ÁKK) Q2 2010

Shareholder

Raiffeisen-RBHU Holding GmbH 100%

Board of Directors

Chairman

Herbert Stepic
Raiffeisen Bank International AG

Other Board members

Mag. Heinz Wiedner
Raiffeisen Bank International AG (till 31.12.2010)
Raiffeisen Bank Zrt.
(from 01.01.2011)

Aris Bogdaneris
Raiffeisen Bank International AG

Dr Johann Strobl
Raiffeisen Bank International AG

Dr. Karl Sevelda
Raiffeisen Bank International AG

Dr. Martin Sotter
Raiffeisenlandesbank Steiermark AG

Julius Marhold
Raiffeisenlandesbank Burgenland

Mag. Reinhard Karl
Raiffeisenlandesbank NÖ-Wien AG

Dr. Felcsuti Péter
Raiffeisen Bank Zrt.
(till 31.12.2010)

Horváth Krisztina
Raiffeisen Bank Zrt.

Martin Melkowitsch
Raiffeisen Bank Zrt.

Supervisory Board

Chairman

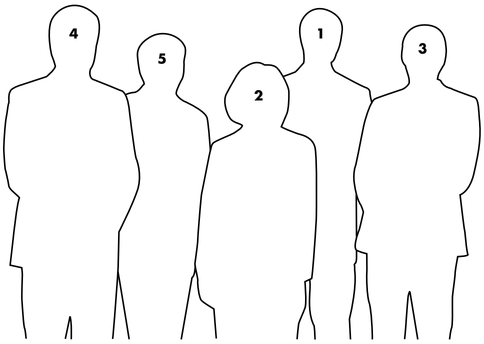
Wolfgang Trost
Raiffeisen Bank International AG

Other Board members

Ulf Leichsenring
Raiffeisen Bank International AG

Dr. Mercedes Szabó Dr. Tóthné
Raiffeisen Bank Zrt.

Management of Raiffeisen Bank Zrt.



1 Heinz Wiedner
Chief Executive Officer

2 Horváth Krisztina
Member of Management Board

3 Szabó Ferenc
Member of Management Board

4 Soós Csaba
Member of Management Board

5 Martin Melkowitsch
Member of Management Board

Declaration on Corporate Governance Practice

Responsible corporate governance is an essential tool by which the Bank achieves its main objectives, and is a prerequisite for long-term value creation. The purpose of corporate governance is to establish and maintain an operating structure that achieves an appropriate balance between the interests of the company's owners, customers, employees, business partners and the public at large. In the course of its operation Raiffeisen Bank Zrt. complies fully with all the statutory provisions and supervisory regulations that apply to it. The Bank's corporate structure and operating requirements are set out in the Deed of Foundation approved by its Sole Shareholder, and in its Organisational and Operational Regulations.

I. Primary decision-making bodies

I.1. Governing body

As a solely-owned joint-stock company, the Bank's ultimate decision-maker is the Sole Shareholder. Decisions that would ordinarily fall within the scope of authority of the General Meeting are made by the Sole Shareholder, in writing.

I. 2. Executive body

Board of Directors

The strategic governance and management of the Bank is performed by the Board of Directors, whose powers are defined by the effective statutory provisions, the Bank's Deed of Foundation, the resolutions of the Sole Shareholder and the procedural rules of the Board of Directors.

The Board of Directors consists of eleven members, three of whom (the executive members) are also employed by the company in a capacity other than their position on the Board of Directors. The members of the Board of Directors are elected by the Sole Shareholder, and may be re-elected. All the obligations and prohibitions specified for executive officers under Act CXII of 1996 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.

Members of the Board of Directors:

- Dr. Herbert Stepic (chairman)
- Dr. Péter Felcsuti (executive member) until 31 December 2010
- Mag. Heinz Wiedner (executive member) from 1 January 2011
- Mag. Reinhard Karl (non-executive member)
- Dr. Martin Stotter (non-executive member)
- Dr. Julius Marhold (non-executive member)
- Aris Bogdaneris (non-executive member)
- Krisztina Horváth (executive member)
- Martin Melkowitsch (executive member)
- Dr Johann Strobl (non-executive member)
- Dr. Karl Sevelda (non-executive member)

The Board of Directors convenes as many times as is necessary, but at least once a year. Minutes are taken of the meetings, and the resolutions are documented. The Board of Directors may also pass resolutions without holding a meeting, by means of a written ballot. In the event of a written ballot, decisions may only be passed by unanimous vote. Written ballots may be held by email, telephone or fax. In 2010 the Board of Directors held three meetings and passed resolutions by means of a written ballot on 11 occasions.

The Board of Directors represents the Bank in proceedings before the courts of law and other authorities, and in dealings with external parties. Two executive members of the Board of Directors may assign joint signatory rights that pertain to specifically defined groups of issues to employees of the Bank. Employees who are authorised to represent the Bank may not assign their representation rights to others.

The submission of proposals for amendment of the deed of foundation, the raising or lowering of the share capital, or approval of the company's financial statements prepared in accordance with the Accounting Act, and the utilisation of the after-tax profit – all of which fall exclusively within the scope of authority of the Sole Shareholder – is one of the most important duties of the Board of Directors. The Board of Directors' other responsibilities include determining the company's operating and business policy guidelines, accepting the annual business plan, approving the Bank's corporate structure and the job descriptions of individual members of the management, establishing and winding-up subsidiaries and project companies in the Bank Group, authorising the establishment of joint ventures and the acquisition of business interests, appointing and dismissing the Bank's CEO and deputy CEO(s) and approving the selection of members of the management and supervisory boards of the Bank's subsidiaries.

Determining the remuneration of the members of the Board of Directors is the prerogative of the Bank's Sole Shareholder. The Sole Shareholder, at the time of approving the annual report, evaluates the work of the members of the Board of Directors and makes a decision regarding the extent of their remuneration.

Management

The day-to-day running of the Bank is performed by the Management. The Management is entitled to proceed and make decisions autonomously in respect of all matters that do not fall within the scope of authority of the Sole Shareholder or the Board of Directors. The individual members of the Management perform their duties as assigned to them by the Board of Directors. However, any decisions that have a significant impact on business operations are made by the Management as a single body. The work of the Management is coordinated by the CEO.

Members of the Management:

- Dr. Péter Felcsuti, CEO until 31 December 2010
- Mag. Heinz Wiedner, CEO from 1 January 2011
- Krisztina Horváth, deputy CEO
- Csaba Soós, deputy CEO
- Ferenc Szabó, deputy CEO
- Róbert Huszár, deputy CEO until 3 December 2010
- Martin Melkowitsch, deputy CEO

II. Secondary decision-making bodies

The secondary decision-making powers are exercised within the Bank by committees set up in accordance with the Organisational and Operational Regulations. The committees have authority over the operative organisational units of the Bank, and are established in accordance with external and internal regulations for the purpose of making the hands-on decisions necessary for achieving the Bank's business objectives. The resolutions passed by the committees are binding on all departments involved in the given matter.

Secondary decision-making bodies:

- Management Meeting
  The regular forum at which the members of the Management consult and make decisions; the Bank's strategic, business and operational decision-making body.
- Asset-Liability Committee
  The task of the Asset-Liability Committee (ALCO) is to ensure that the Bank's asset-liability structure is in line with its profitability and market share objectives, and at the same time to assure RBI's and the Bank's internal liquidity, financing and interest rate limits.
- Executive Credit Committee
  Established directly by the Board of Directors, this is the top decision-making body in matters related to the setting of risk limits.
- Credit Committee
  The Bank's decision-making body in matters related to the setting of risk limits. Risk limits may apply to banks, as well as to corporate, SME and municipality customers, and, in certain cases, to private customers.
- Problem Loan Committee
  The Problem Loan Committee decides on the management and approval of limits granted to customers with poor ratings or where a certain level of collateral coverage is not achieved.
- Provisioning Committee
  The Provisioning Committee is responsible for determining individual and portfolio-based provisioning.
- Portfolio Committee
  The Portfolio Committee discusses and analyses, in detail, the profitability, risk rating and projections of the individual divisions, as well as their respective capital requirement.
- Operational Risk Committee
  Approves the Bank's operational risk policy and continuously monitors the risk factors related to the Bank's operations.
- Product Committee
  The Product Committee decides on the launching, and on the terms and conditions, of new products and services.
- Project Committee
  The Project Committee is the Management-level body that has primary responsibility for the project-based coordination of the Bank's developments, and that exercises full control over the Bank's project management (MPIR) practices.

III. Supervisory Board

The Supervisory Board, elected by the Bank's Sole Shareholder, oversees the Bank's Management and business operations, and also performs the duties of the Audit Committee. The Supervisory Board meets, in accordance with a predetermined schedule, to discuss reports on the company's position, and may include on its agenda any plan or report of the company that is judged to be important, and – according to its schedule – may request information and conduct audits in respect of the company's key processes and systems. The Sole Shareholder may make its decisions in respect of the annual financial statements prepared in accordance with Hungarian Accounting Standards and in respect of the utilisation of the after-tax profit only after it has received the Supervisory Board's written report. The Supervisory Board consists of three members, each with a five-year mandate. The regulations pertaining to the nomination and recall of the employees' representative on the Supervisory Board are determined by the Workplace Council that operates within the Bank.

Members of the Supervisory Board:
- Wolfgang Trost (chairman)
- Ulf Leichsenring (member)
- Dr. Mercedes Szabó Tóth (member)

IV. Auditor

The auditor, selected by the Sole Shareholder and appointed by the Board of Directors, checks the veracity and legal compliance of the company's financial statements prepared in accordance with the Accounting Act. The Sole Shareholder may not make any decision with respect to the financial statements prepared in accordance with the Accounting Act without having received the opinion of the auditor. The auditor is obliged to audit every material business report submitted to the Sole Shareholder in order to ascertain whether it contains accurate data and complies with the statutory regulations. The Bank's audit is performed by KPMG Hungária Kft. The Board of Directors is obliged to inform the Bank's Sole Shareholder and Supervisory Board of any other significant mandates given to the auditor.

V. The Bank's basic operating principle and corporate governance structure

The Bank's operating principle amounts to a coordinated operating model that embraces, in an integrated fashion, the divisions and organisational units belonging to the divisions, the support functions, the branch network and the alternative sales channels. The Bank's governance and regulatory system is based on the following requirements:
- The Bank's governance takes place in a matrix model, which is supported by a process-based regulatory system.
- The integrated matrix operating model is supported by integrated management systems.
- The process regulations are detailed procedures that represent the bulk of the regulatory system. The process regulations define responsibilities within the organisation, document the relationships between supporting IT systems and the individual steps in the processes, and contain additional information related to their appropriate execution.

The Bank's organisational structure consists of departments and divisions that answer to the CEO and the deputy CEOs. The departments are the highest-level units in the working organisation, are established along professional lines, and are directed by a head of department. The divisions are organisational units that correspond to the various market segments, each overseen by a head of division.

Within the departments and divisions the organisation is further subdivided into groups, or – if necessary due to the size of the organisation or complexity of the given activity – into sub-departments. The branch network is subdivided into branches, which are grouped into Regions. The branches are headed by Branch Managers, and the Regions by Regional Managers.

Professional cooperation between the organisational units occurs on the basis of matrix relations. The matrix relations between the various organisational units and the tasks associated with matrix-based operation are specified in the descriptions of the organisational units.

The Bank ensures the coordination of its decision-making forums, and of its dealings with the authorities and regulatory bodies, through a unified organisational structure. In addition, the Bank has an independent organisational unit that is responsible for maintaining contact with the Sole Shareholder, which ensures continuous communication and transparency of operations for the Sole Shareholder.

VI. Internal control system

It is the Management's duty and responsibility to develop and maintain a system of internal controls. To ensure the organisation's prudent, reliable and efficient operation, protection of the customers' and owner's interests and compliance with the statutory requirements, the Bank's Management operates an independent internal control system. The internal control system ensures that the owners receive impartial and objective feedback through the Supervisory Board, while the audit reports also assist the Management in adequately supporting the effective and satisfactory operation of the internal control environment. The Bank's internal control system is made up of the following components: Internal Audit Department, Compliance Officer, Risk Management departments, process-integrated controls, and the Management Information System.

VI. 1. Internal Audit Department

Monitoring the regular and effective operation of the internal control system is a task that is performed by the Internal Audit Department by means of the audits planned in the annual auditing schedule and, where necessary, by conducting unscheduled audits. The annual internal auditing schedule is based on risk analyses performed using a predetermined methodology that attempts to take into consideration – and rank according to severity – the likelihood of various individual threats and circumstances occurring, as well as the possible negative impacts of such events. The independent Internal Audit Department analyzes the full range of risks inherent in business processes and examines whether the system of internal controls that has been implemented, together with the applied procedures, are capable of effectively managing such risks. As a part of this, the Bank's Management provides the department with unrestricted access to all of the necessary information, documents and data, as well as to the persons involved in the activities and processes being audited. The Bank's Internal Audit Department is under the professional (methodological) supervision and control of the Sole Shareholder's Internal Audit function. The independent Internal Audit Department regularly prepares objective and impartial reports for the Supervisory Board and the Management regarding the satisfactory operation of risk management, internal control mechanisms and corporate governance functions.

The Supervisory Board exercises a preliminary right of consent in respect of decisions related to the establishment and termination of employment relationships with managers and employees of the Internal Audit Department, as well as to the determination of their remuneration.

VI.2. Compliance

In keeping with the regulations of the European Union and the applicable Hungarian laws, the Bank has established an independent organisational unit whose task is to identify and manage compliance risks. The Compliance Department fulfils the following functions:

- Drafting and maintaining – and monitoring compliance with – the Bank Group's Ethics and Compliance Regulations, issuing guidelines in respect of related issues, keeping a record of related reports, maintaining watch lists, evaluating approval requests and conducting investigations
- Organising, directing and coordinating efforts within the Bank to combat money laundering and the financing of international terrorism. Operating a reporting and monitoring system, drafting and maintaining internal procedures, as well as appropriate training
- Drafting and maintaining the data protection regulations, replying to questions regarding data protection and liaising with the data protection ombudsman
- Ensuring compliance, within the Bank, with "Chinese Wall" and insider trading statutory regulations, through its own internal regulations and – where necessary – through appropriate training
- Monitoring compliance with the MiFID regulations

VI.3. Risk management and hedge transaction policy principles

Raiffeisen Bank has an independent risk management unit that is entirely separate from the business divisions and that operates under the management of the deputy CEO responsible for risk management. The individual credit-risk analysis, rating, scoring and monitoring of customers in the corporate, municipal and financial sectors is the task of the Credit Risk Department; the portfolio-based credit-risk analysis and management of retail, private banking and SME customers is the responsibility of the Retail and SME Risk Management Department; and the analysis of market (interest, FX and liquidity) and operational risk, as well as Basel II modelling, capital calculation, and the development of portfolio-based risk models is the job of the Integrated Risk Analysis Department.

Management of credit risk

The risk assessment and credit appraisal of corporate customers, project companies, goods and trade finance, and municipality customers is based on case-by-case analysis and rating, and is accompanied by regular financial monitoring and annual limit reviews. Financing is essentially granted on the basis of set credit limits, with the individual transactions only being subject to a short, simplified approval process. In the retail and private banking business, as well as in SME lending, automated, scorecard-based appraisal is applied.

Lending limits represent a balance between business and risk considerations, as defined, and as deemed desirable, by the bank's owners and management, within the framework of the Credit Institutions Act and other statutory regulations, as well as the Bank's Credit Policy. The Bank lends primarily on a cash-flow basis, when the customer's income or the certified, predictable cash flow from its core activity assures the funds required for repayment. Occasionally more weight is given to the value of the collateral, or to the expected revenue stream from a project (assuming it is successfully implemented), or to the rate of return on the loan package (consisting of several facilities), or to a combination of these factors. The development and selection of loan products as well as the individual credit decision are, accordingly, based on the amount requested, the term of the loan, the type of product requested, the customer's income and financial position, the customer's quality-related characteristics and future prospects, and on the collaterals offered.

From a risk management point of view, Raiffeisen Bank responded to its customers' payment difficulties caused by the financial and economic crisis by offering loan restructuring solutions, introducing processes that give early warning of likely defaults, and by reinforcing collection and receivables management. At the same time we are supporting the maintenance of the Bank's long-term stability by monitoring the capital position more closely and by introducing stress tests that are more frequently conducted and are more sophisticated than before.

The Bank Group's risk management processes (debtor rating, asset segmentation, collateral management, and default-data gathering) fulfil the Basel II requirements, and the core data needed for the sophisticated measurement of risks is recorded, in a structured form, in a state-of-the-art data warehouse.

In respect of the Bank's private customers, following successful validation by the supervisory authority, the Bank Group introduced capital calculation based on the advanced internal rating method (A-IRB) in 2010. The capital requirements of non-retail customers have been calculated using the basic IRB (F-IRB) method since December 2008.

Management of operational risk

The management of operational risk, and where necessary, the mitigation of such risk, is the responsibility of all organisational units (departments, regions, subsidiaries). The Bank expends considerable effort in the interests of developing its OpRisk procedures and structures, and of raising operational-risk awareness, which includes identifying, gathering, evaluation, reporting, monitoring and managing risks that threaten the achievement of the Bank's business objectives.

In the course of risk management the Bank places considerable emphasis on the "use test" (as a practical means of achieving a reduction in the level of operational risk), in the context of which the Bank has initiated a number of measures to reduce risks based on the results of the self-assessment, data gathering and other information with respect to risks that exceed the tolerance threshold.

Considerable progress was made in the development of the IT infrastructure used in operational risk management: in 2010, a system that was developed in-house was put into live operation in support of invoice monitoring as well as supervisory and internal reporting.

Management of market and liquidity risk

The management of market and liquidity risk at the Bank is performed at several levels, with the use of advanced methods and infrastructure. In all cases, the monitoring of risks is performed by an organisational unit that is independent of the given business department. The measurement and reporting of the market risks related to business operations is performed on a daily basis. The classification, measurement and management of risks, and the generation of economic capital, takes place within the framework of the Bank's ICAAP processes.

The measurement and controlling of risks is performed through the use of complex position, risk, stop-loss and VAR limit systems. The management of market risks related to banking operations covers the following areas of operation:

- Trading book and bank book interest risk
- Bank book interest risk gap report, daily liquidity report
- Share trading risk
- Currency risk
- Option trading risk
- Exposures to large deposits
- Short-term, structural and market liquidity risk
- Limit report related to the counterparty risk of OTC derivative transactions.

The limit structure and the methodology behind the calculation were created with the participation of the parent bank's experts and provide effective support for Group-level risk management.

VI.4. Environmental protection

The Company does not possess any assets that are of key importance in terms of environmental protection.

VI.5. Employment policy

Raiffeisen Bank continues to be one of the largest employers in the financial sector: at year-end 2010 the number of internal and external employees exceeded 3,300. The Bank is proud of the fact that it conducts its operations as a fair and ethical employer, and that it takes full account of, and adheres to, the stipulations of the Hungarian Labour Code.

Recruitment takes place centrally, as part of the activities of the Human Resources Department, with every effort being made to ensure that no form of discrimination influences the selection process. The selection practices of Raiffeisen Bank are designed to target well-trained and qualified personnel, but at the same time provide an opportunity for recent talented graduates to join the Bank and embark on a path of intensive professional development. We are very proud that in 2010 Raiffeisen Bank was included in the KarrierStart Top 30 list compiled jointly by the weekly paper Figyelő and the consultancy firm Hewitt. This list contains the best employers of 11 sectors of the economy based on the opinion of 36,000 career starters and other employees, and the applied practices of the companies as regards development and training opportunities offered to career starters, career prospects and performance recognition.

The Bank makes every effort to pay salaries that are fair and competitive within the context of the Hungarian jobs market.

A Workplace Council operates within the Bank's organisational framework, which ensures that the interests of employees are represented.

VI.6. Research and development

In 2010 the Company launched research and development projects in the following areas:

- Risk management model for assessing the economic usefulness and risk of projects aimed at the use of renewable energy sources;
- Sectoral risk models in relation to the Bank's corporate lending;
- Connecting business and IT architectures, modelling the measurement solutions of business-critical services;
- Study of the utilisation potentials of process models, development of a model.

VII. Disclosure, publication

The Bank fulfils its disclosure and publication obligations – in strict compliance with Act CXII of 1996 on Credit Institutions and Financial Enterprises (Hpt.), Act CXX of 2001 on the Capital Market (Tpt.) and Act CXXXVIII of 2007 on investment enterprises and commodity exchange service providers and the rules governing the activities they may perform – via its own website and the capital market disclosures website operated by the Hungarian Financial Supervisory Authority.

General notes on the bank's business operations of the 2010 business year

1.1. Large corporations

Raiffeisen Bank's Corporate Division, one of the oldest divisions of the Bank, has achieved a key position in the large-corporate segment over the past years. We have succeeded in maintaining this position, despite the negative effects of the economic crisis and the tough competition that characterises this segment. Despite a further drop in the demand for loans, we have retained our market share on the credit side, and on the liability side have increased it significantly compared to year-end 2009.

In 2010 we focused with particular intensity on managing our existing loan portfolios. A number of large-exposure transactions were successfully restructured and, taking into account considerations of exchange rate risk, we restructured our multicurrency loan facilities. We continue to offer our customers the full range of loan products, from conventional financing facilities to complex, structured finance solutions.

The Structured Finance Department – which was organised into an independent department within the Corporate Division in the summer of 2010 – closed a successful year. The new department coordinates the Bank's project financing and trade financing activities.

In the project financing area, we were able to maintain the quality and profitability of the portfolio, mainly by converting the bulk of the loan portfolio into less risk-sensitive currencies, adjusting our pricing and bringing it into line with the increased cost of funds, and by safely rescheduling the part of the portfolio that warranted it. The project financing portfolio, which accounts for one third of the large-corporate loan portfolio, has the lowest ratio of problem loans of any portfolio at the Bank, and in terms of income, the division significantly outperformed its targets.

Our trade finance operations were also successful throughout 2010; here again, we were also able to significantly outperform our income targets while keeping risk costs low.

In the past year the interest shown towards Cash Management products increased, mainly due to the narrowing of available financing opportunities. There has been a growth in demand among customers for liquidity management products and products that support the rationalisation of corporate finances. In 2010 we further developed our services in this direction, by, for example, enabling companies to communicate directly with the Bank via SWIFT.

In 2010 the Treasury again preserved its market-leading role in the domestic money, foreign exchange and capital markets. In 2010, based on the statistics of the National Bank of Hungary, it transacted the largest foreign exchange turnover in the country, and purchased the greatest number of Hungarian government bonds at the auctions of the Government Debt Management Agency. It endeavours to provide a full service designed to meet the various needs of large corporations, through products that are readily available on the market and through the customisation of services.

1.2. Small and medium-sized enterprises

In 2010 the effects of the crisis continued to be felt in the SME customer segment. In the market, there was a shift in a positive direction relative to the low point of the previous year as signs of stabilisation began to appear, and a result of this, lending activity picked up. But at the same time, the deteriorating tendencies in the financial data (revenues, profitability) of small companies, which are not overly endowed with capital at the best of times, significantly restricted our options.

Besides taking advantage of new loan placement opportunities where appropriate, the Bank continued to focus with particular intensity on managing its existing loan portfolio. Customers that had found themselves in a difficult position and were struggling with payment problems were given the option of restructuring their loans. Thanks to this, customers can now repay their loans over a repayment period and in instalments that match their capacity to pay.

Besides the forms of financing that are traditionally typical given the specific characteristics of SMEs, demand has also surfaced for service packages based on simple, no-nonsense products that offer excellent value for money.

Responding to the changed market conditions, the Bank has approached the SME market with simplified, easily understood products appropriate for the needs of its customers, and with transparent pricing.

We have introduced a new product called a Kamathegyező ("Interest Booster") savings account, whose interest rate is higher than the current-account interest rate, but which at the same time provides flexible and instant access. The Bank also offers the option of convenient online access to these accounts, since we continue to focus intensely on promoting electronic banking.

Alongside internet banking, however, providing high quality customer service and ensuring that our customers receive personalised assistance and advice continue to be of key importance.

The Bank wishes to be a valuable partner to its customers, and to achieve this objective it has highly trained customer service representatives, specifically dedicated to this segment, who assist our customers in selecting the most appropriate solutions. As part of our efforts in this regard, through the Üzlettárs Klub ("Business Partners Club") we held a series of conferences for our SME customers in 19 towns and cities across the country. At these events, the Bank's experts outlined various trends in business and in the market that those attending could expect, and helped by answering questions related to financial matters that are of particular interest to business owners.

1.3. Retail customers

2010 was a year of recovery in the Bank's retail lending. Following the low lending activity that characterised the year 2009, the Bank strengthened its sales activity in respect of all retail credit products. Despite the change in the legislative environment regulating household lending (that is, a tightening of lending conditions), the Bank was able to increase its lending volumes from the second half of 2010 while maintaining the quality of its loan placements. The asset portfolio grew by more than 10% compared to the end of 2009, although a significant part of this is explained by exchange-rate changes that affected the Swiss franc-based loan portfolio. The volume of newly placed loans grew considerably in the second half of the year – a trend that we would like to strengthen further in 2011. The Bank's market share in respect of retail loans was 7.03% at the end of 2010.

Besides the above trends, 2010 was characterised by considerable exchange-rate volatility. The weakening of the forint against the Swiss franc further increased the burden on households that have loans in foreign currencies, which gave many customers problems in fulfilling their contractual obligations. For this reason the Bank placed considerable emphasis on protecting the existing portfolio, with the main focus being on rescheduling the loans of customers in difficultly, in order to ensure that they remained capable of meeting regular payment commitments.

In the retail savings market the year 2010 saw significant restructuring in customers' savings portfolios, with the number of customers holding their money in fixed deposits falling considerably, and with it, the overall volume of such deposits, which was accompanied by a fall in our market share in this area. However, the negative trend associated with the fall in overall deposits was offset by the 21% growth in current account volumes, which reflects the shift in the Bank's focus towards primary customer relationships in respect of both new and existing customers.

In the own-issued bonds market, as a result of our fifteen bond issuances, we increased the total volume of bonds held by retail customers by 84% in 2010. We achieved a similarly impressive result in the distribution of open-end investment funds, where the closing volume represented a 76% increase over the 2009 year-end figure. The overwhelming bulk of the increase in the portfolio came from the sale of the funds of our own fund manager, Raiffeisen Investment Fund Management, but we also included in our product offering the products of external fund managers, which are enjoying increasing popularity, particularly among Premium customers. Issuances by two guaranteed funds also contributed to the outstanding results.

Overall, there was a 7% growth in 2010 in retail liabilities, including bonds and investment funds, with total assets under management amounting to HUF 538 billion as at the end of the year.

Of our various product innovations, we achieved second place in the MasterCard Current Account Product of the Year category with the Raiffeisen Zero Fee Account Package, and in the second half of the year we managed to stop any further loss in customer numbers and began to increase our customer base again. We consider it an outstanding achievement that we managed to raise the proportion of primary customers from 24% to 27%, something that we treated as a key priority throughout the entire year. With this objective in mind we re-launched the Raiffeisen Ráadás ("Encore") Club, which provides unique access to online musical programming, product discounts and leisure-time activities for our loyal and active customers.

In 2010 Raiffeisen Bank created and successfully launched a three-tier customer service model which included the Premium Banking service package between the already existing Retail and Private service levels. We launched the service in 38 branches with the assistance of 50 Premium VIP-customer service representatives. In the first year, the results exceeded our expectations, with customer numbers in excess of 8,000. The majority of these resulted from internal re-classification, but the number of newly acquired customers is also growing.

1.4. Municipalities

The Bank's Municipality division remained successful despite significant political changes that had a major impact on the sector. The division's loan portfolio grew further during the course of the year, by approximately HUF 40 billion (thanks in part to the weakening of the forint), which meant that by the end of 2010 it exceeded HUF 293 billion. At the end of the year we were managing the accounts of 157 municipality customers.

The division was the first in Hungary to receive a EUR 25 million credit line in 2009 from the European Bank for Reconstruction and Development (EBRD), the first instalment of which was drawn down last year. Simultaneously, several energy efficiency projects were launched with financing from EBRD funds. Last year the division conducted negotiations with the European Investment Bank, as a result of which we entered into a refinancing framework contract for another EUR 40 million (EIB Global Loan IV-B).

In order to mitigate the impact of the financial crisis on municipalities, starting from 2010 our Bank's Municipality division gave priority to financing the revenue generating and the operating cost cutting investments of the sector. We provided financing, besides energy-efficiency projects, for the implementation of municipality-related projects (hotels, restaurants, sports facilities, underground garages), which improved the financial position of our customer base (tax revenues, dividends) while also giving a boost to the standard of living of the inhabitants of the region (more services, jobs creation). In 2010 the division remained committed to financing the implementation of the sewage and waste management utility projects that are being realised with the help of EU subsidies (the cost of the projects, which are currently in the preparatory phase, will exceed HUF 70 billion), and the borrowing requirement of which will need to be met starting from 2011.

Besides the above, the growth in our condominium lending and account-management activities continued. By the end of the year, the asset portfolio of the condominium customer segment had grown by close to HUF 2 billion, to HUF 20.5 billion, while the number of account-keeping customers had increased to 2,425.

1.5. Private Banking customers

Friedrich Wilhelm Raiffeisen Private Banking had a successful year in 2010 in every respect. Our costs were lower than expected, and our revenues returned to pre-crisis levels. Even more importantly, we provided a line of protection to our customers based on lessons learnt from the crisis, and we returned to the fruitful, mutual trust-based cooperation that has always represented the strength of our service. Accordingly, the total volume of assets under our management remained at HUF 250 billion, while average customer assets increased to HUF 55 million.

The increasing importance to clients of a personal, unique and proactive approach to customer service has opened up new vistas for us in terms of achieving the "natural" objectives of our business. Our parent company in Vienna has afforded priority to the strategic development of Private Banking, as a result of which we will have the latest IT systems and training available to us in our everyday work. By regularly raising the minimum account-opening limit required for private banking, not only is our three-level approach to private customer service (Retail, Premium and Private) set to become an organically integrated modular system in which each level naturally builds on the one below, but our existing and potential customers are sure to find the type of service that most closely matches their needs and opportunities – and this represents a conceptual step forward for us.

All these achievements and efforts strengthen our resolve to become one of the chief depositaries of self-reliance, which is becoming an increasingly important concept in Hungarian society – through customer relationships that are based on mutual trust and satisfaction, and through our balanced and reliable portfolio-management practices.

1.6. Financial institutions

Since it was established, the Financial Institutions Department has consistently, for three consecutive years now, contributed to the Bank's results at a pace in excess of financial targets – with revenue growth of 30% in 2010, similar to that achieved in 2009.

Revenues from domestic financial-institution customers increased continuously, and were generated primarily by fund managers using the growing range of services offered by the Bank's Liquidity Management Department. Insurance customers generated a safely projectable and reliable stream of revenues and profits again in 2010, while the performance of investment service providers and pension funds, after an upswing at the start of the year, stagnated and even declined in the second half of the year as a result of government measures.

The cooperation with our foreign financial-institution partners resulted in a marked increase in revenue in the area of payment services, where the automation and monitoring developments launched in 2010 give further reason for optimism in terms of future profitability.

In addition to the management of financial-institution customers, the Department also fulfils a product management function with respect to the Bank's Custody product, is responsible for selecting the Bank's financial and investment service partners, and provides assistance with negotiations and contract conclusion in relation to the Bank's financing requirements. The division was successful in the above-mentioned areas as well; cost reductions and revenue increases were realised in respect of the payment and investment services used by the Bank, and in 2010 the Custody product received a "Top Rated" award in the traditional annual assessment conducted by Global Custodian Magazine, an award that is extremely important in the industry.

Raiffeisen Bank International at a glance

Raiffeisen Bank Zrt. is a subsidiary of Raiffeisen Bank International AG (RBI), a leading universal bank in Central and Eastern Europe (CEE) and one of the foremost providers of corporate and investment banking services in Austria. RBI originated from the merger of the spun-off business areas of Raiffeisen Zentralbank Österreich AG (RZB) with Raiffeisen International Bank-Holding AG. The transaction was legally completed in October 2010. RBI is a fully-consolidated subsidiary of RZB, which owns 78.5 percent of the bank's common stock. The remainder is in free float, with the shares listed on the Vienna Stock Exchange.

RBI offers corporate and investment banking for Austrian and international companies, an extensive banking and leasing network in CEE for both corporate and retail customers, as well as corporate and investment banking services in Asia and the world's principal financial centres. The group's subsidiary banks are present in the following Central and Eastern European markets:

• Albania	Raiffeisen Bank Sh.a.
• Belarus	Priorbank, OAO
• Bosnia and Herzegovina	Raiffeisen Bank d.d. Bosna i Hercegovina
• Bulgaria	Raiffeisenbank (Bulgaria) EAD
• Croatia	Raiffeisenbank Austria d.d.
• Czech Republic	Raiffeisenbank a.s.
• Hungary	Raiffeisen Bank Zrt.
• Kosovo	Raiffeisen Bank Kosovo J.S.C.
• Poland	Raiffeisen Bank Polska S.A.
• Romania	Raiffeisen Bank S.A.
• Russia	ZAO Raiffeisenbank
• Serbia	Raiffeisen banka a.d.
• Slovakia	Tatra banka, a.s.
• Slovenia	Raiffeisen Banka d.d.
• Ukraine	VAT Raiffeisen Bank Aval

The parent company of these banks is RBI, whose shareholding in them is at or near to 100 percent in most cases. The Raiffeisen Bank International Group also includes many finance leasing companies (including one each in Kazakhstan and Moldova) and a number of other financial service providers.

In Western Europe and the USA, RBI operates a branch in London and representative offices in Frankfurt, Madrid, Milan, Paris, Stockholm, and New York. A finance company in New York and a subsidiary bank in Malta complement the scope of the bank's presence. In Asia, the Group's second geographical focus, RBI runs branches in Beijing, Xiamen and Singapore, a finance company in Hong Kong, as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai and Seoul. This strong presence clearly underlines the Group's emerging markets strategy.

In addition to its banking operations, RBI runs several specialist companies in CEE that offer solutions in a wide variety of areas, including M&A, equity investment, real estate development, project management and fund management.

The RBI Group's consistent commitment to quality is regularly reflected by a broad range of local and international awards, including by such leading finance industry publications as "The Banker", "Euromoney" and "Global Finance".

RZB and the Austrian Raiffeisen Banking Group

RBI is a subsidiary of Vienna-based RZB. Founded in 1927, RZB is the steering holding of the entire RZB Group and the central institution of the Austrian Raiffeisen Banking Group (RBG), the country's largest banking group.

RBG represents approximately a quarter of all banking business in Austria and comprises the country's largest banking network, with 527 independent banks and 1,684 branches (year-end 2010). As of year-end 2010, RBG's consolidated balance-sheet total amounted to EUR 255 billion. RBG's three-tiered structure consists of Raiffeisenbanks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. Raiffeisenbanks are private cooperative credit institutions, operating as general service retail banks. Each province's Raiffeisenbanks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 percent of RZB's ordinary shares. The cooperative idea on which the Raiffeisen organisation is based reflects the principles and work of the German social reformer Friedrich Wilhelm Raiffeisen (1818-1888).

www.rbinternational.com
www.rzb.at

Vision

Raiffeisen Bank is one of the three largest universal financial service providers in Hungary, with a share of at least 10 percent in each market segment.

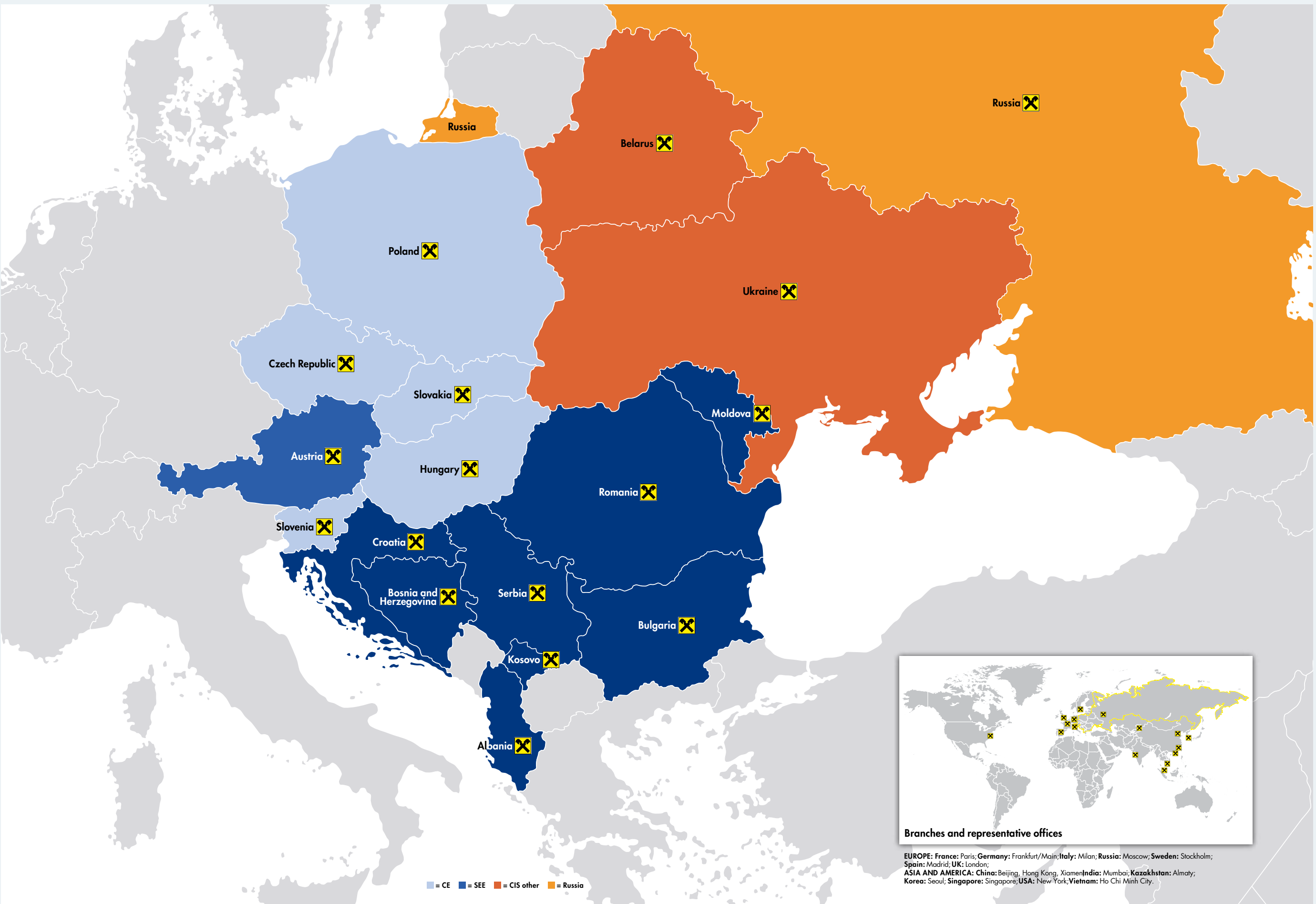
Mission

To provide the highest quality services to our customers.

To achieve a consistently outstanding return on equity.

To formulate ethical guidelines for our employees and offer them opportunities for professional development, and to preserve our excellent corporate culture and atmosphere.

As a member of Raiffeisen International, to contribute to achieving the objectives of the Group.



Raiffeisen-Glossary

Gable Cross

The international Raiffeisen logo is the Gable Cross. It consists of two stylized crossed horses' heads and can be traced back hundreds of years to European folk traditions. It is a symbol of defence against evil and life's dangers and can still be found on rural houses in Central Europe. According to their founder's objectives, Raiffeisen's members have safeguarded themselves against economic hazards by uniting within the cooperative and therefore chose the Gable Cross as an emblem of protection under a shared roof. The logo has developed into an internationally well-known and very positively associated trademark and is in use around the world.

Raiffeisen Banking Group

The Raiffeisen Banking Group (RBG) is Austria's largest banking group by total assets. As per year-end 2010, RBG's consolidated balance-sheet total amounted to more than EUR 255 billion. It represents about a quarter of all domestic banking business and comprises the country's largest banking network with more than 2,200 business outlets and 23,000 employees. RBG consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. RZB also acts as the "link" between the international operations of its group and RBG. Raiffeisen Banks are private cooperative credit institutions, operating as general service retail banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 percent of RZB's ordinary shares.

The Raiffeisen Banks go back to an initiative of the German social reformer Friedrich Wilhelm Raiffeisen (1818 – 1888), who, by founding the first cooperative banking association in 1862, has laid the cornerstone of the global organization of Raiffeisen cooperative societies. Only 10 years after the foundation of the first Austrian Raiffeisen banking cooperative in 1886, already 600 savings and loan banks were operating according to the Raiffeisen system throughout the country. According to Raiffeisen's fundamental principle of self-help, the promotion of their members' interests is a key objective of their business policies.

Raiffeisen Bank International

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market and core region. In CEE, RBI operates as a universal bank through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 countries. In Austria, RBI is one of the leading commercial and investment banks. It is also present in the world's financial centers and has branches and representative offices in Asia. As of year-end 2010, some 60,000 employees served around 14 million customers in about 3,000 business outlets. The group's total assets amounted to EUR 131.2 billion.

RBI resulted from the merger of Raiffeisen International Bank-Holding AG (RI) with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB) in autumn 2010. By securing its good access to retail and corporate customers and merging the product ranges of RI and RZB, RBI has strategically realigned itself as a universal banking group in its core CEE region. Up-to-date risk management and substantially improved access to the capital market and all of its products ensure that the bank is well-equipped for future growth and to meet future challenges.

RBI shares, which are included in the ATX, the DJ Euro Stoxx Banks and other major indices, are traded on the Vienna Stock Exchange. Approximately 21.5 percent of the shares are held by international investors, mainly in the UK and the USA, as well as by Austrian private investors. The remaining shares (approximately 78.5 percent) are held indirectly by RZB. With its long-term "A" (S&P, Fitch) and "A1" (Moody's) ratings, RBI is also a regular issuer of debt securities.

RZB

Founded in 1927, Raiffeisen Zentralbank Österreich AG (RZB) is the central institution of the Austrian Raiffeisen Banking Group (RBG) and acts as group centre for the entire RZB Group, including RBI. RZB functions as the key link between the Austrian Raiffeisen Banking Group and RBI, with its banking network in Central and Eastern Europe (CEE) and numerous other international operations.

RZB Group

The group owned and steered by RZB. Raiffeisen Bank International is the Group's largest unit.

KPMG Hungária Kft.
Váci út 99.
H-1139 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Independent Auditors' Report

To the shareholder of Raiffeisen Bank Zrt.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Bank Zrt. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of (or 'present fairly, in all material respects,') the consolidated financial position of Raiffeisen Bank Zrt. as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Budapest, 20 April 2011

KPMG Hungária Kft.

Robert Stöllinger
Partner

KPMG Hungária Kft., a Hungarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Company registration: Budapest, Fővárosi Bíróság, no: 01-09-063183

Consolidated income statement

(HUF million)	Note	2010	2009 Restated
Interest and similar income	(5)	**152,590**	**192,798**
- cash and cash equivalents		2,583	4,492
- on placements with banks		703	13,158
- on loans to non-banks		124,692	148,114
- on securities		21,597	22,919
- from leases		3,015	4,115
Interest expenses and similar charges	(6)	**82,110**	**131,638**
- on borrowings from banks		17,678	26,184
- on deposits from non-banks		53,864	99,584
- on debt securities issued		9,080	3,791
- on subordinated liabilities		1,488	2,079
Net interest income		**70,480**	**61,160**
Fee and commission income		29,702	29,225
Fee and commission expense		8,823	8,311
Net fee and commission income	(7)	**20,879**	**20,914**
Dividend income		27	43
Net trading income	(8)	11,314	14,838
Net income from derivatives held for risk management		25,007	36,518
Other operating income	(9)	8,258	16,407
Operating income		**44,606**	**67,806**
Impairment losses	(10)	**57,618**	**73,137**
Salaries and staff benefits	(11)	31,595	27,563
Rental expenses		7,792	8,237
Equipment expenses		6,335	6,555
Other operating expenses	(9)	39,717	40,257
Operating expenses		**85,439**	**82,612**
Profit/(loss) before tax		**(7,092)**	**(5,869)**
Income tax expense	(12)	146	1,656
Deferred tax	(12)	(1,637)	(3,598)
Profit/(loss) for the period		**(5,601)**	**(3,927)**
Attributable to:			
Equity holders of the parent		(1,487)	1,571
Non controlling interest		(4,114)	(5,498)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(HUF million)	2010	2009 Restated
Profit / (loss) for the period	**(5,601)**	**(3,927)**
Other comprehensive income/(loss)		
Net change in fair value of available-for-sale financial assets	(3,591)	(2,768)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	0	0
Income tax on other comprehensive income/(loss)	**642**	**519**
Other comprehensive income/(loss) for the period, net of income tax	**(2,949)**	**(2,249)**
Total comprehensive income/(loss) for the period	**(8,550)**	**(6,176)**
Total comprehensive income/(loss) attributable to:		
Equity holders of the Bank	(4,436)	(678)
Non-controlling interest	(4,114)	(5,498)
Total comprehensive income/(loss) for the period	**(8,550)**	**(6,176)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated balance sheet

(HUF million)	Note	2010	2009 Restated
Assets			
Cash and cash equivalents	(13)	59,149	120,668
Placements with banks	(14)	82,575	35,717
Net loans	(15)	1,614,820	1,584,009
Financial assets at fair value through profit or loss	(16)	65,397	89,005
Available for sale securities	(17)	296,953	239,536
Held to maturity securities	(17)	143,989	150,923
Investments in associated undertakings		48	634
Investments in unlisted securities		108	39
Property, plant and equipment	(19)	19,555	34,052
Investment property	(19)	1,252	45,628
Intangible assets	(20)	14,332	13,866
Goodwill	(21)	1,672	1,889
Current tax assets		1,827	2,048
Deferred tax assets	(35)	3,069	837
Other assets	(23)	48,211	39,121
Assets classified as held for sale	(31)	14,951	11,899
Total assets		**2,367,908**	**2,369,871**
Liabilities and equity			
Deposits from banks	(25)	530,406	662,743
Deposits from non-banks	(26)	1,323,697	1,308,278
Debt securities issued	(27)	146,307	84,660
Subordinated liabilities	(28)	53,617	52,106
Financial liabilities at fair value through profit or loss	(24)	84,308	64,410
Current tax liabilities		0	3
Deferred tax liabilities	(35)	181	176
Provisions	(30)	8,878	5,479
Other liabilities	(29)	68,828	46,673
Liabilities classified as held for sale	(31)	170	40
Total liabilities		**2,216,392**	**2,224,568**
Equity attributable to equity holders of the parent		**151,264**	**116,232**
Ordinary shares		59,099	45,129
Share capital	**(32)**	**59,099**	**45,129**
Retained earnings		77,964	44,398
Statutory reserves	(33)	18,864	28,419
Non-distributable reserve		500	500
Fair value reserve		(5,163)	(2,214)
Non controlling interest		**252**	**29,071**
Total equity		**151,516**	**145,303**
Total liabilities, non controlling interest and shareholder's equity		**2,367,908**	**2,369,871**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(HUF million)	Ordinary shares	Share capital	General risk reserve	General / Capital reserve	Non-distributable reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Note	(32)		(33)	(33)							
Balance 1 January 2009	**45,129**	**45,129**	**21,337**	**16,094**	**500**	**35**	**37,966**	**72,377**	**155,472**	**1,076**	**156,548**
Total comprehensive income/(loss) for the period											
Profit or loss	0	**0**	0	0	0	0	**0**	1,571	**1,571**	(5,498)	**(3,927)**
Other comprehensive income/(loss)											
Net change in fair value of available-for-sale financial assets, net of tax	0	**0**	0	0	0	(2,249)	**(2,249)**	0	**(2,249)**	0	**(2,249)**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**(2,249)**	**(2,249)**	**0**	**(2,249)**	**0**	**(2,249)**
Total comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**(2,249)**	**(2,249)**	**1,571**	**(678)**	**(5,498)**	**(6,176)**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Issue of share capital and share premium	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Conversion of preference shares	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Dividends paid	0	**0**	0	0	0	0	**0**	(11,786)	**(11,786)**	0	**(11,786)**
Transfer to reserves, net of tax	0	**0**	(9,409)	431	0	0	**(8,978)**	8,978	**0**	0	**0**
Non-distributable reserve	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total contributions by and distributions to owners	**0**	**0**	**(9,409)**	**431**	**0**	**0**	**(8,978)**	**(2,808)**	**(11,786)**	**0**	**(11,786)**
Changes in ownership interests	0	**0**	0	(34)	0	0	**(34)**	(26,742)	**(26,776)**	30,709	**3,933**
Change in non-controlling interest during the period	0	**0**	0	0	0	0	**0**	0	**0**	2,784	**2,784**
Non controlling interest arising on acquisition	0	**0**	0	0	0	0	**0**	0	**0**	2,784	**2,784**
Decrease in non controlling interest during the period	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total changes in ownership interests	**0**	**0**	**0**	**(34)**	**0**	**0**	**(34)**	**(26,742)**	**(26,776)**	**33,493**	**6,717**
Total transactions with owners, recorded directly in equity	**0**	**0**	**(9,409)**	**397**	**0**	**0**	**(9,012)**	**(29,550)**	**(38,562)**	**33,493**	**(5,069)**
Restated balance 31 December 2009	**45,129**	**45,129**	**11,928**	**16,491**	**500**	**(2,214)**	**26,705**	**44,398**	**116,232**	**29,071**	**145,303**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(HUF million)	Ordinary shares	Share capital	General risk reserve	General / Capital reserve	Non-distributable reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Note	(32)		(33)	(33)							
Balance 1 January 2010	**45,129**	**45,129**	**11,928**	**16,491**	**500**	**(2,214)**	**26,705**	**44,398**	**116,232**	**29,071**	**145,303**
Total comprehensive income/(loss) for the period											
Profit or loss	0	**0**	0	0	0	0	**0**	(1,487)	**(1,487)**	(4,114)	**(5,601)**
Other comprehensive income/(loss)											
Net change in fair value of available-for-sale financial assets, net of tax	0	**0**	0	0	0	(2,949)	**(2,949)**	0	**(2,949)**	0	**(2,949)**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**(2,949)**	**(2,949)**	**0**	**(2,949)**	**0**	**(2,949)**
Total comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**(2,949)**	**(2,949)**	**(1,487)**	**(4,436)**	**(4,114)**	**(8,550)**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Issue of share capital and share premium	13,970	**13,970**	0	0	0	0	**0**	0	**13,970**	0	**13,970**
Conversion of preference shares	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Dividends paid	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Transfer to reserves, net of tax	0	**0**	1,245	(10,800)	0	0	**(9,555)**	9,555	**0**	0	**0**
Non-distributable reserve	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total contributions by and distributions to owners	**13,970**	**13,970**	**1,245**	**(10,800)**	**0**	**0**	**(9,555)**	**9,555**	**13,970**	**0**	**13,970**
Changes in ownership interests	0	**0**	0	0	0	0	**0**	25,498	**25,498**	(30,085)	**(4,587)**
Change in non-controlling interest during the period	0	**0**	0	0	0	0	**0**	0	**0**	**5,380**	**5,380**
Non controlling interest arising on acquisition	0	**0**	0	0	0	0	**0**	0	**0**	5,380	**5,380**
Decrease in non controlling interest during the period	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total changes in ownership interests	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**25,498**	**25,498**	**(24,705)**	**793**
Total transactions with owners, recorded directly in equity	**13,970**	**13,970**	**1,245**	**(10,800)**	**0**	**0**	**(9,555)**	**35,053**	**39,468**	**(24,705)**	**14,763**
Restated balance 31 December 2010	**59,099**	**59,099**	**13,173**	**5,691**	**500**	**(5,163)**	**14,201**	**77,964**	**151,264**	**252**	**151,516**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(HUF million)	Note	2010	2009 Restated
Profit/(loss) for the period		**(5.601)**	**(3.927)**
Cash flows from operating activites			
Adjustments for:			
Depreciation and amortisation	(19, 20)	7,917	16,841
Net impairment loss on non-financial assets	(15)	357	351
Net impairment losses and write-offs on financial assets	(15)	37,202	58,095
Net interest income	(5)	(70,481)	(61,160)
Disposal of assets		54	26
Other		(465)	22
Income tax expense	(12)	(1,491)	(1,942)
		(26,907)	**12,233**
Change in placements with banks	(14)	(46,858)	(13,072)
Change in loans and advances to customers	(15)	(68,014)	213,537
Change in derivative financial instruments	(16)	38,998	(18,365)
Change in AFS securities (without revaluation)	(17)	(60,365)	(96,886)
Change in other assets and asset held for sale	(23, 31)	(12,497)	1,091
Change in deposits from banks	(25)	(132,337)	18,576
Change in deposits from non-banks	(26)	15,419	(202,366)
Change in other liabilities, provisions and liabilities held for sale	(29, 30, 31)	25,683	11,859
		(239,971)	**(85,626)**
Interest and dividends received		152,618	192,840
Interest paid		(82,109)	(131,637)
Income tax paid		(517)	(1,558)
Net cash from / (used in) operating activities		**(202.487)**	**(17.675)**
Cash flows from investing activities			
Purchase of securities	(17)	(39,751)	(35,071)
Disposals of securities	(17)	51,193	82,844
Purchase of investment in associates		0	0
Disposal of investment in associates		585	26
Purchase of equity investments		(69)	(1)
Disposal of equity investments		0	0
Purchase of property, plant and equipment	(19)	(2,016)	(59,583)
Disposals of property, plant and equipment	(19)	56,736	1,320
Purchase of intangible assets	(20, 21)	(4,311)	(4,919)
Disposals of intangible assets	(20, 21)	244	2,883
Net cash used in investing activities		**62.611**	**(12.501)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(HUF million)	Note	2010	2009 Restated
Cash flows from financing activities			
Increase in issued debt securities	(27)	95,637	49,850
Repayment of debt securities	(27)	(33,991)	0
Increase in subordinated liabilities	(28)	1,511	6,289
Issuance of new shares and proceeds from share premium	(32)	11,644	4,178
Dividend paid		0	(11,786)
Net cash from financing activites		**74,801**	**48,531**
Net increase/decrease of cash and cash equivalents		**(65,075)**	**18,355**
Cash and cash equivalents at 1 January		**120,668**	**102,377**
Net effect of exhange rate		3,556	(64)
Cash and cash equivalents at December 31		**59,149**	**120,668**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(1) General information

Raiffeisen Bank Zrt. („the Bank") commenced its operations in 1987 as a commercial bank domiciled in Hungary. The Bank's registered office is 1054 Budapest, Akadémia Street 6.

The Bank holds a full commercial banking license issued by the Hungarian Financial Supervisory Authority and carries on a wide range of financial activities. The consolidated financial statements of the Bank as at and for the year ended 31 December 2010 comprise the Bank and its subsidiaries (together referred to as the "Group"). For further information on consolidated subsidiaries please see Note 40).

The Bank is controlled by Raiffeisen-RBHU Holding GmbH. The ultimate parent of the Group is Raiffeisen-Landesbanken-Holding GmbH.

(2) Basis of presentation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRSs').

IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

These financial statements were authorized for issue by the Board of Directors on 20 April 2011.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale assets are measured at fair value;
- assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged;
- other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 37.

c) Functional and presentation currency

These consolidated financial statements are presented in Hungarian Forints, which is the Bank's functional currency. Except as indicated, financial information is presented in Hungarian Forints rounded to the nearest million.

d) Changes in accounting policies

Starting as of 1 January 2010, the Group has changed its accounting policies in the following areas:

The Group **applies revised IFRS 3 Business Combinations (2008**) which introduced the following changes. The definition of a business has been broadened. Contingent consideration is measured at fair value, with subsequent changes therein recognised in profit or loss. Transaction costs, other than share and debt issue costs, are expensed as incurred. Any pre-existing interest in the acquiree is measured at fair value with the gain or loss recognised in profit or loss. Any non-controlling (minority) interest is measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
Revised IFRS 3 became mandatory for the Group's 2010 consolidated financial statements, and is applied prospectively.

Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss.
The Group adopted the amendments to IAS 27 since 1 January, 2010, thus accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, is recognised as an equity transaction.

e) Restatement

In the prior period the recognized amount of non controlling interests contained material error. Effects of transactions after the acquisition of the majority of investment units of Raiffeisen Ingatlan Alap have not been recognized in the non-controlling interests.
The figures of required modifications in 2009 are shown in the table below:

	2009 audited	*2009 restated*	*Difference*
Equity attributable to equity holders of the parent	***138,298***	***116,232***	***(22,066)***
Retained earnings	*66,464*	*44,398*	*(22,066)*
Non controlling interest	***7,005***	***29,071***	***22,066***

The correction of the material prior period error is made by restating the comparative amounts for the prior period in which the error occurred.

(3) Significant accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by the Group in preparing and presenting financial statements. The accounting policies set out below have been consistently applied to all the periods presented, and by Group entities.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 2 e).

a) Financial statement presentation

These consolidated financial statements include the accounts of the Bank and its subsidiaries and associates ("the Group"). The income, expenses, assets and liabilities of the subsidiaries are included in the respective line items in the consolidated financial statements, after eliminating inter-company balances and transactions.

b) Basis of consolidation

I. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls the entity. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange, together with costs directly attributable to that acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the business acquired, the difference is recognised immediately in the income statement, after reassessing the identification and measurement of the assets acquired.

II. Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the execution of a specific borrowing or lending transaction. The financial statements of special purpose entities are included in the Group's consolidated financial statements if, based on an evaluation of the substance of their relationship with the Group and the entity's risks and rewards, the Group concludes that it controls the entity.

III. Funds management

The Group manages and administers assets held in investment funds on behalf of investors. The financial statements of these investment funds are not included in these consolidated financial statements, except when the Group controls the investment funds. Information about the Group's funds management activities is set out in Note 41.

IV. Transactions eliminated on consolidation

Intra-group balances, and any realized and unrealized income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

V. Loss of control

The Group has lost control over the net assets of Raiffeisen Ingatlan Alap (RIA) during 2010. According to IFRS 3.B1 Raiffeisen Ingatlan Alap (RIA) and Raiffeisen Bank Hungary are controlled by the same party, thus it can be considered as a part of a business combination involving entities under common control.
The Group applies consistently the book value accounting method to all similar common control transactions when recognising the assets aquired and liabilities assumed in the consolidated financial statements. In applying book value accounting method, the result of the common control transactions is recognised in equity.

c) Investments in associates

Associates are entities over which the Group has significant influence, but which it does not control, generally evidenced by a shareholding of between 20% and 50% of the voting rights.

Associates are accounted for under the equity method of accounting except when the investment is acquired and held exclusively with a view to its disposal in the near future, in which case it is accounted for under the cost method.
Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the Group’s share of the profits or losses of the investee after the date of acquisition.

The consolidated statement of comprehensive income reflects these changes in the results but the post-acquisition changes in the associate’s reserves are recognized directly in the Group’s consolidated statement of changes in equity. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits on transactions between the Bank and its associates are eliminated to the extent of the Bank’s interest in the respective associates. Losses are also eliminated to the extent of the Bank’s interest in the associates unless the transaction provides evidence of an impairment of the asset transferred.
A list of the Group’s significant associated companies is set out in Note 40.

d) Foreign currency transactions

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (’the functional currency’).

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

e) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for the supply of services or for administration purposes.

I. Goodwill

Goodwill arises on business combinations, including the acquisition of subsidiaries, and on the acquisition of interests in associates, when the cost of acquisition exceeds the fair value of Group's share of the identifiable assets, liabilities and contingent liabilities acquired. If Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of an acquired business is greater than the cost of acquisition, the excess is recognised immediately in the income statement.

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of goodwill is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the goodwill's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of goodwill exceeds its recoverable amount. Impairment losses recognized for goodwill are charged to profit or loss and are not reversed in a subsequent period.

Goodwill on acquisitions of interests in associates is included in 'Investments in associates'.

II. Intangible assets other than goodwill

Intangible assets that have a finite useful life are measured initially at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Other intangible assets are amortised using the straight-line method over their estimated useful life not exceeding 5 years from the date when the asset is available for use. The amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5, and the date that the asset is derecognized. Amortisation methods and useful lives are reviewed at each financial yearend and adjusted if appropriate.

Personnel expenses incurred during establishing intellectual property are capitalised. Subsequent other expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

f) Property, plant and equipment

I. Owner occupied property

Items of property, plant and equipment, including leasehold improvements, are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost of maintenance and repairs are recognised in profit or loss as incurred. Major improvements of an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

Depreciation is allocated over the estimated useful life of the asset using the straight-line method and is included in "Other operating expenses" line in the consolidated income statement.

The estimated useful lives of individual categories of assets are as follows:

Properties (Freehold)	50 years
Properties (Leasehold)	17 years
Equipment	3 to 7 years

Freehold land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Items of property, plant and equipment are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "Other operating income" in profit or loss.

II. Investment property

Investment property is property held (by the owner or by a lessee under financial lease) to earn rentals or for capital appreciation or both. The Group applies cost model as valuation method for investment property. The Group uses straight line depreciation, and the useful lives of the properties are 20 years. Fair value of investment properties are determined by independent expert and are reviewed quarterly. The fair value is supported by market evidence. (See Note 19).

g) Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the balance sheet.

h) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair value is determined for measurement and / or disclosure purposes based on the following methods.

All financial instruments are recognised initially at fair value plus any directly attributable transaction costs (except for financial instruments at fair value through profit or loss where transaction costs are taken directly to profit or loss). In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are measured at fair value based on bid prices for assets held and ask prices for liabilities issued. When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For financial instruments, fair value may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. Determination of fair value is more detailed in Note 38.

i) Recognition of financial instruments

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

j) Placements with banks and Loans and advances to customers

Placements with banks and Loans and advances to customers include loans and advances with fixed or determinable payments which were originated by the Group, or result for providing money or services to a debtor other than those created with the intention of short-term profit making and which are not classified either as held for trading or designated at fair value through profit or loss.

Loans and advances are recognised when cash is advanced to borrowers (settlement date). They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. Loans and advances are initially measured at fair value plus any incremental direct transaction costs, and are subsequently measured at their amortized cost using effective interest method, less impairment losses.

k) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those that the Group principally holds for the purpose of short-term profit making (held for trading). These include securities and derivative contracts.

These assets and liabilities are initially recognised and subsequently measured at fair value in the consolidated statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of “Net trading income” in profit or loss.

l) Investments in securities

Investments in securities include held-to-maturity and available-for-sale securities.

I. Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. This category mainly include government bonds.

Held-to-maturity securities are initially recognised at fair value plus any directly attributable transaction costs and subsequently carried at amortised cost on the statement of financial position, less any impairment losses. Premiums are amortised and discounts are accumulated against net profit using the effective interest method.

II. Available-for-sale securities

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These financial assets are mainly corporate and other bonds, units in investment funds, government bonds and treasury bills.

Available-for-sale securities are recognised on trade date, when the Group enters into contractual arrangements with counterparties to purchase securities, and are normally derecognised when either the securities are sold or the borrowers repay their obligations.

Available-for-sale securities are initially measured at fair value plus direct transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the fair value reserve until the securities are either sold or impaired. When available-for-sale securities are sold, cumulative gains or losses in other comprehensive income are transferred to profit or loss.

m) Derivatives

Derivative financial instruments include forward foreign exchange contracts, interest rate swaps, forward rate agreements, futures and options (both written and purchased). Derivatives are recognised initially, and are subsequently measured at fair value.

Derivative contracts are entered into with the purpose of trading, or held for risk management purposes in order to hedge interest rate and foreign exchange risk. In addition the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate and equity market risks. The instruments used include interest rate swaps, cross-currency interest rate swaps, forward contracts, and options.

Trading derivatives are part of the Group’s trading position and the change in their fair value is included in net trading income.

The Group holds instruments that contain both a liability and equity components and these instruments have multiple embedded derivatives whose values are interdependent. These instruments are the following: structured deposits, structured swaps, structured forwards and structured debt securities. Embedded derivatives are separated when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivative meet the definition of a stand-alone derivative, if they were contained in a separate contract; and the combined contract is not measured at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the consolidated income statement.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

The method of recognising fair value gains and losses does not depend on whether derivatives are held for trading or held for risk management purposes. All gains and losses from changes in the fair value of derivatives are recognised in profit or loss.

n) Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group.

I. Impairment of Placements with banks and Loans and advances to customers

Impairment allowances are calculated on individual loans and assessed collectively on groups of loans. Losses expected from future events are not recognised.

Individually assessed loans and advances

For all loans that are considered individually significant, the Group assesses on a case-by-case basis at each balance sheet date whether there is any objective evidence that a loan is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired assets continues to be recognised through the unwinding of discount.

Collectively assessed loans and advances

The Group uses not only individually but also portfolio based loan loss provision for impairment. Impairment that cannot be identified on an individual loan basis may still be identifiable on a portfolio basis. Hence, all accounts without objectively significant evidence of loss are included in a group of similar financial assets for the collective assessment. Loss provisions are based on previous loss experience for assets with similar credit risk characteristics (product, asset type, customer type, collateral type, sales channel type, past-due status, etc.) with consideration of the current portfolio performance. Accounts that are individually assessed for impairment and identified as impaired are excluded from a portfolio assessment of impairment.

Changes in estimates regarding the portfolio-based impairment of loans and advances

The Group has implemented some changes to its portfolio based loan loss provisioning policy as a consequence of the economic slowdown. In case of non-retail portfolio based loan loss provisioning the Bank applies a model determined on group level. At the end of 2010 RBI (Raiffeisen Bank International) harmonized the provisioning model to the entire international bank group, the average of the last five years' default rates is used; in parallel default rates for each sectors are not differenciated; in case of the internal rating categories there is no smoothing; and the loss given default is determined on group level.

The Group has re-estimated the expected recoveries of the retail and SME mortgage portfolios considering the effect of the economic crisis and the unfavourable tendency of the real estate market. Therefore, the recovery rates have been reduced in portfolio based provisioning models. In connection with this, the minimal provision rates used in individual provisioning have increased during the year in the SME segment.

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write back is recognised in the consolidated income statement.

Assets acquired in exchange for loans

The Group has the right to liquidate collateralized real estate where the Group has a registered mortgage, by court enforcement as well as omitting court enforcement, in the scope of sales proceedings carried out under the Group's own right. The real estate may also be subject to constrained sale where the owner of the real estate is a business association under liquidation.

If the Group has a purchase option on real estate, the Group's claim may be enforced. The Group is entitled to buy the real estate at the purchase price determined in the option agreement, and set the purchase price against its claim, or assign a third party to exercise the purchase option, and set the purchase price paid by such third party against its claim.

Assets acquired in exchange for loans and leases at termination of a contract are held at a value established by an external (technical) witness. Until the assets acquired from lease contracts are sold, provision is allocated to the receivables, then the amount of receivables is reduced by the sales revenue of the assets. The provision recognized on loans is affected by the annual loss-rate of the assets sold in current year and on the future prospects of sales.

The provision is disclosed in the balance sheet under inventory, the charge of provisions is accounted for as other expenses, the release of provision is disclosed as other income.

II. Impairment of held-to-maturity securities

Impairment losses on held-to-maturity securities are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

III. Impairment of available-for-sale securities

Investments in available-for-sale securities are considered to be impaired if their carrying amount is greater than the estimated recoverable amount assessed at each balance sheet date on the basis of objective evidence such as significant financial difficulty of the issuer, actual breaches of contracts, high probability of bankruptcy or other financial reorganization of the issuer. Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity instrument is recognised in other comprehensive income.

o) Derecognition of financial assets and liabilities

The Group derecognizes a financial asset, when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transaction.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of the ownership of a financial asset, it derecognizes the asset, if it does not retain control over the asset. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial assets for a fee. The transferred asset is derecognized in its entirety if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more adequate (asset) or is less than adequate (liability) for performing the service.

The Group enters into purchases (sales) of securities under agreements to resell (repurchase) substantially identical securities at a certain date in the future at a fixed price. Securities purchased subject to commitments to resell them at future dates are not recognized as securities. The amounts paid are recognized in other assets and shown as collateralized by the underlying security.

Securities sold under repurchase agreements continue to be recognized in the consolidated statement of financial position and are measured in accordance with the accounting policy for assets held for trading. The proceeds from the sale of the securities are reported as other liabilities.

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest income or expense, respectively.

Repo transactions combine spot purchase or sale of securities with their respective forward sale or purchase, the counterparty being identical. Securities sold under repurchase agreements (spot sale) appear, and are measured, in the consolidated statement of financial position as part of the securities portfolio. The inflow of liquidity from repo transactions is recorded as a liability. The agreed interest payments including payments on purchase are booked as interest paid.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

p) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

q) Finance and operating leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. The Group, as a lessor, recognizes assets held under a finance lease in its consolidated statement of financial position as receivables (under 'Placements with banks' and 'Loans and advances to customers' as appropriate) at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease. Lease payments relating to the accounting period are applied against the gross investment in the lease to reduce both the principal and unearned finance income.
All other leases are classified as operating leases. When acting as lessor, the Group includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the equipment is thereby impaired.

r) Deposits, Debt securities issued and Subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

s) Provisions on contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities, which include certain guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group.

t) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within liabilities.

Further details are set out in Note 29.

u) Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading and kept in a trading book and derivatives designated for risk management purposes are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but not future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset to the carrying amount as reduced by any allowance for impairment.

v) Fee and commission income

Fees and commissions are generally recognized on an accrual basis as end when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction.

w) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

x) Other operating income

Other operating income comprises realised net gains and losses related to available-for-sale securities, gains on disposal of inventory, intangible assets and property, plant and equipment.

y) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

z) Income tax

Income tax for the period comprises current and deferred tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the calculated tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date as well as any adjustments to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity.

Deferred tax relating to fair value re-measurement of available-for-sale investments which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in profit or loss when the deferred fair value gain or loss is recognised in profit or loss.

aa) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

bb) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011):
The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with

- a government that has control, joint control or significant influence over the reporting entity;
- and another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption.

The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.

Revised IAS 24 is not relevant to the Group's financial statements as the Group is not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.

Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011):
The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.

The amendments to IFRIC 14 is not relevant to the Group's financial statements as the Group does not have any defined benefit plans with minimum funding requirements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010):
The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41.

The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010):
The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Group's financial statements as the Group has not issued such instruments at any time in the past.

Additions to IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013, early application is permitted):
The 2010 additions to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.
The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.

The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.

It is expected that the additions to the Standard, when initially applied, will have a significant impact on the financial statements, since they will be required to be retrospectively applied. However, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application. The Group has not yet decided on the date that it will initially apply the new Standard.

The Group does not expect IFRS 9 issued in 2010 to have material impact on the financial statements. The classification and measurement of the Group's financial liabilities are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.

IFRS 9 Financial Instruments (issued in 2009) (effective for annual periods beginning on or after 1 January 2013, earlier application is permitted):
This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.
Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.

The Group does not expect IFRS 9 issued in 2009 to have material impact on the financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.

Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012, earlier application is permitted):
The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery in paragraph 52 of IAS 12 for investment property measured using the fair value model in accordance with IAS 40 by introducing a rebuttable presumption that in these for the assets the manner of recovery will be entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the rebuttable presumption can be rebutted.

The amendments are not relevant to the Group's financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011, earlier application is permitted):
The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.

IFRS 3 Business combinations (effective for annual periods beginning on or after 1 July 2013, earlier application is permitted):
The improvement requires that an acquirer in a business combination shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the voluntary replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in IFRS 2 Share-based Payment at the acquisition date. (This IFRS refers to the result of that method as the 'market-based measure' of the award share-based payment transaction.) Previously requirement to follow the IFRS 2 method only applied in instances where the acquirer had an obligation to replace the acquiree's share-based payments awards with share-based payments awards of the acquirer.

(4) Financial risk management

a) Introduction and overview

The Group's policies for managing interest rate, foreign exchange, credit and liquidity risks are reviewed regularly by senior management and the Board of Directors.

Risk management is independent from the business areas. Credit risk management of customers with non-standard products and services is done by the Credit Risk Management Department, while credit risk management of customers with standard products is done by the Retail Risk Management Department. Individual credit risk analysis, rating, scoring and monitoring are tasks of the Credit Risk Management Department, while the portfolio based credit risk measurement, market (interest rate, foreign exchange and liquidity) and operational risk analysis is the competence of the Integrated Risk Analysis Department.

The Group has exposure to the following risks from financial instruments:

a) Market risk
b) Credit risk
c) Liquidity risk
d) Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing the risks, and the Group's management of capital.

b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from the Group's lending, trade finance and leasing business, but also from certain off-balance sheet products such as guarantees (other than financial guarantees), and from assets held in the form of debt securities.

Management of credit risk

Lending activity of the Group is determined by the management considering the balance between business and risk aspects, and in compliance with the Hungarian Banking Act, other statutory regulations, and the Credit Policy of the Group. Primarily, the Group grants credits on a cash-flow base which means that loan repayment is secured by the predictable cash flows of the customer's core activity. Occasionally, the collateral value, or the future revenue of projects financed, or the rate of return on a portfolio, or combination of the above mentioned have superior emphasis. Accordingly, credit decisions are based on the requested amount, maturity, product type, financial standing, non-financial features and perspectives of the customer, and on the collateral.

Credit risk consists mainly of default risk that arises from business within retail and corporate customers, banks and sovereign borrowers. Default risk is defined as the risk that a customer will not be able to fulfil contractually agreed financial obligations. Credit risk, however, also arise from migration risk, concentrations of creditors or in credit risks mitigation techniques and country risk.

Credit risk is the most important risk driver in the Group as also indicated by internal and regulatory capital requirements. Thus credit risk is analyzed and monitored both on an individual and on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals and the corresponding tools and processes which have been developed for this purpose.

The internal credit risk controlling system includes different types of monitoring measures which are tightly integrated into the workflow that lead from the customer's initial credit application, to the bank's credit approval, and to the repayment of the loan.

The loss arising from credit risk is accounted for by making individual impairment and portfolio-based impairment. The latter comprise impairment for portfolios of loans with identical risk profiles that may be complied under certain conditions. In the retail division, impairments are built according to product portfolio and past due days.

For credit risk related to loans and advances to customers and banks, impairment is made in the amount of expected loss according to Group-wide standards. Risk of loss is deemed to exist if there is objective evidence that a loan is impaired. Impairment loss should be recognised if the discounted projected repayment amounts and interest payments are below the carrying amount of the loans, taking collaterals into account. Portfolio-based impairments are calculated based on valuation models that estimates expected future cash flows for the loans in the respective loan portfolio based on loss experience history. This is carried out by considering the economic environment.

In 2009 a special portfolio based provisioning method was introduced for the mortgage loan portfolio. Also as an answer for the financial crisis and for the worsening financial situation of the clients, the Group introduced new restructuring solutions, delinquency forecast and early warning system and strengthened the workout and collection processes. Parallel with the changes in the internal credit risk management processes, the organization of the Credit Risk Management Department also changed. Separation of Risk Analyst and Risk Manager roles leads to a more effective workflow.

As a reaction to the current crisis, the Bank carried out stress testing and integrated provisioning, capital requirement and profit after tax forecasting quarterly in 2010. Based on our expectations for the macroeconomic environment, we assess future default rates using statistical models, and calculate their effect on the above quantities. The timeline of the forecast has been expanded to 3 years, we examine the regulatory and economic capital requirements both on standalone and consolidated level in the expected as well as in pessimistic scenarios.

The Group has responded to the financial difficulties of the customers caused by the financial and real economic crisis with restructuring, with the introduction of early warning processes and with focusing on the collection and workout activity.

The Group's exposure to credit risk at the reporting date is shown below:

2009	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government and public sector	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Individually impaired								
Minimal risk	0	0	0	0	0	0	0	0
Excellent credit standing	0	61	0	0	0	0	0	0
Very good credit standing	0	30	2	0	0	0	0	0
Good credit standing	0	2,073	6	0	0	0	0	7
Average credit standing	0	1,218	920	1	0	0	0	0
Acceptable credit standing	0	8,754	110	91	0	0	0	62
Weak credit standing	0	9,357	174	0	0	0	0	47
Very weak credit standing	0	6,672	232	15	0	0	139	926
Doubtful / high default risk	0	46,831	3,035	2,378	0	0	627	7,497
Default	1,097	116,306	29,155	3,277	0	0	181	9,395
Unrated	0	2,116	49,776	177	0	360	0	117
Total gross amount of individually impaired financial assets	**1,097**	**193,418**	**83,410**	**5,939**	**0**	**360**	**947**	**18,051**
Total individually impaired allowance for impairment	878	53,274	17,808	558	0	351	937	2,481
Total carrying amount of individually impaired financial assets	**219**	**140,144**	**65,602**	**5,381**	**0**	**9**	**10**	**15,570**
Collectively impaired								
Minimal risk	0	0	259	0	0	0	0	3,039
Excellent credit standing	0	0	38,360	0	0	0	0	1
Very good credit standing	0	0	60,555	0	0	0	0	14
Good credit standing	0	14,491	42,034	0	0	0	0	405
Average credit standing	0	79,270	47,499	0	0	0	0	57,512
Acceptable credit standing	0	181,877	79,771	0	0	0	0	97,208
Weak credit standing	0	155,699	66,186	0	0	0	0	72,762
Very weak credit standing	0	122,108	59,502	0	0	0	0	21,805
Doubtful / high default risk	0	44,567	117,380	0	0	0	0	6,435
Default	0	145	70,158	0	0	0	0	2,865
Unrated	0	434	4,705	48	0	0	0	1,258
Total gross amount of collectively impaired financial assets	**0**	**598,591**	**586,409**	**48**	**0**	**0**	**0**	**263,304**
Total collectively impaired allowance for impairment	0	4,451	37,755	0	0	0	0	1,423
Total carrying amount of collectively impaired financial assets	**0**	**594,140**	**548,654**	**48**	**0**	**0**	**0**	**261,881**

2009	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government and public sector	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Past due but not impaired								
Minimal risk	0	0	0	0	0	0	0	0
Excellent credit standing	0	0	0	0	0	0	0	0
Very good credit standing	0	43	0	0	0	0	0	0
Good credit standing	0	2	0	0	0	0	0	0
Average credit standing	0	0	0	0	0	0	0	0
Acceptable credit standing	0	0	34	188	0	0	0	0
Weak credit standing	0	5	1	0	0	0	0	0
Very weak credit standing	0	0	68	0	0	0	0	0
Doubtful / high default risk	0	70	218	0	0	0	0	0
Default	0	164	938	0	0	0	0	0
Unrated	0	449	0	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**733**	**1,259**	**188**	**0**	**0**	**0**	**0**
Past due comprises:								
up to 30 days	0	131	229	187	0	0	0	0
31 to 90 days	0	312	118	0	0	0	0	0
91 to 180 days	0	189	143	1	0	0	0	0
181 days to 1 year	0	1	237	0	0	0	0	0
more than 1 year	0	100	532	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**733**	**1,259**	**188**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Minimal risk	0	20	0	0	0	869	168	30
Excellent credit standing	0	92	90	0	0	0	14,812	1,144
Very good credit standing	15,927	7,045	61	0	0	1,088	30,839	62,305
Good credit standing	28	15,074	84	0	0	1,730	2,530	58,307
Average credit standing	0	27,455	282	0	1,157	2,291	1,431	25,250
Acceptable credit standing	7,637	16,239	1,066	59,915	403,367	221	9,120	74,359
Weak credit standing	10,074	10,456	683	797	2,954	370	2,236	22,504
Very weak credit standing	478	9,211	251	22	339	1,889	824	13,502
Doubtful / high default risk	1,354	43,407	10,188	0	0	587	2,036	5,941
Default	0	1,425	5,472	79	0	96	439	1,470
Unrated	0	18,424	0	22	0	12,015	100	6,035
Total carrying amount of neither past due nor impaired financial assets	**35,498**	**148,848**	**18,177**	**60,835**	**407,817**	**21,156**	**64,535**	**270,847**
Includes receivables with renegotiated terms								
Total gross amount	**36,595**	**941,590**	**689,255**	**67,010**	**407,817**	**21,516**	**65,482**	**552,202**
Total allowance for impairment	**878**	**57,725**	**55,563**	**558**	**0**	**351**	**937**	**3,904**
Total carrying amount	**35,717**	**883,865**	**633,692**	**66,452**	**407,817**	**21,165**	**64,545**	**548,298**

2010	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government and public sector	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Individually impaired								
Minimal risk	0	1	5	0	0	0	0	0
Excellent credit standing	0	0	20	0	0	0	0	0
Very good credit standing	0	17	32	0	0	0	0	0
Good credit standing	0	1,397	117	0	0	0	0	0
Average credit standing	0	679	123	2	0	0	181	0
Acceptable credit standing	0	8,448	339	38	0	0	0	151
Weak credit standing	0	6,857	325	0	0	0	1,003	174
Very weak credit standing	0	3,657	1,623	19	0	0	247	150
Doubtful / high default risk	0	29,093	8,525	2,839	0	0	4,151	939
Default	767	159,517	86,688	3,838	0	0	358	5,580
Unrated	0	1,358	5,924	443	0	0	0	132
Total gross amount of individually impaired financial assets	**767**	**211,024**	**103,721**	**7,179**	**0**	**0**	**5,940**	**7,126**
Total individually impaired allowance for impairment	614	74,991	50,890	182	0	0	2,500	2,891
Total carrying amount of individually impaired financial assets	**153**	**136,033**	**52,831**	**6,997**	**0**	**0**	**3,440**	**4,235**
Collectively impaired								
Minimal risk	0	0	17,866	0	0	0	0	0
Excellent credit standing	0	0	64,135	0	0	0	0	1
Very good credit standing	0	0	41,182	0	0	0	0	31
Good credit standing	0	12,694	72,343	0	0	0	0	30,626
Average credit standing	0	39,825	76,675	0	0	0	0	52,797
Acceptable credit standing	0	180,116	65,782	0	10,263	0	0	77,003
Weak credit standing	0	193,097	53,770	0	0	0	0	60,631
Very weak credit standing	0	82,914	63,017	0	0	0	0	22,848
Doubtful / high default risk	0	71,252	79,014	0	0	0	0	4,051
Default	0	10	48,659	0	0	0	0	158
Unrated	0	300	18,698	0	0	0	0	589
Total gross amount of collectively impaired financial assets	**0**	**580,208**	**601,141**	**0**	**10,263**	**0**	**0**	**248,735**
Total collectively impaired allowance for impairment	0	4,722	20,264	0	160	0	0	2,201
Total carrying amount of collectively impaired financial assets	**0**	**575,486**	**580,877**	**0**	**10,103**	**0**	**0**	**246,534**

2010	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government and public sector	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Past due but not impaired								
Minimal risk	0	0	0	0	0	0	0	0
Excellent credit standing	0	0	0	0	0	0	0	0
Very good credit standing	0	79	0	0	0	0	0	0
Good credit standing	0	0	0	0	0	0	0	0
Average credit standing	0	0	0	0	0	0	0	0
Acceptable credit standing	0	74	0	36	0	0	0	0
Weak credit standing	0	0	12	0	0	0	0	0
Very weak credit standing	0	0	52	0	0	0	0	0
Doubtful / high default risk	0	13	0	0	0	0	0	0
Default	0	0	246	0	11,491	0	0	0
Unrated	0	0	49	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**166**	**359**	**36**	**11,491**	**0**	**0**	**0**
Past due comprises:								
up to 30 days	0	87	234	0	11,491	0	0	0
31 to 90 days	0	0	35	0	0	0	0	0
91 to 180 days	0	79	30	36	0	0	0	0
181 days to 1 year	0	0	51	0	0	0	0	0
more than 1 year	0	0	9	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**166**	**359**	**36**	**11,491**	**0**	**0**	**0**
Neither past due nor impaired								
Minimal risk	0	0	0	0	0	0	0	5
Excellent credit standing	0	7,065	37	0	781	2	5,087	71
Very good credit standing	57,763	5,133	130	0	997	164	15,641	15,418
Good credit standing	274	2,617	434	0	20,480	2,478	2,811	16,885
Average credit standing	7,424	23,353	770	0	27,979	144	984	29,323
Acceptable credit standing	15,953	52,001	590	51,917	372,518	25,719	4,923	60,386
Weak credit standing	1,008	22,746	396	1,222	7,482	353	5,663	27,438
Very weak credit standing	0	13,409	532	308	0	4,236	3,393	17,210
Doubtful / high default risk	0	49,177	95	0	0	860	1,667	6,325
Default	0	317	315	0	1,051	121	18	5,309
Unrated	0	20,133	9,338	0	0	554	255	2,774
Total carrying amount of neither past due nor impaired financial assets	**82,422**	**195,951**	**12,637**	**53,447**	**431,288**	**34,631**	**40,442**	**181,144**
Includes receivables with renegotiated terms								
Total gross amount	**83,189**	**987,349**	**717,858**	**60,662**	**453,042**	**34,631**	**46,382**	**437,005**
Total allowance for impairment	**614**	**79,713**	**71,154**	**182**	**160**	**0**	**2,500**	**5,092**
Total carrying amount	**82,575**	**907,636**	**646,704**	**60,480**	**452,882**	**34,631**	**43,882**	**431,913**

Credit rating systems

The risk assessment and scoring of corporate customers, project companies, commodity and trade finance, and municipal customers are based on individual analysis and rating and are accompanied by regular financial monitoring and annual limit renewal. Financing is based on credit limit with only a simplified approval method on transaction level.

For loan products to private individuals, private banking customers, and for part of the small and medium size enterprises automatic scorecard-based risk assessment processes are in place.

Internal rating categories are the followings:
Minimal risk: This grade is reserved for externally top rated corporates (AAA) and for other special cases which are regarded to incorporate minimal risk (for example: government linked companies, externally AAA-rated OECD countries).
Excellent credit standing: For all other customers, this is the best rating that can be achieved. Based on excellent profitability, financial obligations can be fulfilled at any time. The company has a very strong equity base and a healthy financing structure.
Very good credit standing: Based on very strong profitability, the probability that all payments – capital and interest – can be fulfilled also in the long run is very high. The company has a strong equity base and healthy financing structure.
Good credit standing: Based on strong profitability, all financial obligations can be expected to be fulfilled in the medium term. Good equity base and healthy substance.
Average credit standing: Based on strong profitability, no interruptions of principal and interest payments are expected. Reasonable financing structure with satisfactory equity base.
Acceptable credit standing: Based on satisfactory profitability, no interruption of principal and interest payments are expected, however increased sensitivity towards massive deterioration of the economic environment. Limited financing flexibility.
Weak credit standing: The Company shows marginal profitability and has only limited financial flexibility. Substantial deterioration of the economic parameters could negatively affect timely principal and interest payments.
Very weak credit standing: Company with weak profitability and inadequate financing structure. Already minor deterioration of the economic environment can interfere with full and timely fulfillment of financial obligations.
Doubtful/high default risk: Company with very weak profitability and problematic financing structure. Partial loss of principal or interest is expected in work out case.
Default: Default. Financial obligations could not be completely fulfilled in time.
Unrated: unrated exposures in the corporate sector mostly belong to that subsegment of the corporate portfolio which is under Standard approach (permanent partial use: see 1996. CXII Act of Parliament 76/D§), thus do not have internal rating per definition (e.g. housing cooperatives HUF 19.4 billion in 2010 and HUF 17.3 billion in 2009). Unrated exposure in the retail sector are that loans which are provided by subsidiaries (HUF 17.3 billion in 2010 and HUF 54.4 billion in 2009).

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

The Group establishes an allowance for impairment losses on assets carried at amortised cost or classified as available-for-sale that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in

respect of losses that have been incurred but have not been indentified on loans that are considered individually non-significant, as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of the collateral available and the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In such cases the original terms of the contract were changed in order to help the borrower to overcome a financial difficulty.

Write-off policy

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the collateral have been received.

Collateral

It is the Group's policy, when lending, to do so within the customer's capacity to repay, rather than rely excessively on collateral. Depending on the customer's credit standing and the type of product, facilities may be unsecured. Nevertheless, collateral can be an important mitigant of credit risk.

As a general principle, when calculating collateral coverage the Group takes into account collateral which is defined in the Raiffeisen International Group Directive for Collateral Evaluation (Catalogue) that complies with all of the following requirements:

- valid legal title;
- sustainable intrinsic value;
- realizable and willingness to realize;
- little or no correlation between the credit standing of the borrower and the value of the collateral.

The major types of collateral accepted are as follows: mortgages, securities, pledge on machinery, cash, pledge on inventories, commodities, guarantees, and other comfort factors.

Collateral evaluation processes (performed by Credit Risk Management Department Collateral Office Group) are different in several major areas:

- For real estate mortgages, Collateral Office considers the current fair value and the marketability of the real estate.
- Concerning evaluation of pledge on inventories, regular data collection from clients and frequency of physical checks are also taken into consideration when determining the discounts applied.
- Collateral Office also introduced detailed market valuation of pledge on machinery (valuation is prepared by professional in-house leasing experts).
- Commodity collateral financed deals are monitored by experts regularly.

The fair value of collateral held at the reporting date was as follows:

2009	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government and public sector	Guarantees and undrawn credit facilities	Total Collateral
Cash deposit	**4,329**	**35,138**	**12,110**	**2,725**	**18,892**	**73,194**
Debt securities issued by	**6,479**	**8,758**	**3,131**	**40**	**1,024**	**19,432**
Central governments	6,479	1,079	1,026	40	825	**9,449**
Companies	0	348	817	0	170	**1,335**
Others	0	7,331	1,288	0	29	**8,648**
Shares	**0**	**22,003**	**55**	**0**	**27**	**22,085**
Mortgage on	**0**	**219,662**	**445,987**	**3,177**	**41,515**	**710,341**
Residential real estate	0	32,169	414,053	508	4,066	**450,796**
Commercial real estate	0	129,774	19,419	865	30,195	**180,253**
Other	0	57,719	12,515	1,804	7,254	**79,292**
Guarantees from	**0**	**10,421**	**2,760**	**302**	**20,188**	**33,671**
Central governments	0	6,401	2,742	274	6,092	**15,509**
Other banks	0	4,020	18	28	14,096	**18,162**
Other	**0**	**156,925**	**900**	**367**	**20,704**	**178,896**
Total collateral	**10,808**	**452,907**	**464,943**	**6,611**	**102,350**	**1,037,619**

2010	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government and public sector	Guarantees and undrawn credit facilities	Total Collateral
Cash deposit	**9,937**	**33,379**	**10,285**	**24,551**	**16,953**	**95,105**
Debt securities issued by	**7,203**	**40,231**	**1,578**	**0**	**1,305**	**50,317**
Central governments	7,203	1,162	351	0	821	**9,537**
Companies	0	574	517	0	384	**1,475**
Others	0	38,495	710	0	100	**39,305**
Shares	**0**	**21,052**	**43**	**0**	**80**	**21,175**
Mortgage on	**0**	**236,976**	**454,582**	**0**	**31,405**	**722,963**
Residential real estate	0	50,047	429,162	0	3,571	**482,780**
Commercial real estate	0	176,681	21,897	0	27,469	**226,047**
Other	0	10,248	3,523	0	365	**14,136**
Guarantees from	**0**	**14,081**	**2,448**	**0**	**6,484**	**23,013**
Central governments	0	8,268	2,446	0	4,513	**15,227**
Other banks	0	5,813	2	0	1,971	**7,786**
Other	**0**	**138,771**	**1,068**	**0**	**31,436**	**171,275**
Total collateral	**17,140**	**484,490**	**470,004**	**24,551**	**87,663**	**1,083,848**

Assets obtained by the Group by taking possession of collateral held as security, or calling upon other credit enhancements, were as follows:

	2010	2009
Real estate	60	136
Inventories	1,116	961
Total assets obtained	**1,176**	**1,097**

Concentrations by sector

The Group monitors concentrations of credit risk by sector. An analysis of credit risk concentration by sector at the reporting dates is shown below:

2009	Placements with banks	Loans and advances to customers	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Real estate	0	239,909	0	985	1,620	18,072
Domestic trade	0	176,595	0	292	1,592	90,493
Other, mainly service industries	0	117,962	0	1,527	1,794	39,751
Finance	36,595	85,085	40	18,467	56,025	98,771
Central Bank	0	0	64,899	0	0	0
Public administration	0	46,695	341,724	1	72	24,242
Chemicals and pharmaceuticals	0	68,037	1,156	0	939	33,485
Food processing	0	61,478	0	0	179	10,871
Agriculture	0	47,242	0	0	108	9,641
Transportation, communication	0	55,859	0	1	53	33,058
Construction	0	80,450	0	186	226	128,916
Heavy industry	0	56,014	0	0	557	13,481
Light industry	0	25,183	0	0	380	11,470
Energy	0	20,161	0	1	0	17,136
Infrastructure	0	5,867	0	1	0	2,732
Private households	0	611,318	0	55	1,937	20,083
Total exposure	**36,595**	**1,697,855**	**407,819**	**21,516**	**65,482**	**552,202**

2010	Placements with banks	Loans and advances to customers	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Real estate	0	243,324	0	115	3,010	8,857
Domestic trade	0	148,836	0	215	2,739	67,159
Other, mainly service industries	0	200,502	0	590	2,435	33,603
Finance	82,221	102,539	0	33,371	30,847	44,490
Central Bank	968	0	114,869	0	0	0
Public administration	0	56,737	336,946	0	377	20,108
Chemicals and pharmaceuticals	0	71,884	0	1	1,298	32,285
Food processing	0	67,136	0	1	193	8,279
Agriculture	0	41,149	0	0	223	7,661
Transportation, communication	0	53,277	0	6	235	33,979
Construction	0	78,984	0	193	429	122,289
Heavy industry	0	45,025	1,227	1	881	13,170
Light industry	0	21,124	0	0	197	11,746
Energy	0	11,902	0	1	46	16,655
Infrastructure	0	4,253	0	1	0	1,075
Private households	0	619,197	0	136	3,472	15,649
Total exposure	**83,189**	**1,765,869**	**453,042**	**34,631**	**46,382**	**437,005**

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Management of market risk

The objective of market risk management is to control market risk exposures within acceptable parameters, while optimizing the return.

Due to the world-wide economic downturn new market risk management methods were developed by the RBI. A new VaR (Value at Risk) limit system was implemented where separate VaR limits were assigned to the different risk types: interest rate risk of the trading book, interest rate risk of the banking book, equity price risk of the trading book, and Group's FX open position risk. Moreover, during the past two years the audit and control functions became stricter than before. New reports were implemented for market risk related risk types. New Stress Test Analysis assignments were created, that are regularly presented to the Management.

The management of market risk exposure is seperated between trading and non-trading portfolios.

Trading portfolios include positions arising from market-making, proprietary position-taking and other mark-to-market positions designated so. Trading activities include transactions with debt and equity securities, foreign currencies and financial derivative instruments.

Non-trading portfolios (banking book) include positions that arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. The Group's non-trading activities encompass all activities other than accounted for as trading transactions, including lending, accepting deposits, and issuing debt instruments.

Exposure to interest rate risk – trading and banking book

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is measured by the sensitivity analysis of the bank-book net interest income and of the mark-to-market value of the trading book to the volatility of interest rates.

Interest rate exposure is the most significant risk factor in the banking and trading book portfolios. On Group level, strict Basis Point Value limits and Value-at-risk (VaR) limits are defined, which are monitored on daily basis.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Interest-bearing financial instruments	***in HUF millions***
Fixed rate instruments	***As at 31 December 2009***
Financial assets	*334,369*
Financial liabilities	*652,440*
Total fixed rate instruments	***(318,071)***

	As at 31 December 2009	
Variable rate instruments	***Financial assets***	***Financial liabilities***
HUF	*521,024*	*684,501*
CHF	*760,020*	*185,718*
EUR	*560,809*	*552,732*
USD	*32,024*	*33,097*
Other currencies	*7,280*	*6,943*
Total variable rate financial instruments	***1,881,157***	***1,462,991***

Interest-bearing financial instruments	***in HUF millions***
Fixed rate instruments	***As at 31 December 2010***
Financial assets	*386,002*
Financial liabilities	*583,391*
Total fixed rate instruments	***(197,389)***

	As at 31 December 2010	
Variable rate instruments	***Financial assets***	***Financial liabilities***
HUF	*506,609*	*768,215*
CHF	*830,417*	*186,638*
EUR	*564,255*	*568,508*
USD	*19,492*	*52,311*
Other currencies	*6,456*	*5,185*
Total variable rate financial instruments	***1,927,229***	***1,580,857***

In order to ensure interest rate risk exposures are maintained within the approved limits, the Group uses interest rate swaps and other derivative interest rate derivative contracts as primary risk management techniques.

The Group uses derivatives designated in a qualifying hedge relationship to hedge the fair value of fixed interest loans. The Group also has contracts not designated in a qualifying hedge relationship to manage its exposure to interest rate risks. The profit and loss of risk management derivatives is shown in the "Net income from derivatives held for risk management".

Exposure to currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. When calculating exposures to currency risk, the Group takes into account the entire open position.

The Group's financial position in foreign currencies at the reporting dates was as follows:

2009	HUF	CHF	EUR	USD	Other	Total
Cash and cash equivalents	57,145	1,028	43,976	15,921	2,598	**120,668**
Placements with banks	31	16,149	19,081	416	40	**35,717**
Loans and advances to customers	440,707	625,935	476,856	35,469	5,042	**1,584,009**
Financial assets at fair value through profit or loss - except for derivatives	23,523	0	0	0	0	**23,523**
Available for sale securities	108,252	121,222	10,062	0	0	**239,536**
Held to maturity securities	149,768	0	1,155	0	0	**150,923**
Financial assets except for derivatives	**779,426**	**764,334**	**551,130**	**51,806**	**7,680**	**2,154,376**
Deposits from banks	100,787	249,957	307,858	4,075	66	**662,743**
Deposits from non-banks	964,226	10,063	290,779	35,709	7,501	**1,308,278**
Debt securities issued	71,698	0	12,962	0	0	**84,660**
Subordinated liabilities	524	0	51,582	0	0	**52,106**
Financial liabilities except for derivatives	**1,137,235**	**260,020**	**663,181**	**39,784**	**7,567**	**2,107,787**
Net open position on balance sheet	**(357,809)**	**504,314**	**(112,051)**	**12,022**	**113**	**46,589**
Net derivative and spot instruments (short) / long position	442,241	(502,292)	70,184	(13,045)	(2,352)	**(5,264)**
Total net currency positions	**84,432**	**2,022**	**(41,867)**	**(1,023)**	**(2,239)**	**41,325**

2010	HUF	CHF	EUR	USD	Other	Total
Cash and cash equivalents	39,252	161	14,852	1,657	3,227	**59,149**
Placements with banks	1,182	17,769	63,438	154	32	**82,575**
Loans and advances to customers	484,202	621,161	464,628	41,348	3,481	**1,614,820**
Financial assets at fair value through profit or loss - except for derivatives	19,015	0	0	0	0	**19,015**
Available for sale securities	141,504	142,269	13,180	0	0	**296,953**
Held to maturity securities	142,762	0	1,227	0	0	**143,989**
Financial assets except for derivatives	**827,917**	**781,360**	**557,325**	**43,159**	**6,740**	**2,216,501**
Deposits from banks	120,342	128 858	278,882	2,239	85	**530,406**
Deposits from non-banks	1,000,789	7,028	252,968	57,151	5,761	**1,323,697**
Debt securities issued	122,680	0	23,627	0	0	**146,307**
Subordinated liabilities	524	0	53,093	0	0	**53,617**
Financial liabilities except for derivatives	**1,244,335**	**135,886**	**608,570**	**59,390**	**5,846**	**2,054,027**
Net open position on balance sheet	**(416,418)**	**645,474**	**(51,245)**	**(16,231)**	**894**	**162,474**
Net derivative and spot instruments (short) / long position	563,265	(640,939)	22,638	16,894	(2,187)	**(40,329)**
Total net currency positions	**146,847**	**4,535**	**(28,607)**	**663**	**(1,293)**	**122,145**

The Group defines strict limits for the open positions and uses VaR indicators as well. These limits are monitored on a daily basis.

Exposure to other price risk – trading book

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk only constitutes of open exchange traded equity exposures. The Group defines strict limits for open equity exposures and uses price risk VaR as well. These limits are monitored on a daily basis.

Tools for managing market risk – trading book and banking book

Value at Risk

The principal tool used to measure and control market risk exposure within the Group's trading and banking portfolio is Value at Risk (VaR). A VaR indicator shows the maximum loss of a financial instrument under a given period and confidence level, within normal course of business. The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR is a risk indicator which must be assigned to the distribution of possible losses of the financial instrument. The Group applies mostly the parametrical VaR calculation (and in some cases the historical and Monte-Carlo VaR).

A basic assumption of the parametrical VaR method is that market factors follow multidimensional normal distribution. Considering the trading book products they can be divided into three basic factors – foreign currency, interest rate and price – and risks are sorted according to this categorization.

VaR is not the sum of every single component (foreign currency risk, interest rate risk and price risk) as there is a correlation between the components (diversification effect).

Diversification effect results in reduction of the overall risk of a portfolio when its individual component risks do not move together. Foreign currency risk, price risk and interest rate risk do not correlate with each other perfectly, thus diversification effect exists. The VaR figure is calculated daily on fundamentals separately and on their entire group as well.

A summary of the VaR position of the Group's trading portfolios and banking book at 31 December and during the period is as follows:

Market risk: VaR position as at 31 December 2010 in million HUF

Trading Book	VaR at year end	Average VaR	Minimum VaR	Maximum VaR
Foreign Currency Risk	34	75	5	265
Interest Rate Risk	346	278	75	1,410
Price Risk	0	12	0	34
Total Risk	303	293	78	1,411
Diversification Effect	(78)	(71)	0	0
Banking Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	0	0	0	0
Interest Rate Risk	677	558	270	1,458
Total Risk	677	558	270	1,458
Diversification Effect	0	0	0	0

Market risk: VaR position as at 31 December 2009 in million HUF

Trading Book	VaR at year end	Average VaR	Minimum VaR	Maximum VaR
Foreign Currency Risk	329	580	88	1,856
Interest Rate Risk	862	1,061	270	2,569
Price Risk	27	29	0	139
Total Risk	722	1,227	329	2,841
Diversification Effect	(496)	(443)	0	0
Banking Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	0	0	0	0
Interest Rate Risk	2,439	3,375	2,439	4,318
Total Risk	2,439	3,375	2,439	4,318
Diversification Effect	0	0	0	0

Gap report

Alongside Value-at-Risk measurement, interest rate risk is also estimated using classical means of capital and interest maturity analysis. In the gap report, the assets and liabilities are shown in different repricing categories according to the repricing dates.

Repricing of assets and liabilities occurs when:

- they are due,
- part of the principal is repaid according to the contract,
- the interest is repriced according to the contract based on a reference rate,
- the assets or liabilities are repaid by the customer before maturity.

The interest-bearing off-balance sheet items are managed as nominal deposits and loans. The difference between the assets and liabilities in the same pricing category is called 'gap'. The gap in a particular category is positive when assets exceed liabilities, and negative when the total value of the assets does not reach that of the liabilities. For these kind of gaps the Bank has defined limits.

The following table shows the gap report of the trading book and the banking book as at 31 December 2009 and 2010, respectively:

2010				
Trading book	***HUF***	***USD***	***EUR***	***CHF***
less than 3 months	*(101,812)*	*30,285*	*88,554*	*4,177*
3 months to 1 year	*(57,906)*	*149*	*(5,062)*	*170*
1 year to 5 years	*47,933*	*263*	*(1,195)*	*(18)*
over 5 years	*(3,981)*	*0*	*(1,394)*	*0*
Banking book	***HUF***	***USD***	***EUR***	***CHF***
less than 3 months	*294,378*	*(17,406)*	*(83,566)*	*(5,208)*
3 months to 1 year	*(22,795)*	*(896)*	*29,725*	*37,342*
1 year to 5 years	*34,893*	*0*	*3,149*	*23*
over 5 years	*16,892*	*0*	*188*	*0*

2009				
Trading book	***HUF***	***USD***	***EUR***	***CHF***
less than 3 months	*(19,883)*	*(13,770)*	*14,608*	*1,066*
3 months to 1 year	*18,150*	*(15,761)*	*12,499*	*(47)*
1 year to 5 years	*19,091*	*185*	*850*	*0*
over 5 years	*200*	*0*	*0*	*(45)*
Banking book	***HUF***	***USD***	***EUR***	***CHF***
less than 3 months	*(7,032)*	*35,849*	*(34,258)*	*46,603*
3 months to 1 year	*8,352*	*2,474*	*18,893*	*(30,399)*
1 year to 5 years	*65,783*	*0*	*(1,102)*	*(2,403)*
over 5 years	*6,142*	*0*	*28*	*42*

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

Management of liquidity risk

The objective of liquidity management is to provide the necessary liquidity for the Group to meet its liabilities when due at all times, under both normal and stressed conditions.

Liquidity risk management is key priority in RBI Group as well as in Raiffeisen Bank Hungary, thereby the Group has a comprehensive set of group-standards and local internal rules, regulations and practices besides the legal regulations regarding liquidity requirements. Liquidity management procedures, tasks, responsibilities, reports, instructions for the limit systems are all governed in Management directives.

Liquidity situation is one of the main issue for Asset Liability Commitee (ALCO). ALCO is responsible for balance sheet management, liquidity risk management and setting local limit system according to (or sometimes stricter than) the limits determined by RBI Treasury. The ALCO meets monthly and has extraordinary meetings if necessary.

Besides internal liquidity risk reporting, the RBI prepares liquidity report based on data provided by the Bank on a weekly basis for consolidation purposes in order to monitor group wide liquidity risk.

The Group's liquidity policy which includes the liquidity contingency plan as well is reviewed annually.

In order to strenghten its liquidity position the Group introduced the following measures:

- stopped lending in CHF and foreign currencies other than EUR,
- reduced its short term FX swap positions,
- increased long term cross currency swap positions concluded with RBI,
- reduced its loan to deposit ratio.

The following table shows the undiscounted cash flows on the Group's non-derivative financial liabilities and the issued financial guarantee contracts on the basis of their earliest possible maturity. The table also shows a maturity analysis for derivative financial liabilities including the remaining contractual maturities for those derivatives for which contractual maturities are essential for an understanding of the timing of the cash flows. The gross nominal inflow / (outflow) disclosed in the following table is the remaining contractual, undiscounted cash flow on the non-derivative financial liability and the issued financial guarantees. The disclosure for derivatives shows a gross inflow and outflow amount for derivatives.

Liquidity risk	2009					
	Carrying amount	Gross nominal inflow/ (outflow)	3 months or less	3-12 months	1-5 years	more than 5 years
Liabilities						
Deposits from banks	662,743	**686,493**	56,722	237,733	355,375	36,663
Deposits from non-banks	1,308,278	**1,330,726**	1,045,221	235,935	35,828	13,742
Debt securities issued	84,660	**94,226**	416	26,162	67,648	0
Subordinated liabilities	52,106	**65,051**	270	1,198	6,253	57,330
Financial liabilities at fair value through profit or loss - except for derivatives	0	**0**	0	0	0	0
Other liabilities	31,845	**31,845**	31,845	0	0	0
Liabilities held for sale	40	**40**	0	40	0	0
Total liabilities	**2,139,672**	**2,208,381**	**1,134,474**	**501,068**	**465,104**	**107,735**
Derivative instruments						
Interest rate swaps used for hedging	0	**(4,940)**	(6,845)	2,855	(1,342)	392
Forward exchange contracts:	**0**	**14,973**	**26,926**	**(16,884)**	**(16,626)**	**21,557**
- Outflow	0	**1,432,493**	309,461	314,089	401,292	407,651
- Inflow	0	**1,417,520**	282,535	330,973	417,918	386,094
Contingent liabilities	**2,515**	**2,515**	**2,515**	**0**	**0**	**0**
Other commitments and contingencies	2,515	**2,515**	2,515	0	0	0
Commitments	**352,999**	**352,999**	**64,218**	**142,816**	**116,260**	**29,705**
Unutilised loan facilities	171,911	**171,911**	37,620	60,718	72,049	1,524
Unutilised overdraft facilities	116,009	**116,009**	17,291	76,024	2,644	20,050
Unutilised guarentee frames	65,079	**65,079**	9,307	6,074	41,567	8,131

Liquidity risk	2010					
	Carrying amount	Gross nominal inflow/ (outflow)	3 months or less	3-12 months	1-5 years	more than 5 years
Liabilities						
Deposits from banks	530,406	**550,610**	131,283	163,286	206,031	50,010
Deposits from non-banks	1,323,697	**1,344,780**	1,060,329	224,544	48,675	11,232
Debt securities issued	146,307	**155,149**	9,485	66,196	79,468	0
Subordinated liabilities	53,617	**66,255**	287	1,208	3,763	60,997
Financial liabilities at fair value through profit or loss - except for derivatives	0	**0**	0	0	0	0
Other liabilities	66,257	**66,257**	66,257	0	0	0
Liabilities held for sale	0	**0**	0	0	0	0
Total liabilities	**2,120,284**	**2,183,051**	**1,267,641**	**455,234**	**337,937**	**122,239**
Derivative instruments						
Interest rate swaps used for hedging	0	**22,677**	895	4,943	17,153	(314)
Forward exchange contracts:	**0**	**(4,467)**	**(111)**	**(14,892)**	**10,536**	**0**
- Outflow	0	**1,817,998**	781,203	329,917	706,878	0
- Inflow	0	**1,822,465**	781,314	344,809	696,342	0
Contingent liabilities	**1,310**	**1,310**	**1,310**	**0**	**0**	**0**
Other commitments and contingencies	1,310	**1,310**	1,310	0	0	0
Commitments	**261,915**	**261,915**	**38,015**	**108,222**	**79,737**	**35,941**
Unutilised loan facilities	98,784	**98,784**	16,981	40,027	32,401	9,375
Unutilised overdraft facilities	93,117	**93,117**	17,349	59,926	4,880	10,962
Unutilised guarentee frames	70,014	**70,014**	3,685	8,269	42,456	15,604

Economic capital is allocated monthly to the illiquid positions in the trading book. The development of this economic capital is shown in the below table:

Economic capital allocated for illiquid positions in 2009	
Date	(Million HUF)
2009.01.31	0
2009.02.28	50
2009.03.31	79
2009.04.30	174
2009.05.31	81
2009.06.30	83
2009.07.31	118
2009.08.31	111
2009.09.30	93
2009.10.31	60
2009.11.30	120
2009.12.31	82

Economic capital allocated for illiquid positions in 2010	
Date	(Million HUF)
2010.01.31	205
2010.02.28	95
2010.03.31	109
2010.04.30	125
2010.05.31	86
2010.06.30	34
2010.07.31	58
2010.08.31	146
2010.09.30	93
2010.10.31	41
2010.11.30	74
2010.12.31	67

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology, and infrastructure, and from external factors other than pure credit, market and liquidity risks. Operational risk also includes risks arising from non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. These risk types are inherent in each of the Group's business and internal supporting activities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group has an Operational Risk Management network consisting of a separate centralized Operational Risk Controlling Group (ORC) and approximately 80 Departmental Operational Risk Managers (called DORM-s) located in business units, support departments, regions and at subsidiaries.

Operational Risk Controlling applies different tools for the identification of risks across all departments. It uses the following Operational Risk tools: Key Risk Indicators (KRIs); Scenarios; Control and Risk Self Assessment (CRSA); loss data collection and external data pooling.

The Group also uses a database of external public loss events and is an active member of the Hungarian Operational Risk Database (HunOR), which is a consortium of Hungarian banks who share their loss data to use it for risk identification, assessment and benchmark analysis.

The processes above are used to help identify risks (pro-active risk management) and are needed to reduce the incidence of future loss events. The loss events are uploaded by the DORMs into a loss database, and based on this and other data such as KRIs and risk mitigation plans, quarterly reports are created by Operational Risk Controlling to members of the

Middle Management and the Board of Directors. Furthermore, annual reports are created for board members on the Group's risk profile.

The main focus of Operational Risk Controlling is to decrease the risk associated with improper practices; human processing errors; infrastructure and systems; data management; external and internal fraud and theft. To this end, ORC frequently initiates risk mitigation measures.

Operational Risk Controlling gets strong management support, i.e. operational risk issues and possible mitigation measures are discussed quarterly at the Operational Risk Committee (ORC) where the Chief Risk Officer (CRO), the Chief Operations Officer (COO) and the Members of ORC (mainly head of departments) decide on the priority of risk mitigation plans.

f) Capital management

The Group's local regulator (Hungarian Financial Supervisory Authority hereinafter referred to as HFSA) sets and monitors capital requirements for the Group.

With effect from 1 January 2008 the Group is required to comply with the provisions of the Basel II framework in respect of regulatory capital.

The Bank as a member of Raiffeisen Zentral Bank Group has been granted a joint approval in December 2008 by the Austrian Financial Market Authority (home regulator) and the eight member countries' host authorities to adopt the use of Internal Rating Based approach to credit risk management, except in respect of some credit portfolios which remain under standard approach according to the accepted implementation plan.

Principal changes arising from the change to the Basel II advanced approach framework were as follows:

- reduction of the negative difference of loan loss provision and expected loss from the core and supplementary components of own funds;
- addition of the positive difference of loan loss provision and expected loss up to 0.6 % of risk-weighted exposure amount to subsidiary capital;
- own fund should cover the capital requirement of credit, market and operational risk.

The Bank's regulatory capital is analyzed into three tiers:

- tier 1 (core) capital, which includes subscribed capital, capital reserve, retained earnings, general risk provision, core loan capital after deductions for intangible assets, valuation adjustments calculated according to specific other legislation for less liquid positions booked in the trading book and the book value of repurchased own shares;
- tier 2 (subsidiary) capital, which includes valuation reserve, qualifying subordinated liabilities, surplus of loan loss provision over expected loss for those credit portfolios where IRB method is used under Basel II);
- tier 3 (supplementary) capital, which can be used only to cover market risk, and includes junior subordinated capital and the part of subsidiary capital that cannot be used due to the restriction between core and subsidiary capital.

The following limits are applied to elements of the capital base:

- the amount of core loan capital cannot exceed 15 percent of total of all core capital components;
- the amount of subsidiary capital may not exceed the amount of core capital;

- the ratio of subordinated loan capital with a fixed maturity that may be taken into account as subsidiary capital, may not exceed 50 percent of the core capital.

There are also restrictions on the amount of surplus of loan loss provision over expected loss that may be included as part of tier 2 capital. Other deductions from capital include the book value of qualifying interests in other financial institutions, and exceeding amount of limitation of large exposures and investment restrictions.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. As noted above, Basel II capital requirement also introduced a new requirement in respect of operational risk which is discussed in Note 4 (e) above.

Besides the above capital requirements, the Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the period.

The Capital Management on group level defined according to the Banking Act, and the consolidation group is approved by HFSA taking into consideration the dominant influence or participating interest of the bank and the subsidiary business type (financial firm or ancillary services company). Consequently the IFRS and the supervisory consolidation group differ. The following table shows the group of subsidiaries belonging to supervisory consolidation group.

Company
Késmárk utca 11. Kft.
Raiffeisen Befektetési Alapkezelő Zrt.
Raiffeisen Eszköz Lízing Zrt.
Raiffeisen Gazdasági Szolgáltató Zrt.
Raiffeisen Lízing Zrt.
Raiffeisen Property Lízing Zrt.
RB Kereskedőház Kft.
SCT Kárász utca Kft.
SCT Tündérkert Kft.
SPC Vagyonkezelő Kft.
T+T 2003 Kft.

Capital requirement calculation

The Group applies regulatory capital (Basel II Pillar 1) as well as economic capital (Basel II Pillar 2, ICAAP) for calculating capital adequacy, as defined in Basel II Framework. The Group calculates the capital requirement for credit risk via the Foundation Internal Ratings Based (F-IRB) approach for its non-retail portfolio since 1 December 2008. Starting from July 2010, capital requirement of exposures to private individuals are measured by advanced IRB method.

Capital allocation

The allocation of capital between specific operations and activities is driven by, firstly, ensuring enough capital to cover possible risks in order to guarantee continuous safe operation (going concern principle) as well as to cover occasionally high losses in extreme market circumstances, secondly, to optimize return achieved on the capital allocated.

Both regulatory and economic capital requirements are calculated by the Group. Economic capital requirement is used for capital optimization purposes.

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Controlling and Credit Risk Control Unit, and is subject to review by the Bank Risk Committee held as part of ALCO. An additional tool of optimization is applying Risk and Equity Cost Based Pricing.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

(5) Interest income

	2010	2009
Cash and cash equivalents	***2,583***	***4,492***
Placements with banks	***703***	***13,158***
Loans and advances to customers	***124,692***	***148,114***
Securities at fair value through profit or loss	***1,042***	***3,175***
Government bonds	*677*	*859*
Treasury bills issued by the Government	*237*	*660*
Treasury bills issued by the Central Bank	*125*	*1,597*
Credit institution bonds	*0*	*58*
Other	*3*	*1*
Available for sale securities	***9,741***	***11,325***
Government bonds	*1,031*	*1,017*
Treasury bills issued by the Government	*408*	*1,307*
Treasury bills issued by the Central Bank	*5,436*	*5,462*
Other securities issued by the public sector	*2,866*	*3,538*
Other	*0*	*1*
Held to maturity securities	***10,814***	***8,419***
Government bonds	*10,761*	*8,407*
Corporate bonds	*53*	*12*
From leases	***3,015***	***4,115***
Interest income	***152,590***	***192,798***

Total interest income calculated using the effective interest method reported above that relate to financial assets not carried at fair value through profit or loss is HUF 151,548 million (2009: HUF 189,623 million).

(6) Interest expense

	2010	2009
Deposits from banks	17,678	26,184
Deposits from non-banks	53,864	99,584
Debt securities issued	9,080	3,791
Subordinated liabilities	1,488	2,079
Interest expense	**82,110**	**131,638**

Total interest expense calculated using the effective interest method reported above that relate to financial liabilities not carried at fair value through profit or loss is HUF 73,030 million (2009: HUF 127,847 million).

(7) Net fee and commission income

Fee and commission income

	2010	2009
Account management, turnover and cash handling fees	14,953	15,674
Guarantees and documentary credits	2,400	3,598
Fees from leases	471	302
Fees from investment services	4,964	3,313
Bankcard fees	3,600	3.877
Other commission and fee income	3,314	2,461
Total fee and commission income	**29,702**	**29,225**

Fee and commission expense

	2010	2009
Payments transfer business	3,021	3,043
Loan administration and guarantee business	1,112	818
Securities business	938	759
Agency fees	1,033	1,202
Bankcard fees	1,233	1,102
Other banking services	1,486	1,387
Total fee and commission expense	**8,823**	**8,311**
Net income from commissions and fees	**20,879**	**20,914**

(8) Net trading income

	2010	2009
Realised net gains / (losses) from securities at fair value through profit or loss	1,158	1,286
Unrealised net gains / (losses) from securities at fair value through profit or loss	586	(165)
Realised net gains / (losses) on FX positions and derivative instruments	15,954	11,285
Unrealised net gains / (losses) on FX positions and derivative instruments	(6.384)	2,432
Net trading income	**11,314**	**14,838**

(9) Other operating income and other operating expenses

	2010	2009
Other operating income		
Realised net gains / (losses) from available-for-sale securities	547	1,728
Unrealised net gains / (losses) from available-for-sale securities	(148)	228
Net gains / (losses) from held-to-maturity securities	2,007	2,579
Property development fees	0	5,152
Gains / (losses) on sale on receivables	(3)	0
Gains / (losses) on disposal of inventory	584	616
Gains / (losses) on disposal of investments	249	1,646
Gains / (losses) on disposal of intangibles, property, plant and equipment	(54)	0
Energy trading margin	2,059	406
Revenues related to damages	10	1,148
Other	3,007	2,904
Other operating income	**8,258**	**16,407**

Property development fee shows the Group's rental income from investment property. The data of property development fee is nil in 2010 as the Group does not control the net assets of Raiffeisen Ingatlan Alap (RIA) in 2010. (In 2009 HUF 154 million direct operating expenses arised from investment property generated HUF 137 million rental income out of the total amount of HUF 5,152 million property development fee.)

	2010	2009
Other operating expenses		
Other taxes	16,408	5,344
Telecommunication and information systems expenses	1,519	1,838
Business travel cost	563	537
Professional fees	5,184	7,308
Cash processing and delivery	755	942
Manpower services	1,368	1,738
External bankcard services	451	636
Advisory fees	1,562	2,899
Other	1,048	1,093
Office supplies	360	454
Depreciation	7,713	9,949
Impairment and write-offs	1,119	4,427
Fees to public authorities	860	953
Other	5,991	9,447
Other operating expenses	**39,717**	**40,257**

Other taxes contains the amount of HUF 11,476 million Special Tax for Financial Institutions in 2010 (2009: nil).

(10) Impairment and provision for losses

	2010	2009
Impairment loss on	**54,372**	**71,713**
Placements with banks	(264)	0
Loans and advances to customers	54,279	71,645
Other assets	357	68
Provision on	**3,246**	**1,424**
Guarantees and contingencies	3,246	1,424
Impairment and provision for losses	**57,618**	**73,137**

(11) Personnel expenses

	2010	2009
Salaries	22,357	18,300
Social security contributions	7,033	6,596
Other personnel benefits	2,205	2,667
	31,595	**27,563**

	2010		2009	
	Staff (person)	**Salary expense**	**Staff (person)**	**Salary expense**
Full time	*3,367*	*22,078*	*3,393*	*17,994*
Part time	*58*	*247*	*50*	*256*
Pensioners	*6*	*22*	*5*	*15*
Other	*15*	*10*	*73*	*35*
	3,446	**22,357**	**3,521**	**18,300**

(12) Income tax

Income tax expense recognised in the consolidated income statement

	2010	2009
Current tax expense	**146**	**1,656**
Deferred tax expense/(income)	**(1,637)**	**(3,598)**
Origination and reversal of temporary differences	*(1,627)*	*(3,427)*
Effect of changes in tax rates	*(10)*	*(171)*
Income tax	**(1,491)**	**(1,942)**

Reconciliation of effective tax rate

	2010		2009	
	(%)		(%)	
Profit before tax		*(7,092)*		*(5,869)*
Applicable tax rate	*10.00%*	*(709)*	*20.00%*	*(1,174)*
Tax effects of items that modify the profit before tax under the Hungarian tax law:	*(20.39%)*	*1,446*	*(75.84%)*	*4,451*
- Impairment losses	*0.00%*	*0*	*(26.50%)*	*1,555*
- Dividends received	*0.00%*	*0*	*2.96%*	*(174)*
- Undistributable reserves	*0.00%*	*0*	*1.36%*	*(80)*
- Other	*(20.39%)*	*1,446*	*(53.67%)*	*3,150*
Tax allowance for film production	*0.00%*	*0*	*10.39%*	*(610)*
Temporary tax effects of IFRS adjustments	*23.08%*	*(1,637)*	*61.31%*	*(3,598)*
- Provisions, impairment losses for loans and pending interest and commission	*(10.41%)*	*738*	*10.29%*	*(604)*
- Impairment losses on investments in associates	*0.00%*	*0*	*14.41%*	*(846)*
- Other provisions	*(0.85%)*	*60*	*(1.12%)*	*66*
- Difference on financial instruments at amortised costs	*0.00%*	*0*	*(0.55%)*	*32*
- Tangible and intagible assets	*(0.39%)*	*28*	*(1.09%)*	*64*
- Fair value of available-for-sale financial assets	*(0.01%)*	*1*	*0.02%*	*(1)*
- General risk reserve	*0.00%*	*0*	*30.47%*	*(1,788)*
- Effect of changes in tax rates	*0.14%*	*(10)*	*2.91%*	*(171)*
- Recognition of previously unrecognised tax losses	*35.41%*	*(2,511)*	*(1.65%)*	*97*
- Other	*(0.80%)*	*57*	*7.62%*	*(447)*
Tax effects of consolidation	*8.33%*	*(591)*	*17.23%*	*(1,011)*
Income tax	***21.03%***	***(1,491)***	***33.09%***	***(1,942)***

Income tax recognised in other comprehensive income

In 2010, the Group accounted HUF 642 million deferred tax asset (2009: HUF 519 million deferred tax asset) directly against equity.

(13) Cash and cash equivalents

31 December 2009	***HUF***	***FCY***	***Total***
Cash and cheques	*8,159*	*3,128*	***11,287***
Balances with National Bank of Hungary ('NBH')	*29,946*	*0*	***29,946***
Balances with other banks	*19,040*	*60,395*	***79,435***
Cash and cash equivalents	***57,145***	***63,523***	***120,668***

31 December 2010	***HUF***	***FCY***	***Total***
Cash and cheques	*10,856*	*4,670*	***15,526***
Balances with National Bank of Hungary ('NBH')	*22,774*	*0*	***22,774***
Balances with other banks	*5,621*	*15,228*	***20,849***
Cash and cash equivalents	***39,251***	***19,898***	***59,149***

The current account with the National Bank of Hungary (NBH) includes the compulsory reserve. The Group is required to maintain reserves with the National Bank of Hungary equivalent to 3% (2009: 2%) of certain deposits. The required average reserve balance amounted to HUF 30,813 million (2009: HUF 29,416 million). The compulsory reserve requirement may also be met by the Group's holding of government securities (see Note 16 and 17).

(14) Placements with banks

2009	Up to 1 year		Over 1 year		Total
	HUF	FCY	HUF	FCY	
National Bank of Hungary	0	0	0	0	**0**
Other Banks	32	19,990	0	16,573	**36,595**
Impairment losses	0	878	0	0	**878**
Placements with banks	**32**	**19,112**	**0**	**16,573**	**35,717**

2010	Up to 1 year		Over 1 year		Total
	HUF	FCY	HUF	FCY	
National Bank of Hungary	968	0	0	0	**968**
Other Banks	215	62,612	0	19,394	**82,221**
Impairment losses	0	614	0	0	**614**
Placements with banks	**1,183**	**61,998**	**0**	**19,394**	**82,575**

Specific allowances for impairment

Balance at 1 January 2009	**877**
Impairment loss for the year:	
Charge for the year	0
Recoveries	0
Effect of foreign currency movements	1
Unwinding of discount	0
Write-offs	0
Balance at 31 December 2009	**878**

Balance at 1 January 2010	**878**
Impairment loss for the year:	
Charge for the year	0
Recoveries	(354)
Effect of foreign currency movements	90
Unwinding of discount	0
Write-offs	0
Balance at 31 December 2010	**614**

(15) Loans and advances to customers

Loans and advances to customers at amortised cost

2009	Gross amount	Of which: Non-performing loans	Specific allowances for impairment	Collective allowances for impairment	Carrying amount
Corporate					
Trading and industrial	416,557	59,808	36,095	2,249	378,213
Commercial real estate	232,294	23,313	7,147	1,410	223,737
Other	292,739	35,893	10,032	792	281,915
Total corporate	**941,590**	**119,014**	**53,274**	**4,451**	**883,865**
Retail	689,255	103,983	17,808	37,755	633,692
Government and public sector	67,010	3,411	558	0	66,452
Loans and advances to customers	**1,697,855**	**226,408**	**71,640**	**42,206**	**1,584,009**

2010	Gross amount	Of which: Non-performing loans	Specific allowances for impairment	Collective allowances for impairment	Carrying amount
Corporate					
Trading and industrial	418,482	89,874	46,070	2,490	369,922
Commercial real estate	228,333	29,503	13,226	1,173	213,934
Other	340,534	61,854	15,696	1,058	323,780
Total corporate	987,349	181,231	74,992	4,721	907,636
Retail	717,858	142,715	50,890	20,264	646,704
Government and public sector	60,662	3,311	182	0	60,480
Loans and advances to customers	**1,765,869**	**327,257**	**126,064**	**24,985**	**1,614,820**

Allowances for impairment

The following table shows a reconciliation of movements on the allowance account in 2010 and 2009, respectively:

Specific allowances for impairment on loans and advances to customers	2010	2009
Balance at 1 January	**71,640**	**36,996**
Impairment loss for the year:		
Charge for the year	75,924	53,680
Recoveries	(11,617)	(8,478)
Effect of foreign currency movements	2,948	(624)
Unwinding of discount	0	0
Write-offs	(13,744)	(9,934)
Change in consolidation group	905	0
Balance at 31 December	**126,056**	**71,640**

Collective allowances for impairment on loans and advances to customers	2010	2009
Balance at 1 January	**42,207**	**18,755**
Impairment loss for the year:		
Charge for the year	13,587	33,329
Recoveries	(33,712)	(9,985)
Effect of foreign currency movements	2,384	108
Unwinding of discount	0	0
Write-offs	0	0
Change in consolidation group	527	0
Balance at 31 December	**24,993**	**42,207**

In 2010, accumulated impairment losses amounted to HUF 151,049 million (2009: HUF 113,847 million), equal to 8.55 % (2009: 6.71 %) of gross amount of outstanding loans.

Finance lease receivables

As part of its financing activities, the Group enters into finance lease transactions as a lessor. At 31 December 2010 and 2009, the reconciliation of the Group's gross investment in the lease, and the net present value of minimum lease payments receivable by relevant remaining maturity periods is as follows:

2009	Up to 1 year	1 year to 5 years	Over 5 years	Total
Gross investment leases	26,235	30,474	8,999	**65,708**
Unearned finance income	2,365	2,968	53	**5,386**
Net present value of minimum lease payments	**23,870**	**27,506**	**8,946**	**60,322**
Accumulated allowance for uncollectible minimum lease payments	3,268	3,257	142	**6,667**
Finance leases per balance sheet	**20,602**	**24,249**	**8,804**	**53,655**

2010	Éven belül	1 és 5 év között	5 éven túl	Összesen
Gross investment leases	12,688	21,265	9,256	**43,209**
Unearned finance income	1,473	1,644	94	**3,211**
Net present value of minimum lease payments	**11,215**	**19,621**	**9,162**	**39,998**
Accumulated allowance for uncollectible minimum lease payments	3,481	4,998	474	**8,953**
Finance leases per balance sheet	**7,734**	**14,623**	**8,688**	**31,045**

In 2010, nil contingent rent was recognized in finance income (2009: nil), and unguaranteed residual value amounted to HUF 2,459 million (2009: HUF 3,408 million). At 31 December 2010, the accumulated allowance for uncollectible minimum lease payments amounted HUF 8,953 million (2009: HUF 6,667 million).

Contracts original maturity ranges from 5 month to 35 years. The contracts earn interest on variable rates linked to the relating BUBOR, CHFLIBOR, EURIBOR. No guaranteed residual value exists.

(16) Financial assets at fair value through profit or loss

	2010					2009				
	Cost	Accrued interest	Un-realised gain/loss	Impair-ment	Book value	Cost	Accrued interest	Un-realised gain/loss	Impair-ment	Book value
Debt and equity instruments:										
Government bonds	16,303	698	(81)	0	16,920	9,595	(97)	(46)	0	9,452
Treasury bills	131	0	0	0	131	12,358	27	49	0	12,434
Corporate bonds and other bonds	0	0	0	0	0	0	0	0	0	0
Bank bonds	0	0	0	0	0	37	3	0	0	40
Investment fund units	473	0	98	0	571	851	0	81	0	932
Shares	1,413	0	(20)	0	1,393	1,339	0	(674)	0	665
Debt and equity instruments	**18,320**	**698**	**(3)**	**0**	**19,015**	**24,180**	**(67)**	**(590)**	**0**	**23,523**
Derivative financial instruments:										
Derivatives held for trading										
FX swaps	0	0	6,678	0	6,678	0	0	2,416	0	2,416
FX forwards	0	0	2,192	0	2,192	0	0	1,295	0	1,295
Security forwards	0	0	329	0	329	0	0	72	0	72
FX futures	0	0	0	0	0	0	0	0	0	0
FX options	0	0	1,502	0	1,502	0	0	904	0	904
Interest rate derivatives	0	7,181	23,460	0	30,641	0	25,951	22,920	0	48,871
Derivatives held for trading	**0**	**7,181**	**34,161**	**0**	**41,342**	**0**	**25,951**	**27,607**	**0**	**53,558**
Derivatives held for risk management:										
FX swaps	726	433	1,841	0	3,000	5,931	1,801	2,658	0	10,390
FX forwards	0	0	0	0	0	0	0	167	0	167
Security forwards	0	0	0	0	0	0	0	0	0	0
FX futures	0	0	0	0	0	0	0	0	0	0
FX options	0	0	0	0	0	0	0	0	0	0
Interest rate derivatives	0	1,834	206	0	2,040	0	1,007	360	0	1,367
Derivatives held for risk management	**726**	**2,267**	**2,047**	**0**	**5,040**	**5,931**	**2,808**	**3,185**	**0**	**11,924**
Total derivative financial instruments	**726**	**9,448**	**36,208**	**0**	**46,382**	**5,931**	**28,759**	**30,792**	**0**	**65,482**
Total financial asset at fair value through profit or loss	**19,046**	**10,146**	**36,205**	**0**	**65,397**	**30,111**	**28,692**	**30,202**	**0**	**89,005**

Derivatives held for risk management

The Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate and equity market risks. The instruments used include interest rate swaps, cross-currency interest rate swaps, forward contracts, and options. The fair values of those derivatives are shown in the table above.

(17) Investment in securities

At 31 December 2010, HUF 249,168 million (2009: HUF 218,054 million) from the total amount of Investment in securities were pledged as collateral for liabilities.

During 2010, in connection with available-for-sale investment securities an amount of HUF (3,591) million (2009: HUF (2,768) million) was recognised in other comprehensive income, and an amount of HUF 547 million (2009: HUF 1,728 million) was reclassified from other comprehensive income to profit or loss.

	2010					2009				
Available-for-sale securities	Cost	Accrued interest	Unrealised gain/loss	Impairment	Book value	Cost	Accrued interest	Unrealised gain/loss	Impairment	Book value
Corporate bonds and other	167,769	529	(6,836)	0	161,462	139,940	552	(2,813)	0	137,679
Investment fund units	4,693	0	418	0	5,111	4,576	0	(8)	0	4,568
Government bonds	15,138	347	40	(160)	15,365	14,635	390	5	0	15,030
Treasury bills	114,933	27	55	0	115,015	82,120	68	71	0	82,259
	302,533	**903**	**(6,323)**	**(160)**	**296,953**	**241,271**	**1,010**	**(2,745)**	**0**	**239,536**

Held-to-maturity securites	Cost	Accrued interest	Discount/Premium	Impairment	Book value	Cost	Accrued interest	Discount/Premium	Impairment	Book value
Corporate bonds and other	1,167	13	47	0	1,227	1,134	13	9	0	1,156
Government bonds	133,668	6,167	2,927	0	142,762	141,562	5,423	2,782	0	149,767
	134,835	**6,180**	**2,974**	**0**	**143,989**	**142,696**	**5,436**	**2,791**	**0**	**150,923**

(18) Investment in associates

General and financial data of the associates for the years ended 31 December 2010 and 2009 is as follows:

2009	Ownership (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (loss)
SCT MILFAV Kft.	3.68%	187	923	**1,110**	659	451	**1,110**	5	22	**(17)**
Csörsz utca Kft.	3.67%	3,225	4,454	**7,679**	783	6,896	**7,679**	3	309	**(306)**
New Outlet Center Kft.	40.67%	619	3,582	**4,201**	4,250	(49)	**4,201**	536	716	**(180)**
Upper Land Kft.	40.67%	0	17	**17**	5	12	**17**	0	4	**(4)**
Middle Outlet Kft.	40.67%	0	0	**0**	6	(6)	**0**	0	4	**(4)**
SCTF Szentendre Kft.	4.13%	517	2,786	**3,303**	80	3,223	**3,303**	371	367	**4**
SCT Üllő Kft.	4.00%	46	5,346	**5,392**	5,406	(14)	**5,392**	449	461	**(12)**
		4,594	**17,108**	**21,702**	**11,189**	**10,513**	**21,702**	**1,364**	**1,883**	**(519)**

2010	Ownership (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (loss)
New Outlet Center Kft.	40.67%	613	4,378	**4,991**	4,407	584	**4,991**	654	909	**(255)**
Upper Land Kft.	40.67%	1	17	**18**	11	7	**18**	0	4	**(4)**
Middle Outlet Kft.	40.67%	1	0	**1**	11	(10)	**1**	0	4	**(4)**
		615	**4,395**	**5,010**	**4,429**	**581**	**5,010**	**654**	**917**	**(263)**

The operations of entities treated as equity investments are stable and support the carrying values of the Group's equity investment. Therefore, the Group did not account any impairment loss relating to these firms in the consolidated financial statements.

(19) Property, plant and equipment

Owner occupied property

2009	Gross carrying amount as at 1 January 2009	Additions	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Gross carrying amount as at 31 December 2009
Properties	**20,793**	**1,399**	**435**	**8,423**	**0**	**30,180**
Freehold	2,973	1,169	0	8,423	0	12,565
Leasehold	17,820	230	435	0	0	17,615
Equipment	**23,904**	**12,615**	**2,281**	**0**	**10,414**	**23,824**
	44,697	**14,014**	**2,716**	**8,423**	**10,414**	**54,004**

2009	Accumulated depreciaton as at 1 January 2009	Depreciation for the year	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Accumulated depreciation	Carrying amount as at 1 January 2009	Carrying amount as at 31 December 2009
Properties	**3,613**	**1,438**	**86**	**1,316**	**0**	**6,281**	**17,180**	**23,899**
Freehold	130	431	0	1,316	0	1,877	2,843	10,688
Leasehold	3,483	1,007	86	0	0	4,404	14,337	13,211
Equipment	**12,217**	**2,754**	**1,298**	**0**	**2**	**13,671**	**11,687**	**10,153**
	15,830	**4,192**	**1,384**	**1,316**	**2**	**19,952**	**28,867**	**34,052**

2010	Gross carrying amount as at 1 January 2010	Additions	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Gross carrying amount as at 31 December 2010
Properties	**30,180**	**450**	**142**	**(10,935)**	**0**	**19,553**
Freehold	12,565	192	142	(10,935)	0	1,680
Leasehold	17,615	258	0	0	0	17,873
Equipment	**23,824**	**1,562**	**1,726**	**0**	**3,480**	**20,180**
	54,004	**2,012**	**1,868**	**(10,935)**	**3,480**	**39,733**

2010	Accumulated depreciaton as at 1 January 2010	Depreciation for the year	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Accumulated depreciation	Carrying amount as at 1 January 2010	Carrying amount as at 31 December 2010
Properties	**6,281**	**1,263**	**15**	**(1,711)**	**0**	**5,818**	**23,899**	**13,735**
Freehold	1,877	44	0	(1,711)	0	210	10,688	1,470
Leasehold	4,404	1,219	15	0	0	5,608	13,211	12,265
Equipment	**13,671**	**2,835**	**1,521**	**0**	**625**	**14,360**	**10,153**	**5,820**
	19,952	**4,098**	**1,536**	**(1,711)**	**625**	**20,178**	**34,052**	**19,555**

In 2010 HUF 401 million impairment losses were recognised in consolidated income statement (2009: HUF 204 million)

Investment property

2009	Gross carrying amount as at 1 January 2009	Additions	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Gross carrying amount as at 31 December 2009
Properties	3,365	16,027	29	34,071	0	53,434

2009	Accumulated depreciaton as at 1 January 2009	Depre-ciation for the year	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Accumulated depreciation	Carrying amount as at 1 January 2009	Carrying amount as at 31 December 2009
Properties	2	2,148	16	5,672	0	7,806	3,363	45,628

2010	Gross carrying amount as at 1 January 2010	Additions	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Gross carrying amount as at 31 December 2010
Properties	53,434	172	12	(52,338)	0	1,256

2010	Accumulated depreciaton as at 1 January 2010	Depre-ciation for the year	Disposals	Acquired/(sold) through business combinations	Assets classified as held for sale	Accumulated depreciation	Carrying amount as at 1 January 2010	Carrying amount as at 31 December 2010
Properties	7,806	1	0	(7,803)	0	4	45,628	1,252

The fair value of investment property is HUF 1,252 million (2009: HUF 50,076 million) based on quarterly valuation made by an independent valuer. Changes between current and previous year's amount of investment property is due to lost control over the net assets of Raiffeisen Ingatlan Alap (RIA) in 2010.

(20) Intangible assets

2009	Gross carrying amount as at 1 January 2009	Additions	Disposals	Acquired/ (sold) through business combinations	Assets classified as held for sale	Gross carrying amount as at 31 December 2009
Softwares	23.867	4.899	380	4	0	28.390
Other intangible assets	340	9	2	0	0	347
	24.207	**4.908**	**382**	**4**	**0**	**28.737**

2009	Accumulated depreciaton as at 1 January 2009	Depre-ciation for the year	Disposals	Acquired/ (sold) through business combinations	Assets classified as held for sale	Accu-mulated depre-ciation	Carrying amount as at 1 Janu-ary 2009	Carrying amount as at 31 December 2009
Softwares	11.139	3.491	4	4	0	14.630	12.728	13.760
Other intangible assets	225	17	1	0	0	241	115	106
	11.364	**3.508**	**5**	**4**	**0**	**14.871**	**12.843**	**13.866**

2010	Gross carrying amount as at 1 January 2010	Additions	Disposals	Acquired/ (sold) through business combinations	Assets classified as held for sale	Gross carrying amount as at 31 December 2010
Softwares	28.390	4.310	16	0	0	32.684
Other intangible assets	347	0	45	0	0	302
	28.737	**4.310**	**61**	**0**	**0**	**32.986**

2010	Accumulated depreciaton as at 1 January 2010	Depre-ciation for the year	Disposals	Acquired/ (sold) through business combinations	Assets classified as held for sale	Accu-mulated depre-ciation	Carrying amount as at 1 Janu-ary 2010	Carrying amount as at 31 December 2010
Softwares	14.630	3.812	11	0	0	18.431	13.760	14.253
Other intangible assets	241	5	23	0	0	223	106	79
	14.871	**3.817**	**34**	**0**	**0**	**18.654**	**13.866**	**14.332**

In 2010 HUF 8 million impairment losses were recognised in consolidated income statement (2009: HUF 336 million).

(21) Goodwill

	2010	2009
Cost		
Balance at 1 January	**1,889**	**4,388**
Acquisitions through business combinations	0	7
Acquisition of non controlling interest	0	0
Other acquisitions – internally developed	0	0
Effect of movements in exchange rates	0	0
Disposal of subsidiaries	(217)	(2,506)
Balance at 31 December	**1,672**	**1,889**
Impairment losses		
Balance at 1 January	**0**	**0**
Impairment loss for the period	0	0
Effect of movements in exchange rates	0	0
Balance at 31 December	**0**	**0**
Carrying amounts as at:		
At 1 January	**1,889**	**4,388**
At 31 December	**1,672**	**1,889**

(22) Operating leases

Operatív lízing, ahol a Csoport a lízingbe vevő

Non-cancellable operating lease rentals are payable as follows:

	2010	2009
Less than 1 year	5,625	5,272
Between 1 and 5 years	22,430	21,011
More than 5 years	0	151
	28,055	**26,434**

The Group has entered into rental contracts in the form of operating leases. These rental contracts are classified as operating leases because the risks of the leased assets are not transferred to the Group. The Group has no sublets.

During the year ended 31 December 2010 an amount of HUF 5,625 million was recognised as an expense in profit or loss in respect of operating leases (2009: HUF 5,272 million)

(23) Other assets

	2010	2009
Other tax receivables	1,469	671
Cash at money exchange agents	6,070	5,855
Receivables from investment activities	28,560	14,580
Accruals	3,860	3,635
Inventory	3,076	6,806
Other	5,176	7,574
Less: specific impairment	664	351
Other assets	**48,211**	**39,121**
Specific impairment		
Balance at 1 January	**351**	**303**
Impairment loss for the year:		
Charge for the year	395	251
Recoveries	3	(162)
Effect of foreign currency movements	53	0
Write-offs	0	(41)
Change in consolidation group	(138)	0
Balance at 31 December	**664**	**351**

Inventory contains mainly real estate developments in progress HUF 2,221 million in 2010 (2009: HUF 2,180 million) of Raiffeisen Property Lízing and also project companies' real estate constructions in progress HUF 312 million in 2010 (2009: HUF 3,456 million); the reason of the significant decrease is that the Group does not control several project companies since 2010. Cars repossessed from customers amount to HUF 833 million in 2010 (2009: HUF 704 million) of Raiffeisen Leasing.

(24) Financial liabilities at fair value through profit or loss

	2010				2009			
	Cost	Accrued interest	Unrealised gain/loss	Book value	Cost	Accrued interest	Unrealised gain/loss	Book value
Derivative instruments held for trading by type								
FX swaps	0	0	1,693	1,693	0	0	2,028	2,028
FX forwards	0	0	1,958	1,958	0	0	1,722	1,722
Security forwards	0	0	308	308	0	0	75	75
FX futures	0	0	0	0	0	0	0	0
Foreign exchange options	0	0	1,459	1,459	0	0	1,140	1,140
Interest rate derivatives	0	9,519	23,507	33,026	0	24,187	23,934	48,121
Total derivative instruments held for trading	**0**	**9,519**	**28,925**	**38,444**	**0**	**24,187**	**28,899**	**53,086**
Derivative instruments held for risk management purposes								
FX swaps	46,273	(2,284)	(943)	43,046	10,802	(335)	(509)	9,958
FX forwards	0	0	0	0	0	0	0	0
Security forwards	0	0	0	0	0	0	0	0
FX futures	0	0	0	0	0	0	0	0
FX options	0	0	0	0	0	0	0	0
Interest rate derivatives	0	1,073	1,745	2,818	0	329	1,037	1,366
Total derivative instruments held for risk management purposes	**46,273**	**(1,211)**	**802**	**45,864**	**10,802**	**(6)**	**528**	**11,324**
Total financial liabilities at fair value through profit or loss	**46,273**	**8,308**	**29,727**	**84,308**	**10,802**	**24,181**	**29,427**	**64,410**

(25) Deposits from banks

2009	Under 1 year		More than 1 year		Total
	HUF	FCY	HUF	FCY	
Resident	52,828	8,009	38,583	6,996	**106,416**
Non resident	7,800	226,372	1,576	320,579	**556,327**
	60,628	**234,381**	**40,159**	**327,575**	**662,743**

2010	Under 1 year		More than 1 year		Total
	HUF	FCY	HUF	FCY	
Resident	57,922	11,256	40,751	7,819	**117,748**
Non resident	20,300	198,634	1,370	192,354	**412,658**
	78,222	**209,890**	**42,121**	**200,173**	**530,406**

(26) Deposits from non-banks

2009	Under 1 year		More than 1 year		Total
	HUF	Deviza	HUF	Deviza	
Resident	900,453	242,305	32,494	7,478	**1,182,730**
Non resident	31,218	93,750	61	519	**125,548**
	931,671	**336,055**	**32,555**	**7,997**	**1,308,278**

2010	Under 1 year		More than 1 year		Total
	HUF	Deviza	HUF	Deviza	
Resident	930,549	259,854	42,567	6,262	**1,239,232**
Non resident	27,527	56,244	145	549	**84,465**
	958,076	**316,098**	**42,712**	**6,811**	**1,323,697**

(27) Debt securities issued

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2010	Carrying amount 2009
RAIFF 2010/A	3m BUBOR + 0.2%	0	2005.12.14	2010.12.14	Yes	0	10,031
RAIFF 2011/A	3m BUBOR + 0.25%	6,500	2006.10.04	2011.10.04	Yes	6,589	6,622
RB TREND I.	indexed to EUR/HUF exchange rate (max 8.5%)	0	2006.05.30	2010.05.30	Yes	0	5,953
RB TREND III.	indexed to EUR/HUF exchange rate (max 9%)	0	2007.06.04	2010.06.04	Yes	0	3,599
RB TREND IV.	indexed to EUR/HUF exchange rate (max 9%)	0	2007.07.16	2010.07.16	Yes	0	8,312
RB TREND V.	indexed to EUR/HUF exchange rate (max 8.15%)	0	2007.11.05	2010.11.05	Yes	0	3,539
RB KAM KTV	fixed 11.5%	4,003	2009.02.25	2011.02.25	Yes	4,864	4,397
RB KAM KTV2	fixed 12.5%	9,912	2009.04.16	2011.04.16	Yes	12,060	10,804
RB KAM KTV3	fixed 10%	5,019	2009.05.22	2011.05.22	Yes	5,839	5,330
RB KAM KTV4	fixed 8.5%	5,015	2009.08.28	2011.08.30	Yes	5,158	5,161
RB KAM KTV5	fixed 8%	10,002	2009.09.23	2011.09.23	Yes	10,219	10,219
RB KAM KTV6	fixed 7.4%	10,000	2009.12.11	2011.12.12	Yes	10,036	10,041
RB KAM KTV7	fixed 7.25%	10,029	2010.02.19	2012.02.20	Yes	10,657	0
RB KAM KTV8	fixed 6.25%	10,000	2010.03.19	2012.03.19	Yes	10,491	0
RB KAM KTV9	fixed 6%	10,000	2010.05.19	2013.05.20	Yes	10,372	0
RB KAM KTV10	fixed 6.50%	4,000	2010.09.30	2012.10.01	Yes	4,066	0
RB KAM KTV11	fixed 6.50%	5,000	2010.11.17	2013.11.18	Yes	5,040	0
RB PB KTV	indexed to EUR/HUF exchange rate (max 11.5%)	0	2009.09.01	2012.09.03	Yes	0	3,000
RB PB KTV2	indexed to EUR/HUF exchange rate (max 10%)	5,500	2009.11.11	2011.11.11	Yes	5,604	5,641
RB PB KTV3	indexed to EUR/HUF exchange rate (max 10%)	3,000	2010.02.12	2013.02.12	Yes	3,186	0

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2010	Carrying amount 2009
RB PB KTV4	indexed to EUR/HUF exchange rate (max 8%)	3,000	2010.03.25	2013.03.25	Yes	2,960	0
RB PB KTV5	indexed to EUR/HUF exchange rate (max 5%)	3,345	2010.04.23	2013.04.23	Yes	3,158	0
RB PB KTV6	indexed to EUR/HUF exchange rate (max 8.5%)	3,000	2010.07.30	2012.07.30	Yes	2,987	0
RB PB KTV7	indexed to EUR/HUF exchange rate (max 8.5%)	3,000	2010.08.13	2012.08.13	Yes	2,973	0
RB PB KTV8	indexed to EUR/HUF exchange rate (max 8.5%)	10,000	2010.08.30	2013.02.28	Yes	9,842	0
RB PB KTV9	indexed to EUR/HUF exchange rate (max 10%)	1,000	2010.12.08	2011.12.08	Yes	1,006	0
RB PB KTV10	indexed to EUR/HUF exchange rate (max 11%)	3,000	2010.12.15	2015.12.15	Yes	2,898	0
RB TB KTV	fixed 7.55%	5,007	2010.05.26	2015.12.30	Yes	5,233	0
RB KAM EUR	fixed 4.76%	2,789	2009.07.24	2011.01.24	Yes	2,982	2,766
RB KAM EUR2	fixed 4.25%	5,576	2009.08.28	2011.08.30	Yes	5,656	5,497
RB KAM EUR3	fixed 3.5%	5,575	2009.10.09	2011.10.10	Yes	5,619	5,460
RB KAM EUR4	fixed 3.25%	5,575	2010.01.27	2012.01.27	Yes	5,743	0
RB KAM EUR5	fixed 2.70%	5,575	2010.04.30	2013.04.30	No	5,676	0
Debt securities issued		***154,422***				***160,914***	***106,372***

Repurchased own debt securities

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2010	Carrying amount 2009
RAIFF 2010/A	*3m BUBOR + 0.2%*	*0*	*2005.12.14*	*2010.12.14*	*Yes*	*0*	*4,712*
RAIFF 2011/A	*3m BUBOR + 0.25%*	*4,141*	*2006.10.04*	*2011.10.04*	*Yes*	*4,196*	*4,182*
RB TREND I.	*indexed to EUR/HUF exchange rate (max 8.5%)*	*0*	*2006.05.30*	*2010.05.30*	*Yes*	*0*	*1,736*
RB TREND III.	*indexed to EUR/HUF exchange rate (max 9%)*	*0*	*2007.06.04*	*2010.06.04*	*Yes*	*0*	*202*
RB TREND IV.	*indexed to EUR/HUF exchange rate (max 9%)*	*0*	*2007.07.16*	*2010.07.16*	*Yes*	*0*	*1,493*
RB TREND V.	*indexed to EUR/HUF exchange rate (max 8.15%)*	*0*	*2007.11.05*	*2010.11.05*	*Yes*	*0*	*471*
RB KAM KTV	*fixed 11.5%*	*2*	*2009.02.25*	*2011.02.25*	*Yes*	*2*	*16*
RB KAM KTV2	*fixed 12.5%*	*17*	*2009.04.16*	*2011.04.16*	*Yes*	*21*	*45*
RB KAM KTV3	*fixed 10%*	*11*	*2009.05.22*	*2011.05.22*	*Yes*	*12*	*50*
RB KAM KTV4	*fixed 8.5%*	*5*	*2009.08.28*	*2011.08.30*	*Yes*	*5*	*24*
RB KAM KTV5	*fixed 8%*	*12*	*2009.09.23*	*2011.09.23*	*Yes*	*12*	*7*
RB KAM KTV6	*fixed 7.4%*	*5*	*2009.12.11*	*2011.12.12*	*Yes*	*5*	*7,393*
RB KAM KTV7	*fixed 7.25%*	*44*	*2010.02.19*	*2012.02.20*	*Yes*	*46*	*0*
RB KAM KTV8	*fixed 6.25%*	*106*	*2010.03.19*	*2012.03.19*	*Yes*	*109*	*0*

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2010	Carrying amount 2009
RB KAM KTV9	fixed 6%	11	2010.05.19	2013.05.20	Yes	11	0
RB KAM KTV10	fixed 6.50%	1	2010.09.30	2012.10.01	Yes	0	0
RB KAM KTV11	fixed 6.50%	3,196	2010.11.17	2013.11.18	Yes	3,221	0
RB PB KTV2	indexed to EUR/HUF exchange rate (max 10%)	0	2009.11.11	2011.11.11	Yes	0	619
RB PB KTV3	indexed to EUR/HUF exchange rate (max 10%)	9	2010.02.12	2013.02.12	Yes	10	0
RB PB KTV4	indexed to EUR/HUF exchange rate (max 8%)	6	2010.03.25	2013.03.25	Yes	6	0
RB PB KTV5	indexed to EUR/HUF exchange rate (max 5%)	2,476	2010.04.23	2013.04.23	Yes	2,527	0
RB PB KTV7	indexed to EUR/HUF exchange rate (max 8.5%)	7	2010.08.13	2012.08.13	Yes	7	0
RB PB KTV8	indexed to EUR/HUF exchange rate (max 8.5%)	0	2010.08.30	2013.02.28	Yes	0	0
RB PB KTV9	indexed to EUR/HUF exchange rate (max 10%)	724	2010.12.08	2011.12.08	Yes	729	0
RB PB KTV10	indexed to EUR/HUF exchange rate (max 11%)	836	2010.12.15	2015.12.15	Yes	836	0
RB TB KTV	fixed 7.55%	166	2010.05.26	2015.12.30	Yes	172	0
RB KAM EUR	fixed 4.76%	3	2009.07.24	2011.01.24	Yes	4	73
RB KAM EUR2	fixed 4.25%	0	2009.08.28	2011.08.30	Yes	0	27
RB KAM EUR3	fixed 3.5%	0	2009.10.09	2011.10.10	Yes	0	662
RB KAM EUR5	fixed 2.70%	2,629	2010.04.30	2013.04.30	No	2,676	0
Repurchased own debt securities		**14,407**				**14,607**	**21,712**
Net debt securities issued		**140,015**				**146,307**	**84,660**

(28) Subordinated liabilities

		2009				
Lender	Borrowed on	Amount in original currency (million)	Original currency	Interest	Due date	Carrying amount (million HUF)
Raiffeisen Zentralbank Österreich AG	2008.03.25	20	EUR	1.73%	2017.09.25	5,442
Raiffeisen Zentralbank Österreich AG	2008.03.31	20	EUR	1.72%	2018.03.30	5,441
Raiffeisen Zentralbank Österreich AG	2008.06.27	30	EUR	4.17%	2020.06.30	8,127
Raiffeisen Zentralbank Österreich AG	2008.06.30	10	EUR	1.74%	2018.12.31	2,709
Raiffeisen Zentralbank Österreich AG	2008.06.30	20	EUR	1.69%	2017.09.29	5,417
Raiffeisen Zentralbank Österreich AG	2008.06.30	20	EUR	1.69%	2017.09.29	5,417
Raiffeisen Zentralbank Österreich AG	2008.06.30	25	EUR	1.69%	2018.06.29	6,772
Raiffeisen Zentralbank Österreich AG	2008.09.30	25	EUR	1.62%	2018.09.28	6,799
Raiffeisen Zentralbank Österreich AG	2009.02.27	20	EUR	7.75%	2019.02.27	5,458
AEGON Mo. Általános Biztosító Zrt.	2001.06.01	8	HUF	9.29%	2011.06.11	8

Lender	Borrowed on	Amount in original currency (million)	Original currency	Interest	Due date	Carrying amount (million HUF)
AEGON Mo. Általános Biztosító Zrt.	2001.07.02	2	HUF	8.96%	2011.07.04	2
AEGON Mo. Általános Biztosító Zrt.	2001.07.02	12	HUF	8.46%	2011.07.04	12
AEGON Mo. Általános Biztosító Zrt.	2001.08.01	13	HUF	8.50%	2011.08.01	13
AEGON Mo. Általános Biztosító Zrt.	2001.08.01	30	HUF	9.00%	2011.08.01	30
AEGON Mo. Általános Biztosító Zrt.	2001.09.03	39	HUF	8.40%	2011.09.05	39
AEGON Mo. Általános Biztosító Zrt.	2001.09.03	65	HUF	8.90%	2011.09.05	65
AEGON Mo. Általános Biztosító Zrt.	2001.10.01	16	HUF	8.50%	2011.10.03	16
AEGON Mo. Általános Biztosító Zrt.	2001.10.01	59	HUF	9.00%	2011.10.03	59
AEGON Mo. Általános Biztosító Zrt.	2001.11.05	6	HUF	8.71%	2011.11.07	6
AEGON Mo. Általános Biztosító Zrt.	2001.11.05	43	HUF	9.21%	2011.11.07	43
AEGON Mo. Általános Biztosító Zrt.	2001.12.03	11	HUF	8.57%	2011.12.05	11
AEGON Mo. Általános Biztosító Zrt.	2001.12.03	38	HUF	9.07%	2011.12.05	38
AEGON Mo. Általános Biztosító Zrt.	2002.01.02	9	HUF	8.46%	2012.04.04	9
AEGON Mo. Általános Biztosító Zrt.	2002.01.02	14	HUF	7.96%	2012.01.04	14
AEGON Mo. Általános Biztosító Zrt.	2002.02.01	9	HUF	8.41%	2012.02.01	9
AEGON Mo. Általános Biztosító Zrt.	2002.02.01	10	HUF	8.91%	2012.02.01	10
AEGON Mo. Általános Biztosító Zrt.	2002.03.01	5	HUF	7.98%	2012.03.01	5
AEGON Mo. Általános Biztosító Zrt.	2002.04.02	13	HUF	8.18%	2012.04.02	13
AEGON Mo. Általános Biztosító Zrt.	2002.05.02	2	HUF	7.48%	2012.05.02	2
AEGON Mo. Általános Biztosító Zrt.	2002.05.02	10	HUF	7.98%	2012.05.02	10
AEGON Mo. Általános Biztosító Zrt.	2002.06.03	12	HUF	8.04%	2012.06.04	12
AEGON Mo. Általános Biztosító Zrt.	2002.07.01	17	HUF	8.47%	2012.07.02	17
AEGON Mo. Általános Biztosító Zrt.	2002.08.01	5	HUF	8.92%	2012.08.01	5
AEGON Mo. Általános Biztosító Zrt.	2002.09.02	12	HUF	8.82%	2012.09.03	12
AEGON Mo. Általános Biztosító Zrt.	2002.10.01	3	HUF	8.65%	2012.10.01	3
AEGON Mo. Általános Biztosító Zrt.	2002.12.02	6	HUF	8.38%	2012.12.03	6
AEGON Mo. Általános Biztosító Zrt.	2003.02.03	11	HUF	7.66%	2013.02.04	11
AEGON Mo. Általános Biztosító Zrt.	2003.05.05	2	HUF	7.66%	2013.05.06	2
AEGON Mo. Általános Biztosító Zrt.	2003.07.01	1	HUF	7.18%	2013.07.01	1
AEGON Mo. Általános Biztosító Zrt.	2003.08.01	1	HUF	7.91%	2013.08.01	1
AEGON Mo. Általános Biztosító Zrt.	2003.09.01	3	HUF	8.38%	2013.09.02	3
AEGON Mo. Általános Biztosító Zrt.	2003.10.01	5	HUF	8.33%	2013.10.01	5
AEGON Mo. Általános Biztosító Zrt.	2003.11.03	6	HUF	8.13%	2013.11.04	6
AEGON Mo. Általános Biztosító Zrt.	2004.02.02	8	HUF	9.15%	2014.02.03	8
AEGON Mo. Általános Biztosító Zrt.	2004.03.01	2	HUF	9.69%	2014.03.03	2
AEGON Mo. Általános Biztosító Zrt.	2004.04.01	1	HUF	9.65%	2014.04.01	1
AEGON Mo. Általános Biztosító Zrt.	2004.05.03	6	HUF	8.91%	2014.05.05	6
AEGON Mo. Általános Biztosító Zrt.	2004.07.01	2	HUF	9.53%	2014.07.01	2
AEGON Mo. Általános Biztosító Zrt.	2004.08.02	5	HUF	9.78%	2014.08.04	5
AEGON Mo. Általános Biztosító Zrt.	2004.09.03	2	HUF	9.35%	2014.09.01	2
Subordinated liabilities						**52,106**

	2010					
Lender	**Borrowed on**	**Amount in original currency (million)**	**Original currency**	**Interest**	**Due date**	**Carrying amount (million HUF)**
Raiffeisen Bank International AG	2008.03.25	20	EUR	1.84%	2017.09.25	5,602
Raiffeisen Bank International AG	2008.03.31	20	EUR	1.84%	2018.03.30	5,601
Raiffeisen Bank International AG	2008.06.27	30	EUR	4.42%	2020.06.30	8,364
Raiffeisen Bank International AG	2008.06.30	20	EUR	1.94%	2017.09.29	5,576
Raiffeisen Bank International AG	2008.06.30	10	EUR	1.99%	2018.12.31	2,788
Raiffeisen Bank International AG	2008.06.30	20	EUR	1.94%	2017.09.29	5,576
Raiffeisen Bank International AG	2008.06.30	25	EUR	1.94%	2018.06.29	6,969
Raiffeisen Bank International AG	2008.09.30	25	EUR	1.74%	2018.09.28	7,000
Raiffeisen Bank International AG	2009.02.27	20	EUR	7.94%	2019.02.27	5,615
AEGON Mo. Általános Biztosító Zrt.	2001.06.01	8	HUF	9.29%	2011.06.11	8
AEGON Mo. Általános Biztosító Zrt.	2001.07.02	2	HUF	8.96%	2011.07.04	2
AEGON Mo. Általános Biztosító Zrt.	2001.07.02	12	HUF	8.46%	2011.07.04	12
AEGON Mo. Általános Biztosító Zrt.	2001.08.01	13	HUF	8.50%	2011.08.01	13
AEGON Mo. Általános Biztosító Zrt.	2001.08.01	30	HUF	9.00%	2011.08.01	30
AEGON Mo. Általános Biztosító Zrt.	2001.09.03	39	HUF	8.40%	2011.09.05	39
AEGON Mo. Általános Biztosító Zrt.	2001.09.03	65	HUF	8.90%	2011.09.05	65
AEGON Mo. Általános Biztosító Zrt.	2001.10.01	59	HUF	9.00%	2011.10.03	59
AEGON Mo. Általános Biztosító Zrt.	2001.10.01	16	HUF	8.50%	2011.10.03	16
AEGON Mo. Általános Biztosító Zrt.	2001.11.05	43	HUF	9.21%	2011.11.07	43
AEGON Mo. Általános Biztosító Zrt.	2001.11.05	6	HUF	8.71%	2011.11.07	6
AEGON Mo. Általános Biztosító Zrt.	2001.12.03	11	HUF	8.57%	2011.12.05	11
AEGON Mo. Általános Biztosító Zrt.	2001.12.03	38	HUF	9.07%	2011.12.05	38
AEGON Mo. Általános Biztosító Zrt.	2002.01.02	9	HUF	8.46%	2012.04.04	9
AEGON Mo. Általános Biztosító Zrt.	2002.01.02	14	HUF	7.96%	2012.01.04	14
AEGON Mo. Általános Biztosító Zrt.	2002.02.01	9	HUF	8.41%	2012.02.01	9
AEGON Mo. Általános Biztosító Zrt.	2002.02.01	10	HUF	8.91%	2012.02.01	10
AEGON Mo. Általános Biztosító Zrt.	2002.03.01	5	HUF	7.98%	2012.03.01	5
AEGON Mo. Általános Biztosító Zrt.	2002.04.02	13	HUF	8.18%	2012.04.02	13
AEGON Mo. Általános Biztosító Zrt.	2002.05.02	10	HUF	7.98%	2012.05.02	10
AEGON Mo. Általános Biztosító Zrt.	2002.05.02	2	HUF	7.48%	2012.05.02	2
AEGON Mo. Általános Biztosító Zrt.	2002.06.03	12	HUF	8.04%	2012.06.04	12
AEGON Mo. Általános Biztosító Zrt.	2002.07.01	16	HUF	8.47%	2012.07.02	16
AEGON Mo. Általános Biztosító Zrt.	2002.08.01	5	HUF	8.92%	2012.08.01	5
AEGON Mo. Általános Biztosító Zrt.	2002.09.02	12	HUF	8.82%	2012.09.03	12
AEGON Mo. Általános Biztosító Zrt.	2002.10.01	3	HUF	8.65%	2012.10.01	3
AEGON Mo. Általános Biztosító Zrt.	2002.12.02	6	HUF	8.38%	2012.12.03	6
AEGON Mo. Általános Biztosító Zrt.	2003.02.03	12	HUF	7.66%	2013.02.04	12
AEGON Mo. Általános Biztosító Zrt.	2003.05.05	3	HUF	7.66%	2013.05.06	3
AEGON Mo. Általános Biztosító Zrt.	2003.07.01	1	HUF	7.18%	2013.07.01	1
AEGON Mo. Általános Biztosító Zrt.	2003.08.01	2	HUF	7.91%	2013.08.01	2

Lender	Borrowed on	Amount in original currency (million)	Original currency	Interest	Due date	Carrying amount (million HUF)
AEGON Mo. Általános Biztosító Zrt.	2003.09.01	3	HUF	8.38%	2013.09.02	3
AEGON Mo. Általános Biztosító Zrt.	2003.10.01	5	HUF	8.33%	2013.10.01	5
AEGON Mo. Általános Biztosító Zrt.	2003.11.03	6	HUF	8.13%	2013.11.04	6
AEGON Mo. Általános Biztosító Zrt.	2004.02.02	8	HUF	9.15%	2014.02.03	8
AEGON Mo. Általános Biztosító Zrt.	2004.03.01	2	HUF	9.69%	2014.03.03	2
AEGON Mo. Általános Biztosító Zrt.	2004.04.01	1	HUF	9.65%	2014.04.01	1
AEGON Mo. Általános Biztosító Zrt.	2004.05.03	6	HUF	8.91%	2014.05.05	6
AEGON Mo. Általános Biztosító Zrt.	2004.07.01	2	HUF	9.53%	2014.07.01	2
AEGON Mo. Általános Biztosító Zrt.	2004.08.02	5	HUF	9.78%	2014.08.04	5
AEGON Mo. Általános Biztosító Zrt.	2004.09.03	2	HUF	9.35%	2014.09.01	2
Subordinated liabilities						**53,617**

The above debts are direct, unconditional and unsecured obligations of the Group, and are subordinated to the claims of the Group's depositors and other creditors.

(29) Other liabilities

	2010	2009
Other taxes payable	2,023	2,499
Giro, postal clearing accounts, cash in transit	5,408	5,702
Suppliers	2,698	3,579
Payables relating to investment activities	45,772	25,767
Accruals	8,809	2,582
Other	4,118	6,544
Other liabilities	**68,828**	**46,673**

(30) Provisions

The following table shows the changes in the provision for commitments and contingencies as at 31 December 2010 and 2009, respectively:

	2010	2009
At beginning of year	**5,479**	**4,334**
Provisions made during the year	6,683	3,674
Release in provisions	(3,438)	(2,250)
Provisions used during the year	0	0
Provisions reversed during the year	(3,438)	(2.250)
Effect of revaluation	107	(279)
Unwinding of discount	0	0
Change in consolidation	47	0
At end of year	**8,878**	**5,479**

(31) Assets and liabilities classified as held for sale and discontinued operations

At the end of 2009, the Group has decided to sell 100% of Euro Green, but the sale has not been realised in 2010. In 2010, the Group decided the sell of Clean Energy and WPSS as well. The management expects these entities to be sold in 2011.

The table below shows the assets and liabilities held for sale as at 31 December 2010 and 2009.

	2010	2009
Assets classified as held for sale		
Net loans	38	117
Property, plant and equipment	13,266	10,412
Goodwill	1,258	1,042
Current tax assets	2	0
Other assets	387	328
	14,951	**11,899**
Liabilities classified as held for sale		
Current tax liabilities	5	0
Other liabilities	165	40
	170	**40**

Profit/(loss) of discontinued operation

Discontinued operation is a component of the Group that either been disposed of or is classified as held for sale.

The Group has lost control over the net assets of RIA on 17th July 2010, therefore income statement and balance sheet is disclosed below.

The sales, expenses, results of RIA presented in the consolidated income statement for the 6 month period ended 30 June 2010 and for the year ended 31 December 2009 were as follows :

	2010.01.01 – 2010.06.30	2009
Net interest income	0	(66)
Net trading income	1,458	4
Net income from derivatives held for risk management	(763)	1,197
Other operating income	(2,522)	(5,304)
Impairment losses	0	82
Other operating expenses	1,635	3,094
Profit/(loss) before tax	**(192)**	**(993)**
Income tax	0	0
Profit/(loss) for the period	**(192)**	**(993)**

Net assets of discontinued operation

The net assets of RIA presented in the consolidated balance sheet as of 30 June 2010 and 31 December 2009 were as follows:

	2010.06.30	2009
Financial assets at fair value through profit or loss	0	168
Available for sale securities	1	1
Property, plant and equipment	6,338	6,710
Investment property	41,192	42,003
Other assets	786	1,239
Total assets	**48,317**	**50,121**
Financial liabilities at fair value through profit or loss	1,276	0
Other liabilities	1,260	1,342
Total liabilities	**2,536**	**1,342**
Net assets	**45,781**	**48,779**

(32) Share capital

As at 31 December 2010 and 2009, the equity structure of the Group consisted of the following classes of shares:

		2009		
Shareholder	Type of share	Number of shares	%	HUF million
Raiffeisen-RBHU Holding GmbH	Ordinary	4,512,914	100.00	45,129
Raiffeisen-RBHU Holding GmbH	Preference	0	0.00	0
Total				**45,129**

		2010		
Shareholder	Type of share	Number of shares	%	HUF million
Raiffeisen-RBHU Holding GmbH	Ordinary	5,909,914	100.00	59,099
Raiffeisen-RBHU Holding GmbH	Preference	0	0.00	0
Total				**59,099**

The Group's authorized, issued, called up and fully paid share capital comprises ordinary shares with a par value of HUF 10,000.

As at 31 December 2010 and 2009, the Group held no treasury shares in its portfolio.

During December 2010 the Bank received HUF 13,970 million capital increase.

During 2010 there were no dividend payments. In 2009 the following dividends were paid: a dividend of 25.47% per share on ordinary shares with a total amount of HUF 11,494 million.

(33) Other reserves

General risk reserve

Local legislation allows the Group to set aside a general risk reserve up to 1.25% of risk-weighted assets and off-balance sheet exposures against inherent risk exposures in addition to those losses which have been specifically identified and those potential losses which experience indicates are present in the portfolio of loans and advances.

The Group had transferred 1.25% of risk-weighted assets of the Bank into general risk reserve until 2008, in 2009 the percent of general risk reserve was reduced from 1.25% to 0.75%. Such amounts are treated as an expense for statutory purposes and are tax deductible; for IFRS purposes, they form part of retained earnings, net of related tax effects (see Note 35). The Group made a reserve of HUF 13,173 million as at 31 December 2010 (2009: HUF 11,928 million).

General reserve

In accordance with section 75 of the No. CXII Hungarian Act of 1996, a general reserve equal to 10% of net income after tax is required to be set aside. Increases in the general reserve are treated as appropriations of retained earnings, as calculated under Hungarian accounting rules and thus are not charged against income. The balance of the general reserve was HUF 5,691 million at 31 December 2010 (2009: HUF 16,491 million). A portion of the General Reserve was released for the loss of the Bank in 2010.

Fair value reserve

Fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognized or impaired.

(34) Non-controlling interest

In 2010 non controlling interest decreased due to loss for the year, and as the consolidation group changed, the Group does not control several entities that were controlled in 2009.

In 2009 non controlling interest increased due to the acquired control of Raiffeisen Ingatlan Alap (RIA), and decreased by the sale of Hungarowind Szélerőmű Üzemeltető Kft. and SCT Hidegkúti út Kft.

(35) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010	2009
Deferred tax assets	*3,069*	*837*
Deferred tax liabilities	*181*	*176*
Net deferred taxes	***2,888***	***661***

	2010			2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Loans	0	2,374	(2,374)	0	1,187	(1,187)
Impairment losses	3,042	0	3,042	2,582	0	2,582
Financial assets at fair value through profit or loss	0	17	(17)	0	16	(16)
Available for sale securities	1,161	0	1,161	520	0	520
Investments in associated undertakings	933	0	933	933	0	933
Investments in unlisted securities	3	0	3	3	0	3
Property, plant and equipment	171	531	(360)	217	664	(447)
Investment property	43	0	43	0	0	0
Intangible assets	0	17	(17)	0	17	(17)
Goodwill	0	161	(161)	0	0	0
Provisions	61	1,998	(1,937)	54	1,930	(1,876)
Other items	116	55	61	167	1	166
Probably useable tax loss carry-forwards	2,511	0	2,511	0	0	0
Net tax assets (liabilities)	**8,041**	**5,153**	**2,888**	**4,476**	**3,815**	**661**

(36) Commitments and contingencies

At any time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loan limits and overdraft facilities.

The Group provides guarantees and letters of credit to guarantee the performance of customers to third parties.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully committed. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if the counterparties failed to perform as contracted.

	2010	2009
	Nominal value	Nominal value
Contingencies		
Import letters of credit	2,763	1,465
Export letters of credit	66	68
Guarantees issued	170,951	195,155
Other contingencies (including litigation)	1,310	2,515
Total contingencies	**175,090**	**199,203**
Commitments		
Unutilized loan facilities	98,784	171,911
Unutilized overdraft facilities	93,117	116,009
Unutilized guarantee frames	70,014	65,079
Total commitments	**261,915**	**352,999**

Repurchase agreements	2010	2009
Genuine repurchase agreements as a borrower (repo agreement)		
Liabilities to bank	*22,055*	*13,175*
Liabilities to customers	*120*	*479*
	22,175	**13,654**
Genuine repurchase agreements as a lender (repo agreement)		
Claims on banks	*20,990*	*8,307*
Claims on customers	*4.538*	*2,498*
	25,528	**10,805**

These commitments and contingent liabilities are exposed to off-balance sheet credit risk because only organization fees and provision for probable losses are recognized in the consolidated statement of financial position until the commitments are fulfilled or expire. Many of these off-balance items will expire without being drawn down in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The Group has a rental commitment for its main offices in Budapest amounting HUF 1,723 million in 2010 for 2011 (in 2009 rental commitment for 2010 amounted to HUF 1,480 million).

(37) Use of estimates and judgements

Management discusses with the Group Supervisory Board the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets measured at amortised cost are tested for impairment on a basis described in the accounting policy (see Note 3).

The specific counterparty component of the total allowances for impairment applies to financial assets tested individually for impairment and is based upon management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances. A monthly recalculation of the portfolio-based loan loss provisions is to be performed to ensure that the model provides the best estimate of provisions.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Valuation of financial instruments, fair value hierarchy

The Group's accounting policy on fair value measurements is discussed in Note 3 h).

The Group measures fair value using the following hierarchy of methods:
Level 1: unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has no such financial instruments of which fair value is determined using significant unobservable inputs (Level 3).

The table below analyses financial instruments carried at fair value, by valuation method:

2009	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
ASSETS									
Cash and cash equivalents	0	120,668	0	0	**120,668**	**120,668**	0	0	0
Placements with banks	0	35,717	0	0	**35,717**	**35,717**	0	0	0
Net loans	0	1,584,009	0	0	**1,584,009**	**1,591,114**	0	0	0
Financial assets at fair value through profit or loss	0	0	13,728	75,277	**89,005**	**89,005**	22,612	66,393	0
Available for sale securities	239,536	0	0	0	**239,536**	**239,536**	97,288	142,248	0
Held to maturity securities	0	150,923	0	0	**150,923**	**144,354**	0	0	0
Investments in associated undertakings	0	634	0	0	**634**	**634**	0	0	0
Investments in unlisted securities	0	39	0	0	**39**	**39**	0	0	0
Property, plant and equipment	0	34,052	0	0	**34,052**	**34,052**	0	0	0
Investment property	0	45,628	0	0	**45,628**	**50,076**	0	0	0
Intangible assets	0	13,866	0	0	**13,866**	**13,866**	0	0	0
Goodwill	0	1,889			**1,889**	**1,889**	0	0	0
Current tax assets	0	2,048	0	0	**2,048**	**2,048**	0	0	0
Deferred tax assets	0	837	0	0	**837**	**837**	0	0	0
Other assets	0	39,121	0	0	**39,121**	**39,121**	0	0	0
Assets classified as held for sale	0	11,899	0	0	**11,899**	**11,899**	0	0	0
Total assets	**239,536**	**2,041,330**	**13,728**	**75,277**	**2,369,871**	**2,374,855**	**119,900**	**208,641**	**0**
LIABILITIES AND EQUITY									
Deposits from banks	0	662,743	0	0	**662,743**	**660,144**	0	0	0
Deposits from non-banks	0	1,308,278	0	0	**1,308,278**	**1,308,440**	0	0	0
Debt securities issued	0	84,660	0	0	**84,660**	**84,106**	0	0	0
Subordinated liabilities	0	52,106	0	0	**52,106**	**52,143**	0	0	0
Financial liabilities at fair value through profit or loss	0	0	13,918	50,492	**64,410**	**64,410**	41	64,369	0
Current tax liabilities	0	3	0	0	**3**	**3**	0	0	0
Deferred tax liabilities	0	176	0	0	**176**	**176**	0	0	0
Provisions	0	5,479	0	0	**5,479**	**5,479**	0	0	0
Other liabilities	0	46,673	0	0	**46,673**	**46,673**	0	0	0
Liabilities classified as held for sale	0	40	0	0	**40**	**40**	0	0	0
Total liabilities	**0**	**2,160,158**	**13,918**	**50,492**	**2,224,568**	**2,221,614**	**41**	**64,369**	**0**

2009	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
Equity attributable to equity holders of the parent	**0**	**116,232**	**0**	**0**	**116,232**	**116,232**	**0**	**0**	**0**
Ordinary shares	0	45,129	0	0	**45,129**	**45,129**	0	0	0
Preference shares	0	0	0	0	**0**	**0**	0	0	0
Issued capital	0	45,129	0	0	**45,129**	**45,129**	0	0	0
Retained earnings	0	44,398	0	0	**44,398**	**44,398**	0	0	0
Statutory reserves	0	28,419	0	0	**28,419**	**28,419**	0	0	0
Non-distributable reserve	0	500	0	0	**500**	**500**	0	0	0
Fair value reserve	0	(2,214)	0	0	**(2,214)**	**(2,214)**	0	0	0
Non controlling interest	0	29,071	0	0	**29,071**	**29,071**	0	0	0
Total equity	**0**	**145,303**	**0**	**0**	**145,303**	**145,303**	**0**	**0**	**0**
Total liabilities, non controlling interest and shareholder's equity	**0**	**2,305,461**	**13,918**	**50,492**	**2,369,871**	**2,366,917**	**41**	**64,369**	**0**

2010	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
ASSETS									
Cash and cash equivalents	0	59,149	0	0	**59,149**	**59,149**	0	0	0
Placements with banks	0	82,575	0	0	**82,575**	**82,575**	0	0	0
Net loans	0	1,573,457	41,363	0	**1,614,820**	**1,621,569**	0	41,363	0
Financial assets at fair value through profit or loss	0	0	11,451	53,946	**65,397**	**65,397**	18,773	46,624	0
Available for sale securities	296,953	0	0	0	**296,953**	**296,953**	130,380	166,573	0
Held to maturity securities	0	143,989	0	0	**143,989**	**143,989**	0	0	0
Investments in associated undertakings	0	0	48	0	**48**	**48**	0	0	48
Investments in unlisted securities	108	0	0	0	**108**	**108**	0	0	108
Property, plant and equipment	0	19,555	0	0	**19,555**	**19,555**	0	0	0
Investment property	0	1,252	0	0	**1,252**	**1,252**	0	0	0
Intangible assets	0	14,332	0	0	**14,332**	**14,332**	0	0	0
Goodwill	0	1,672	0	0	**1,672**	**1,672**	0	0	0
Current tax assets	0	1,827	0	0	**1,827**	**1,827**	0	0	0
Deferred tax assets	0	3,069	0	0	**3,069**	**3,069**	0	0	0
Other assets	0	48,211	0	0	**48,211**	**48,211**	0	0	0
Assets classified as held for sale	0	14,951	0	0	**14,951**	**14,951**	0	0	0
Total assets	**297,061**	**1,964,039**	**52,862**	**53,946**	**2,367,908**	**2,374,657**	**149,153**	**254,560**	**156**

2010	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
LIABILITIES AND EQUITY									
Deposits from banks	0	530,406	0	0	**530,406**	**528,275**	0	0	0
Deposits from non-banks	0	1,318,894	4,803	0	**1,323,697**	**1,323,685**	0	4,803	0
Debt securities issued	0	118,303	28,004	0	**146,307**	**146,245**	0	28,004	0
Subordinated liabilities	0	53,617	0	0	**53,617**	**53,623**	0	0	0
Financial liabilities at fair value through profit or loss	0	0	46,839	37,469	**84,308**	**84,308**	308	84,000	0
Current tax liabilities	0	0	0	0	**0**	**0**	0	0	0
Deferred tax liabilities	0	181	0	0	**181**	**181**	0	0	0
Provisions	0	8,878	0	0	**8,878**	**8,878**	0	0	0
Other liabilities	0	68,828	0	0	**68,828**	**68,828**	0	0	0
Liabilities classified as held for sale	0	170	0	0	**170**	**170**	0	0	0
Total liabilities	**0**	**2,099,277**	**79,646**	**37,469**	**2,216,392**	**2,214,193**	**308**	**116,807**	**0**
Equity attributable to equity holders of the parent	**0**	**151,264**	**0**	**0**	**151,264**	**151,264**	**0**	**0**	**0**
Ordinary shares	0	59,099	0	0	**59,099**	**59,099**	0	0	0
Preference shares	0	0	0	0	**0**	**0**	0	0	0
Issued capital	**0**	**59,099**	**0**	**0**	**59,099**	**59,099**	**0**	**0**	**0**
Retained earnings	0	77,964	0	0	**77,964**	**77,964**	0	0	0
Statutory reserves	0	18,864	0	0	**18,864**	**18,864**	0	0	0
Non-distributable reserve	0	500	0	0	**500**	**500**	0	0	0
Fair value reserve	0	(5,163)	0	0	**(5,163)**	**(5,163)**	0	0	0
Non controlling interest	0	252	0	0	**252**	**252**	0	0	0
Total equity	**0**	**151,516**	**0**	**0**	**151,516**	**151,516**	**0**	**0**	**0**
Total liabilities, non controlling interest and shareholder's equity	**0**	**2,250,793**	**79,646**	**37,469**	**2,367,908**	**2,365,709**	**308**	**116,807**	**0**

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy.
The valuation methods of financial instruments carried at fair value are also presented in this table, but are commented in Note 38.

(38) Accounting classifications and fair values

The estimated fair values disclosed above are designated to approximate values at which these instruments could be exchanged in an arm's length transaction. However, many of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques (see Note 3 h) and Note 38), which are significantly affected by the assumptions used on the amount and timing of the estimated future cash flows and discount rates. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured.

The methods and, when a valuation technique is used, the assumptions applied in determining fair values of financial instruments were as follows:

I) Cash and cash equivalents, Placements with banks

Due to their short term nature, the carrying amounts of Cash and cash equivalents and Placements with banks are a reasonable approximation of their fair value.

II) Loans and advances to customers

For determining the fair value of these assets, future anticipated cash flows are discounted to their present value using current market interest rates.

III) Investments in securities

Quoted market prices are used for exchange-traded securities and listed debt instruments. The fair value of Hungarian government bonds classified as trading or available-for-sale are measured according to the reference price index announced by the Government Debt Management Agency. The fair value of the securities is the market price quoted on the stock exchange (where such price exists). If no quoted price exists, the fair value is the discounted present value of the contractual cash-flows at the revaluation date.

IV) Derivatives

The fair value of exchange-traded derivatives is the quoted price.

The fair value of single currency, cross-currency swaps and interest rate futures are calculated on the basis of discounted, anticipated future cash flows. In doing so, the Group applies the market rates applicable for the remaining maturity of the financial instruments.

The fair value of forward exchange transactions is computed on the basis of current forward rates. Options are valued using price quotations or generally acceptable models (Black-Scholes model) used to calculate the price of options. Exotic options and swaptions are valued according to the principals stated in the Valuation Manual of the Group.

In order to hedge the future cash-flows from certain loans the Group has entered into interest rate swap transactions however hedge accounting is not applied for these loans. The fair value of these hedged loans is the discounted present value of the future cash-flows at balance sheet date. These loans are measured at amortised cost in the consolidated statement of financial position.

V) Deposits from banks, Deposits from customers

Fair value of Deposits from banks and Deposits from customers are determined using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is assumed to be the amount payable on demand at the balance sheet date.

VI) Debt securities issued, Subordinated liabilities

Fair value of debt securities issued is determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments. Fair value of subordinated liabilities is calculated by discounting the future cash flows.

(39) Related parties

The Group's related parties include the parent company, associates, joint ventures, key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held by key management personnel or their close family members.

Transactions with related parties

Related parties have transacted with the Group during the period as follows:

	2009			
Related parties	Parent company and its group	Consolidated subsidiaries	Associates	Key Management Personnel
Assets	**70,034**	**191,574**	**18,674**	**163**
Placements with banks	59,700	0	0	0
Loans and advances to customers	0	180,938	18,674	163
Financial assets at fair value through profit or loss	9,379	0	0	0
Available for sale securities	0	8,539	0	0
Other assets	955	2,097	0	0
Liabilities	**323,276**	**14,369**	**4,046**	**239**
Financial liabilities at fair value through profit or loss	4,575	0	0	0
Deposits from banks	266,915	0	0	0
Deposits from non-banks	13	14,273	4,046	239
Debt securities issued	0	0	0	0
Subordinated liabilities	51,582	0	0	0
Other liabilities	191	96	0	0
Income statement	**16,863**	**6,229**	**415**	**(844)**
Interest income	615	10,180	680	6
Interest expense	(8,895)	(571)	(300)	(5)
Net fee and commission income	(521)	1,370	35	0
Other operating income	28,152	2,344	0	0
Personnel expenses	0	0	0	(845)
Other operating expenses	(2,488)	(7,094)	0	0
Contingencies and commitments	**10,028**	**75,588**	**0**	**0**
Undrawn commitments to extend credit	4,497	61,222	0	0
Guarantees	5,531	14,366	0	0

Related parties	2010 Parent company and its group	Consolidated subsidiaries	Associates	Key Management Personnel
Assets	**111,581**	**105,857**	**3,967**	**126**
Placements with banks	65,096	0	0	0
Loans and advances to customers	37,424	103,884	3,967	126
Financial assets at fair value through profit or loss	8,118	0	0	0
Available for sale securities	0	0	0	0
Other assets	943	1,973	0	0
Liabilities	**260,021**	**6,868**	**574**	**88**
Financial liabilities at fair value through profit or loss	55,265	0	0	0
Deposits from banks	146,050	0	0	0
Deposits from non-banks	5,054	6,747	574	88
Debt securities issued	0	0	0	0
Subordinated liabilities	53,093	0	0	0
Other liabilities	559	121	0	0
Income statement	**(365)**	**2,313**	**129**	**(692)**
Interest income	25,872	4,466	88	8
Interest expense	(16,183)	(224)	(6)	(17)
Net fee and commission income	(191)	1,129	47	2
Other operating income	(8,119)	1,627	0	0
Personnel expenses	0	0	0	(685)
Other operating expenses	(1,744)	(4,685)	0	0
Contingencies and commitments	**4,749**	**91,142**	**0**	**0**
Undrawn commitments to extend credit	364	90,764	0	0
Guarantees	4,385	378	0	0

The above transactions were made in the ordinary course of business and on substantially the same terms and conditions, including interest rates and security, as for third parties.

No impairment losses have been recorded against balances outstanding during the period with related parties, and no specific allowance has been made for impairment losses on balances with related parties at the period end.

(40) Group entities

The subsidiaries and associates of the Group and their activities are the follows:

Company	Ownership ratio 2010	Ownership ratio 2009	Residence of the Company	Brief description of activities
Subsidiaries				
AFFOREST Agrárenergetikai Kft.	20.00%	20.00%	4130 Derecske, Dobó I. u. 6.	Sylviculture production
BUTÁR Gazdasági Szolgáltató Kft.	100.00%	100.00%	2030 Érd, Budai út 22.	Activities of collection agencies and credit bureaus
CLEAN ENERGY Szolgáltató és Termelő Kft.	50.00%	50.00%	1087 Bp., Hungária krt. 40-44.	Electricity production
Deko-Plastic Műanyagipari Kft.	100.00%	100.00%	2030 Érd, Budai út 22.	Manufacture of other plastic products
EURO GREEN ENERGY Fejlesztő és Szolgáltató Kft.	42.50%	50.00%	1087 Bp., Hungária krt. 40-44.	Electricity production
Gergely utca Kft.	a.)	8.10%	1052 Bp., Váci u. 19-21.	Development of building projects
Győri-Kert Agrárenergetikai Kft.	25.00%	25.00%	8051 Sárkeresztes, József A. u. 24.	Sylviculture production
Harmadik Vagyonkezelő Kft.	a.)	10.00%	1052 Bp., Váci u. 19-21.	Activities of holding companies
Kawa Energetika Kft.	30.50%	25.50%	1087 Bp., Hungária krt. 40-44.	Steam and air conditioning supply
Késmárk utca 11. Ingatlanhasznosító Kft.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Buying and selling of own real estate
Raiffeisen Autó Lízing Kft.	50.00%	50.00%	1087 Bp., Hungária krt. 40-44.	Sale of cars and light motor vehicles
Raiffeisen Befektetési Alapkezelő Zrt.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Fund management activities
Raiffeisen Biztosításközvetítő Kft.	99.00%	99.00%	1054 Bp., Akadémia u. 6.	Activities of insurance agents and brokers
Raiffeisen Energiaszolgáltató Kft.	50.00%	50.00%	1087 Bp., Hungária krt. 40-44.	Activities of holding companies
Raiffeisen Eszköz Lízing Zrt.	50.00%	50.00%	1087 Bp., Hungária krt. 40-44.	Financial leasing
Raiffeisen Eszközértékesítő Kft.	50.00%	50.00%	1087 Bp., Hungária krt. 40-44.	Sale of cars and light motor vehicles
Raiffeisen Gazdasági Szolgáltató Zrt.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Other professional, scientific and technical activities n.e.c.
Raiffeisen Ingatlan Alap	a.)	0.00%	1054 Bp., Akadémia u. 6.	Development of building projects
Raiffeisen Ingatlan Üzemeltető és Szolgáltató Kft.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Development of building projects
Raiffeisen Ingatlan Vagyonkezelő Kft.	a.)	10.00%	1052 Bp., Váci u. 19-21.	Activities of holding companies
Raiffeisen Lízing Zrt.	50.00%	50.00%	1087 Bp., Hungária krt. 40-44.	Financial leasing
Raiffeisen Property Lízing Zrt.	100.00%	100.00%	1087 Bp., Hungária krt. 40-44.	Financial leasing
Raiffeisen Torony Kft.	a.)	8.30%	1052 Bp., Váci u. 19-21.	Development of building projects
RB Kereskedőház Kereskedelmi Kft.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Wholesale of metals and metal ores
RLP Somlói út Kft.	a.)	8.10%	1052 Bp., Váci u. 19-21.	Development of building projects
SCT Beruházás Ingatlanfejlesztő és Ingatlanhasznosító Kft.	78.33%	78.66%	2030 Érd, Budai út 22.	Development of building projects
SCT Kárász utca Ingatlankezelő Kft.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Management of real estate on a fee or contract basis
SCT Krautland Kft.	a.)	7.30%	1052 Bp., Váci u. 19-21.	Buying and selling of own real estate
SCT Tündérkert Kft.	100.00%	100.00%	1054 Bp., Akadémia u. 6.	Buying and selling of own real estate
SCT Zivatar Kft.	a.)	7.55%	1052 Bp., Váci u. 19-21.	Development of building projects
SCTAI Angol iskola Ingatlanfejlesztő és Ingatlanhasznosító Kft.	81.00%	81.00%	1052 Bp., Váci u. 19-21.	Development of building projects

SCTB Ingatlanfejlesztő és Ingatlanhasznosító Kft.	*100.00%*	*100.00%*	*1054 Bp., Akadémia u. 6.*	*Buying and selling of own real estate*
SCTE Kft.	*a.)*	*0.00%*	*1054 Bp., Akadémia u. 6.*	*Development of building projects*
SCTJ Ingatlanfejlesztő és Ingatlanhasznosító Kft.	*73.00%*	*73.00%*	*1052 Bp., Váci u. 19-21.*	*Buying and selling of own real estate*
SCTM Nyíregyháza Kft. "v.a."	*a.)*	*10.00%*	*2030 Érd, Budai út 22.*	*Development of building projects*
SCT-OBI 1 Kft.	*a.)*	*10.00%*	*1052 Bp., Váci u. 19-21.*	*Development of building projects*
SCTP Biatorbágy Kft.	*a.)*	*7.53%*	*1052 Bp., Váci u. 19-21.*	*Development of building projects*
SCTS Ingatlanfejlesztő és Ingatlanhasznosító Kft.	*80.00%*	*80.00%*	*1052 Bp., Váci u. 19-21.*	*Development of building projects*
SPC Vagyonkezelő Kft.	*100.00%*	*100.00%*	*1054 Bp., Akadémia u. 6.*	*Buying and selling of own real estate*
SPV Krautland Nord Kft.	*a.)*	*10.00%*	*1052 Bp., Váci u. 19-21.*	*Buying and selling of own real estate*
SZELET Energiatermelő és Szolgáltató Kft.	*50.00%*	*50.00%*	*9022 Győr, Lukács S. u. 7.*	*Electricity production*
T+T 2003 Ingatlanhasznosító Kft.	*100.00%*	*100.00%*	*1054 Bp., Akadémia u. 6.*	*Development of building projects*
TB Invest Zrt.	*a.)*	*4.00%*	*2030 Érd, Budai út 22.*	*Buying and selling of own real estate*
W.P.S.S. Energetikai Kft.	*50.00%*	*50.00%*	*1087 Bp., Hungária krt. 40-44.*	*Electricity production*
Wipark Budavár Kft.	*a.)*	*5.00%*	*1052 Bp., Váci u. 19-21.*	*Service activities incidental to land transportation*

Company	***Ownership ratio 2010***	***Ownership ratio 2009***	***Residence of the Company***	***Brief description of activities***
Associates				
Csörsz utca Ingatlanfejlesztő Kft.	*a.)*	*3.67%*	*1052 Bp., Váci utca 19-21.*	*Buying and selling of own real estate*
Middle Outlet Ingatlanfejlesztő és Ingatlanhasznosító Kft.	*40.67%*	*40.67%*	*2030 Érd, Budai út 22.*	*Buying and selling of own real estate*
New Outlet Center Ingatlan-fejlesztő és Ingatlanhasznosító Kft.	*40.67%*	*40.67%*	*2030 Érd, Budai út 22.*	*Buying and selling of own real estate*
SCT MILFAV Kft.	*a.)*	*3.68%*	*1052 Bp., Váci utca 19-21.*	*Development of building projects*
SCT Üllő Kft.	*a.)*	*4.00%*	*1052 Bp., Váci utca 19-21.*	*Development of building projects*
SCTF Szentendre Kft.	*a.)*	*4.13%*	*1052 Bp., Váci utca 19-21.*	*Buying and selling of own real estate*
Upper Land Ingatlanforgalmazó és Ingatlanhasznosító Kft.	*40.67%*	*40.67%*	*2030 Érd, Budai út 22.*	*Buying and selling of own real estate*

a.) Loss of control

The management is committed to sell the Group's share in Euro Green Energy Fejlesztő és Szolgáltató Kft, CLEAN ENERGY Szolgáltató és Termelő Kft és W.P.S.S. Energetikai Kft. The sale is expected to be completed within one year.

(41) Funds management

The Group manages 1 close-ended (2009: 1) and 24 open-ended (2009: 21) investment funds via Raiffeisen Befektetési Alapkezelő Zrt, a fully owned and consolidated subsidiary. However, as the funds themselves are not controlled by the Group, they are not consolidated. For funds management services provided by the Group, funds should pay certain fees and commission that is presented as „Net fee and commission income" (see Note 7). In 2010 and 2009, transactions with the funds themselves were as follows:

	2010	2009
Managed funds	***160,187***	***111,518***
Open-ended funds	*94,678*	*64,318*
Close-ended funds	*65,509*	*47,200*
Net fee and commission income from funds	*2,002*	*652*
Deposits from funds	*54,333*	*29,330*
Interest expense on deposits from funds	*1,720*	*2,251*

(42) Segment information

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments," which defines requirements for the disclosure of financial information of an entity's operating segments. It follows the "management approach", which requires presentation of the segments on the basis of the internal reports about components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance. The Group's risk and rates of return are affected predominantly by differences in its products and services, so segment information is presented in respect of the Group's business segments.

The following summary describes the operation in each of the Group's reportable segments:

Retail and private segment: the private banking segment provides a wide range of financial services to customers. It mainly comprises lending and deposit taking activities. The Group's retail banking segment also provides credit and bank card facilities and investment services to customers.

Corporate segment: within corporate banking the Group provides corporations and institutions with a wide range of financial products and services. As well as traditional lending and deposit taking activities, the segment provides project and structured finance products and syndicated loans.

Bank and treasury segment: the Group provides banks with a wide range of financial products and services; as well as traditional lending and deposit taking activities. All kinds of investment activities (investment advice, brokerage services, derivative trading and other investment services) are also provided.

Other segment: it contains financial services to governments, local municipalities, social institutions, and residual items which can not be directly allocated to business segments (mainly general administration expenses) are included in this category.

2009	Corporate	Retail/ Private	Bank/ treasury	Other	Total
ASSETS					
Cash and cash equivalents	0	0	120,668	0	**120,668**
Placements with banks	0	0	35,717	0	**35,717**
Loans	968,981	632,856	0	96,018	**1,697,855**
Less: loss value on loans	68,255	44,194	0	1,398	**113,847**
Net loans	900,727	588,662	0	94,620	**1,584,009**
Financial assets at fair value through profit or loss	933	0	88,072	0	**89,005**
Available for sale securities	0	0	238,536	1,000	**239,536**
Held to maturity securities	13	0	145,487	5,423	**150,923**
Investments in associated undertakings	630	0	4	0	**634**
Investments in unlisted securities	0	0	39	0	**39**
Property, plant and equipment	12,509	0	0	21,543	**34,052**
Investment property	45,628	0	0	0	**45,628**
Intangible assets	0	0	0	13,866	**13,866**
Goodwill	0	0	0	1,889	**1,889**
Current tax assets	0	0	0	2,048	**2,048**
Deferred tax assets	0	0	0	837	**837**
Other assets	24,891	4,308	1,604	8,318	**39,121**
Assets classified as held for sale	11,899	0	0	0	**11,899**
Total assets	**997,230**	**592,970**	**630,127**	**149,544**	**2,369,871**
LIABILITIES AND EQUITY					
Deposits from banks	0	0	662,732	11	**662,743**
Deposits from non-banks	582,361	583,654	3	142,260	**1,308,278**
Debt securities issued	4,141	72,122	7,443	954	**84,660**
Subordinated liabilities	524	0	51,582	0	**52,106**
Financial liabilities at fair value through profit or loss	0	0	64,410	0	**64,410**
Current tax liabilities	0	0	0	3	**3**
Deferred tax liabilities	0	0	0	176	**176**
Provisions	4,761	373	6	339	**5,479**
Other liabilities	17,815	7,630	4,518	16,710	**46,673**
Liabilities classified as held for sale	40	0	0	0	**40**
Total liabilities	**609,642**	**663,779**	**790,694**	**160,453**	**2,224,568**
Equity attributable to equity holders of the parent	0	0	0	116,232	**116,232**
Ordinary shares	0	0	0	45,129	**45,129**
Issued capital	0	0	0	45,129	**45,129**
Retained earnings	0	0	0	44,398	**44,398**
Statutory reserves	0	0	0	28,419	**28,419**
Tied capital reserve	0	0	0	500	**500**
Fair value reserve	0	0	0	(2,214)	**(2,214)**
Non controlling interest	0	0	0	29,071	**29,071**
Total equity	**0**	**0**	**0**	**145,303**	**145,303**
Total liabilities, non controlling interest and shareholder's equity	**609,642**	**663,779**	**790,694**	**305,756**	**2,369,871**

2009	Corporate	Retail/Private	Bank/treasury	Other	Total
INCOME STATEMENT					
Interest income	81,893	60,508	40,569	9,828	**192,798**
Interest expense	28,107	52,319	34,536	16,676	**131,638**
Fee and commission income	8,444	18,153	0	2,628	**29,225**
Fee and commission expenses	2,061	5,000	881	369	**8,311**
Dividend income	43	0	0	0	**43**
Net trading income	0	0	14,838	0	**14,838**
Net income from derivatives held for risk management	0	0	36,518	0	**36,518**
Other operating income	7,592	9	6,192	2,614	**16,407**
Impairment losses	21,835	48,234	0	3,068	**73,137**
OTHER INFORMATION					
Capital expenditure	30,225	4,113	166	445	**5,751**
Depreciation and amortization	4,199	4,998	201	551	**6,998**

2010	Corporate	Retail/ Private	Bank/ treasury	Other	Total
ASSETS					
Cash and cash equivalents	0	0	43,624	15,525	**59,149**
Placements with banks	0	0	82,575	0	**82,575**
Loans	1,030,982	674,750	0	60,137	**1,765,869**
Less: loss value on loans	91,909	58,614	0	526	**151,049**
Net loans	939,073	616,136	0	59,611	**1,614,820**
Financial assets at fair value through profit or loss	15,322	3,200	11,077	35,798	**65,397**
Available for sale securities	5,111	0	114,870	176,972	**296,953**
Held to maturity securities	1,180	0	0	142,809	**143,989**
Investments in associated undertakings	48	0	0	0	**48**
Investments in unlisted securities	96	0	0	12	**108**
Property, plant and equipment	973	0	12	18,570	**19,555**
Investment property	1,252	0	0	0	**1,252**
Intangible assets	3	0	0	14,329	**14,332**
Goodwill	0	0	0	1,672	**1,672**
Current tax assets	0	0	0	1,827	**1,827**
Deferred tax assets	0	0	0	3,069	**3,069**
Other assets	8,485	2 ,356	2,638	34,732	**48,211**
Assets classified as held for sale	13,642	0	0	1,309	**14,951**
Total assets	**985,185**	**621,692**	**254,796**	**506,235**	**2,367,908**
LIABILITIES AND EQUITY					
Deposits from banks	0	0	487,393	43,013	**530,406**
Deposits from non-banks	706,249	485,669	799	130,980	**1,323,697**
Debt securities issued	0	153,285	(14,603)	7,625	**146,307**
Subordinated liabilities	524	0	53,093	0	**53,617**
Financial liabilities at fair value through profit or loss	1,443	0	18,958	63,907	**84,308**
Current tax liabilities	0	0	0	0	**0**
Deferred tax liabilities	0	0	0	181	**181**
Provisions	7,124	825	6	923	**8,878**
Other liabilities	5,567	6,324	17,119	39,818	**68,828**
Liabilities classified as held for sale	66	0	0	104	**170**
Total liabilities	**720,973**	**646,103**	**562,765**	**286,551**	**2,216,392**

2010	Corporate	Retail/ Private	Bank/ treasury	Other	Total
Equity attributable to equity holders of the parent	**0**	**0**	**0**	**151,264**	**151,264**
Ordinary shares	0	0	0	59,099	**59,099**
Issued capital	0	0	0	59,099	**59,099**
Retained earnings	0	0	0	77,964	**77,964**
Statutory reserves	0	0	0	18,864	**18,864**
Tied capital reserve	0	0	0	500	**500**
Fair value reserve	0	0	0	(5,163)	**(5,163)**
Non controlling interest	0	0	0	252	**252**
Total equity	**0**	**0**	**0**	**151,516**	**151,516**
Total liabilities, non controlling interest and shareholder's equity	**720,973**	**646,103**	**562,765**	**438,067**	**2,367,908**
INCOME STATEMENT					
Interest income	64,896	56,714	5,459	25,521	**152,590**
Interest expense	22,737	22,979	23,231	13,163	**82,110**
Fee and commission income	11,163	16,769	0	1,770	**29,702**
Fee and commission expenses	3,342	5,266	52	163	**8,823**
Dividend income	27	0	0	0	**27**
Net trading income	(385)	0	12,091	(392)	**11,314**
Net income from derivatives held for risk management	0	0	0	25,007	**25,007**
Other operating income	4,282	3	(3,381)	7,354	**8,258**
Impairment losses	37,980	19,385	0	253	**57,618**
OTHER INFORMATION					
Capital expenditure	2,322	2,390	37	1,745	**6,494**
Depreciation and amortization	1,233	2,921	275	3,284	**7,713**

Measurement of segment profit or loss

Segment reporting under IFRS 8 requires a presentation of the segment results based on management reporting methods with reconciliation between the results of the business segments and the consolidated financial statements. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information which are regularly reviewed by the chief operating decision maker.

(43) Events after the balance sheet date

There have been no significant events after the balance sheet date.

End of Cosolidated Financial Statements

Consolidated income statement in euro

(EUR million)	2010	2009
Interest and similar income	**547**	**713**
- on cash and cash equivalents	9	17
- on placements with banks	3	49
- on loans to non-banks	447	547
- on securities	77	85
- from leases	11	15
Interest expenses and similar charges	**294**	**487**
- on borrowings from banks	63	97
- on deposits from non-banks	193	368
On debt securities issued	33	14
On subordinated liabilities	5	8
Net interest income	**253**	**226**
Fee and commission income	107	108
Fee and commission expenses	32	31
Net fee and commission income	**75**	**77**
Dividend income	0	0
Net trading income	41	55
Net income from derivatives held for risk management	90	135
Other operating income	30	61
Operating income	**161**	**251**
Impairment losses	**207**	**270**
Personnel expenses	113	102
Rental expenses	28	30
Equipment expenses	23	24
Other operating expenses	142	149
Operating expenses	**306**	**305**
Share of profits of associates	**0**	**0**
Profit before tax	**(24)**	**(21)**
Income tax expense	1	6
Deferred tax	(6)	(13)
Profit for the period	**(19)**	**(14)**
Attributable to:		
Equity holders of the parent	(5)	6
Non controlling interest	(14)	(20)

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2010 was 278,75 HUF/EUR in 2009 was 270,84 HUF/EUR.

Consolidated balance sheet in euro

(EUR million)	2010	2009
ASSETS		
Cash and cash equivalents	212	446
Placements with banks	296	132
Loans and advances to customers	5,793	5,849
Financial assets at fair value through profit or loss	235	329
Available for sale securities	1,065	884
Held to maturity securities	517	557
Investments in associated undertakings	0	2
Investments in unlisted securities	0	0
Property, plant and equipment	70	126
Investment property	4	168
Intangible assets	51	51
Goodwill	6	7
Current tax assets	7	8
Deferred tax assets	11	3
Other assets	175	144
Assets classified as held for sale	54	44
Total assets	**8,496**	**8,750**
LIABILITIES AND EQUITY		
Deposits from banks	1,903	2,447
Deposits from non-banks	4,749	4,830
Debt securities issued	525	313
Subordinated liabilities	192	192
Financial liabilities at fair value through profit or loss	302	238
Current tax liabilities	0	0
Deferred tax liabilities	1	1
Provisions	32	20
Other liabilities	247	172
Liabilities classified as held for sale	1	0
Total liabilities	**7,952**	**8,213**
Equity attributable to equity holders of the parent	**543**	**430**
Ordinary shares	212	167
Preference shares	0	0
Share capital	**212**	**167**
Retained earnings	280	164
Statutory reserves	68	105
Non-distributable reserve	2	2
Fair value reserve	(19)	(8)
Non controlling interest	**1**	**107**
Total equity	**544**	**537**
Total liabilities, non controlling interest and shareholder's equity	**8,496**	**8,750**

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2010 was 278,75 HUF/EUR in 2009 was 270,84 HUF/EUR.

Raiffeisen Leasing Zrt.

The leasing market in 2010

Based on statistics published by the Hungarian Leasing Association, new placements fell by nearly 35% compared to 2009, to HUF 300 billion. On the positive side, however, the rate of decrease fell, as the extent of decline from 2008 to 2009 had been 60%. Alongside the drop in new financing volume, repayment under existing contracts was rendered more difficult by the soaring value of the Swiss franc, and thus, overall, the portfolio managed by the leasing companies, grew further in forint terms, to HUF 2,138 billion.

New placements fell in every segment of the leasing market.

Vehicle financing, which accounts for close to half of the market, fell by a total of 30% in 2010. Although the majority of customers are still private individuals, the ratio of fleet sales doubled in comparison to the previous year, which is further evidence that the share of private individuals is gradually falling relative to small and medium-sized companies.

In the agricultural machines market the expiry of previous government funding sources and the lack of new subsidies had a significant impact on new placements, which fell by close to 70%.

Overall, placements in machine and equipment financing fell by a total of 39%, and in large commercial vehicle financing by 18%. According to forecasts, it is in this latter segment that growth is likely to begin first.

Business results of 2010

Raiffeisen Leasing Zrt. is owned by Raiffeisen Bank Zrt. and the Austrian Raiffeisen International Leasing GmbH, with each holding a 50% share in the company, which over the past 18 years since its inception in 1993 has become a major player in the Hungarian leasing market. The Raiffeisen Leasing Group consists of Raiffeisen Leasing Zrt. as the parent company, Raiffeisen Equipment Leasing Zrt., Raiffeisen Auto Leasing Kft. and Raiffeisen Energy Services Kft.

As a result of the economic crisis, which hit the leasing market harder than it did most other sectors, Raiffeisen Leasing Zrt., similarly to other market players, significantly cut back on its new financing volumes and focused instead on improving the quality of the interest-bearing portfolio, on restructuring existing placements to maintain the solvency of its customers and thus ensure a maximum return on financing, and on efficient portfolio management.

The restructuring schemes launched in 2009 in line with the new efficiency-improvement expectations were implemented, and a system that resulted in close collaboration and a strengthening of organisational ties with Raiffeisen Bank Zrt. was established, in which leasing, as the optimal form of asset financing, became a complementary element in the financial services offered by the Raiffeisen bank group in Hungary, primarily for the purpose of offering a full and universal service to customers of the Bank.

Starting from June 2010, in the corporate segment emphasis was placed on the boosting of lease-financing activities associated with the new strategic priorities and aimed mostly at the bank group's clientele, as well as on increasing the volume of new deals. In addition, significant steps were taken towards developing standard lease financing products for servicing the SME and retail segments through the Bank's sales network. However, these products will be finalised and fully introduced only gradually, during the course of 2012 to 2013.

The previous practice of business-line separation based on the nature of the financed assets (cars, large commercial vehicles, machines and equipment, real estate) was discontinued in 2010. It was replaced by a service and sales model based on customer segmentation that satisfies the requirements of the new leasing strategy and the expectations of the Raiffeisen banking group, and thus, starting from the second half of 2010, the leasing sales and sales support activities were performed by two separate groups. One of the units (the Corporate Lease Financing Support Group) is responsible for satisfying the leasing needs of corporate clientele that are difficult to standardise and require individual customer care and non-standard approval processes, while the other team (the Retail Lease Financing Support Group) supports the more easily standardisable, 'mass' lease servicing of the retail and SME segment with regard to both new deals and portfolio management tasks, regardless of the type of the financed assets involved.

Business plans for 2011

In 2011 Raiffeisen Leasing Zrt. plans to redefine its target markets and to develop a much more intensive relationship with its parent bank, which will enable it, by making more placements in the less risky segments, to build a secure and reliable portfolio.

Deals will be focused on lease facilities that draw on collaborative efforts with the parent bank, take into account the shared interests of the bank group, and that combine the advantages of asset-based financing with a direct, customer-based approach. In this sense 2011 represents a turning point in the life of the company, as in this year the foundations for a rational, secure and appropriately profitable new portfolio will need to be laid and new deals will need to be stepped up for the purpose of offsetting the decline in the interest-bearing portfolio and of reversing that trend.

Among the objectives set for the company for 2011, the continued enhancement of the efficiency of internal operations is to receive priority, together with keeping costs down to a reasonable level. The company plans to achieve this efficiency improvement through a continuation of the reorganisation project and through various business-process review and optimisation projects.

Raiffeisen Investment Fund Management Zrt.

Market environment

In 2009 the price of virtually every risky asset rose, and this process continued in 2010, albeit more selectively. Some markets were capable of sustaining, almost unabated, the increase that had begun in March of the previous year; however, the equity markets of certain countries – principally those with weaker fundamentals on the periphery of Europe, and emerging markets burdened with expectations of interest rate increases – started to fall or simply mark time. This duality was also mirrored in the closer region, as the risk-averse sentiment that flared up from time to time boosted demand for the Swiss franc and government securities from the core markets, while yields in peripheral European countries climbed steeply. Another key event in 2010 was the substantial movement in the exchange rate of the US dollar and the euro, which accurately reflected the prevailing market sentiment.

The general upward tendency displayed by the equity markets in the first quarter was followed by a significant correction, resulting from two important processes: one of these was the loss of macroeconomic stability in the peripheral European countries, which "infected" global appetite for risk, while the other factor was the impact of worries about growth in the US economy. Both problems have been resolved to a certain degree (contributing to the improvement in performance in the second half): the European central states, led by Germany, threw a lifeline to the periphery in conjunction with the European Central Bank, while US growth – owing in no small measure to budgetary and monetary intervention – has found its feet and begun to accelerate. Hungary's trading floor, however, had difficulty swallowing the new government's economic measures, which were anything but market-friendly. The new ruling party Fidesz won the elections with a large majority and few specific economic pledges. The crisis taxes levied as a part of their first economic package had an unfavourable effect on attitudes to all Hungarian blue chips, heightening the role of political risk. An additional factor contributing to the poor performance of the BUX index was the plan to dismantle the system of compulsory private pension schemes, since these funds had been continuously active buyers during the previous years. Consequently, the BUX effectively remained stagnant over the year as a whole, while the MSCI World Index, which measures the average performance of the developed equity markets, rose by 22% in forint terms.

As a result of the domestic bond market's outstanding performance in the first quarter, by mid-April the 10-year yield fell to a local low (6.4%), while government securities with a shorter term were available at a yield of less than 5%. Most market players predicted further interest-rate cuts by the National Bank of Hungary (MNB), while the euro/forint exchange rate looked set to break through the 260 barrier. While in April the MNB did reduce the benchmark rate by 25 basis points, to an all-time low, the growing uneasiness among the global investor community in May marked the end of that particular cycle of interest rate increases. The panic that gripped the world's capital markets from the end of April onwards, primarily due to the Greek state bankruptcy and fears of its repercussions, also had a notable impact on the expected yields of Hungarian government securities. In response to these events the finance ministers of the European Union, together with the ECB and the IMF, decided to extend a HUF 750 billion lifeline. The assistance package, which entailed a major role for the ECB and was intended to address the debt problems of the eurozone as a whole, only reassured investors temporarily. This was because most market players believed that even with the lifeline Greece would not be able to avoid sovereign bankruptcy. In the second half of the year global sentiment was fundamentally positive, but the growing domestic economic-policy risks and Hungary's split with the IMF prevented an atmosphere of optimism from sustainably taking root in the domestic bond market.

Added to this, at the end of the year the MNB embarked on a cycle of interest-rate increases, while the credit rating agencies downgraded Hungary's sovereign debt to the lowest investment grade.

The investment fund market, following the 19% growth of 2009, expanded by a further 26% in 2010. Within this figure, however, the assets of public open-end funds grew by "only" 18% (around HUF 340 billion). At the end of the year, assets in public open-end funds totalled HUF 2,200 billion. Assets managed in closed-end funds topped HUF 650 billion at the end of 2010, which represents growth of over 70% in the space of a year. Since these funds are primarily related to private pension fund portfolios, this segment is set to undergo a considerable shake-up in 2011. Substantial growth was displayed by the liquidity funds (+29%), mixed funds (+28%) and derivative funds (+59%), while the great winner of previous years, the guaranteed/capital protected segment, was effectively stagnant. Assets managed in real estate funds grew by more than 44%; however, this increase was attributable to a single fund. The category with the highest asset volume continued to be that of the liquidity funds, totalling HUF 950 billion in 2010; but the volume of assets managed in bond funds rebounded to almost HUF 300 billion again.

Results of the business year 2010

Raiffeisen Investment Fund Management Zrt. successfully leveraged the growth opportunities inherent in the market for investment products. A major factor contributing to this was the commitment of the Bank, and especially the retail division, to the sale of investment products. Beneficial changes were implemented in both the organisational and the incentives system. Raiffeisen Fund Management, meanwhile, also implemented its own measures to improve the sales focus on investment products, such as setting up an independent sales group, strengthening cooperation between the divisions, and overhauling the commission structure. Also aimed at furthering and building on the favourable changes were our efforts to improve our fund management and product development operations and internal marketing activities.

The annual average growth in assets under our management, which exceeded the target figure, would also have resulted in our operating profit target being exceeded, but the costs of the unforeseen bank tax and changes to the commission structure mean that operating profit remained at the planned level. Our costs other than commissions and tax-related expenditures also came in on target.

The profit from financial transactions considerably exceeded the planned figure, since it was decided that facility management company Raiffeisen Ingatlan Üzemeltető Kft. (Raiffeisen Property Management Ltd.), which is owned by Raiffeisen Fund Management, would pay dividend, which had not been included in the original plan. Together with the dividend payable by the facility management company, Raiffeisen Fund Management exceeded its pre-tax profit target by more than 30% and its after-tax profit target by 50%. (The difference stems from a change in the rate of corporate tax).

Business plans for 2011

In 2011 the capital market cannot be expected to maintain the momentum of last year, and a small correction may even be on the cards. The shrinkage in private pension fund assets will have a negative impact on the investment fund market. Raiffeisen Fund Management has a relatively low exposure to private pension funds, and will therefore only be affected by this to a limited degree. At the same time, the fixed-term capital guaranteed derivative funds managed by Raiffeisen Fund Management are due to mature in large volume in 2011, and it appears at present that it will only be possible to partially offset this. The planned sale of property in the real estate funds, and the subsequent planned yield payout, will further reduce the size of the managed portfolio. The Bank's commitment remains, but the one-off impact of last year's organisational changes, and the notably higher base figures, raise the prospect of a slower rate of growth. The Bank has adopted an open architecture for the sale of investment funds, essentially in all of the customer segments, which means that Fund Management will have to work harder to maintain its share of sales within the Bank. In the interest of consolidating our position attained thus far, we will further expand our sales support activities, and place particular emphasis on communicating our performance, and on our internal marketing activities. We plan to launch funds that employ new asset management solutions. In our cooperation with the divisions we are focusing on raising the profitability of our funds, a process that we intend to strengthen through a transformation of the sales commission structure.

Between the effective date of the balance sheet and the date of its drafting, no significant events occurred that might have given rise to any material changes, or that might have materially influenced the operations of the Company.

The Company does not engage in research and development.

The Company does not possess any assets of key importance from an environmental-protection perspective.

Raiffeisen Insurance Mediator Kft.

Market environment

In 2010 the main objective of our operations was to generate commission revenue on the sales of insurance policies within the Raiffeisen Bank Group, with a special focus on retail customers. The mediated insurance products fall into two categories: those sold indirectly through the Bank, and those sold directly by the insurance mediator. The former group typically includes payment protection insurance (PPI), the "Gondoskodás", KMI and asset insurance policies related to bank products; while the latter comprises Premium risk life insurance, "Spektrum" regular premium unit-linked, "Jövő és Biztonság" guaranteed maturity benefit life insurance, and stand-alone asset insurance policies. The tougher market environment of 2010 impacted sales of the Bank's products, which had a knock-on effect on the sales potential of PPI cover; besides this, the low level of savings activity was detrimental to sales of the "Spektrum" and "Jövő és Biztonság" products, which are typically linked to saving schemes.

Results of the business year 2010

Our sales activities primarily targeted the retail and SME divisions of Raiffeisen Bank Zrt. Specifically, we focused on the sale of PPI (payment protection insurance) policies related to the Bank's credit products, the "Gondoskodás" policy offered alongside bank accounts, and asset and liability cover either bundled with mortgage loans or offered as a stand-alone product, as well as the unit-linked ("Spektrum") policies offered in combination with investment products, and the "Jövő és Biztonság" guaranteed maturity benefit policies.

Besides this we had to fulfil the insurance requirements related to the existing portfolio of Raiffeisen Leasing Zrt, as well as the Bank Group's own assets (TSD), and cater to the individual needs of the Bank's Retail (RET/PI) and Corporate (RET/SB) directorates. The difficulties experienced in the vehicle financing segment led to a drop in market volume in this area.

Sales of the asset and liability insurance policies developed for the Bank SB to be marketed as an accompaniment to SME mortgage loans, due to the simple sales process and the favourable premiums, rose steadily throughout the year despite the hostile economic environment, with the volume achieving penetration of 300-400% by the second half of 2010.

In terms of profit, the company came close to achieving the target figure given in the forecast. This was mainly due to the sales of investment-related insurance polices, the work of the Bank's branch network as a sub-agent, and the favourable agreements concluded with the insurance companies. Although the growth in sales volume, and the commission revenue generated as a result (43%) was above the average for the insurance market, it nevertheless failed to reach the target figures set in 2009. However, this was also partly due to the impact of the detrimental market events that unfolded concurrently. The main sources of income were the "Spektrum" unit-linked policies and the "Jövő és biztonság" term policies sold through the RET/PI department.

Plans for 2011

In 2011 major product developments are in the pipeline with regard to investment insurance policies, which are expected to generate additional revenue. A regular-premium, off-line unit-linked product will be introduced, while a single-premium unit-linked product is under development, and the company also plans to prioritise the launch of remote selling. The aim of this latter endeavour is to target the Bank's existing customer base with insurance products (typically OOI and "Gondoskodás").

In the year 2010 the Company did not launch any research and development projects.
The Company does not have a branch office.

With regard to the employee headcount, the requirements arising from currently foreseeable potential orders are as follows: in the course of 2011, in all probability, the number of administrative employees will not rise.

In keeping with its commitment to the environment, in the course of its operations RIM only provides insurance support for the implementation of projects which – based on the available information – fully comply with the environmental protection regulations. Where this is not the case, the company draws the client's attention to this fact.

RIM's main source of revenue is the commission received from the insurance companies on the sale of insurance policies. When determining the rate of such commission, in most cases the Company's professional background, as well as the volume of and quality of business generated by the RBH Group, are taken into consideration.

Raiffeisen Insurance Mediator Kft. does not apply true-value valuations, but values its assets and liabilities in accordance with the general regulations.

Since 2011, due to the change in the market environment, Raiffeisen Bank Zrt. has been particularly reliant on the work of Raiffeisen Insurance Mediator Kft. The activities of Raiffeisen Insurance Mediator Kft., and its objective defined at the time of its foundation, remain unchanged.

Central offices and branches in Hungary

Central Offices

H-1054 Budapest, Akadémia u. 6.
Postal address: Budapest 1700
Phone: 00 36 (1) 484-4400
Fax: 00 36 (1) 484-4444
Telex: 223-172, 223-123
Swift: UBRTHUHB
Internet: www.raiffeisen.hu
e-mail: info@raiffeisen.hu

Affiliated Companies

Raiffeisen Investment Fund Management Zrt.
1054 Budapest, Akadémia u. 6.
Phone: 06 40-484848
Fax: 00 36 (1) 477-8499

Raiffeisen Leasing Zrt.
1087 Budapest, Hungária krt. 40-47.
Phone: (1) 298-8100
Fax: (1) 298-8010

Raiffeisen Insurance Mediator Kft.
1054 Budapest, Akadémia u. 6.
Phone: 06-40-484848
Fax: (1) 477-8701

Branches

Raiffeisen Direkt
Phone: 06-40-484848

Ajka
8400 Ajka, Szabadság tér 4.
Fax: (88) 510-228

Baja
6500 Baja, Dózsa György út 12.
Fax: (79) 521-611

Balassagyarmat
2660 Balassagyarmat, Rákóczi út 17.
Fax: (35) 501-131

Békés
5630 Békés, Széchenyi tér 5.
Fax: 66/510-321

Békéscsaba
5600 Békéscsaba, Andrássy út 19.
Fax: (66) 520-230

5600 Békéscsaba, Szabadság tér 1-3.
Fax: (66) 519-251

Budaörs
2040 Budaörs, Templom tér 22.
Fax: (23) 427-751

Budapest 1st District
1011 Budapest, Batthyány tér 5–6.
Fax: (1) 489-4831

1015 Budapest, Széna tér 1/a.
Fax: (1) 489-4409

Budapest 2nd District
1024 Budapest, Lövőház u. 2-6.
(Mammut)
Fax: (1) 505-5811

1027 Budapest, Margit krt. 3.
Fax: (1) 336-3551

Budapest 3rd District
1039 Budapest, Heltai Jenő tér 1–3.
Fax: (1) 454-7651

1037 Budapest,
Montevideo utca 16/b 3. emelet
Fax: (1) 439-3401

1037 Budapest, Szépvölgyi út 41.
Fax: (1) 430-3230

1037 Budapest, Vörösvári út 131.
Fax: (1) 439-2741

Budapest 4th District
1045 Budapest, Árpád út 183–185.
Fax: (1) 272-2381

1042 Budapest, Árpád út 88.
Fax: (1) 231-8049, (1) 231-8059

Budapest 5th District
1054 Budapest, Akadémia u. 6.
Fax: (1) 484-4444

1053 Budapest, Ferenciek tere 2.
Fax: (1) 486-2909

1053 Budapest, Kecskeméti u. 14.
Fax: (1) 486-3299, (1) 486-3298

Budapest 6th District
1066 Budapest, Teréz krt. 62.
Fax: (1) 354-2890

1062 Budapest, Váci út 1-3.
(1) 237-1261

1066 Budapest, Teréz krt. 12.
Fax: (1) 413-3101

1061 Budapest, Andrássy út 1.
Fax: (1) 411-2029

Budapest 7th District
1072 Budapest, Rákóczi út 44.
Fax: (1) 462-5071

1077 Budapest, Baross G. tér 17.
Fax: (1) 413-2021

Budapest 8th District
1087 Budapest, Hungária krt. 40-44.
Fax: (1) 323 2851

1088 Budapest, Rákóczi út 1–3.
Fax: (1) 235-2051

1082 Budapest,
Harminckettesek tere 6-9.
Fax: (1) 459-1001

1085 Budapest, Üllői út 36.
Fax: (1) 235-1060

Budapest 10th District
1102 Budapest,
Kőrösi Csoma Sándor u. 6.
Fax: (1) 434-2701

Budapest 11th District
1117 Budapest, Hunyadi János u. 19.
Fax: (1) 887-0221

1114 Budapest, Bartók Béla út 41.
Fax: (1) 279-2701

1114 Budapest, Bocskai út 1.
Fax: (1) 279-2629

Budapest 12th District
1123 Budapest, Alkotás u. 1/a.
Fax: (1) 489-5391

1126 Budapest, Királyhágó tér 8–9.
Fax: (1) 487-1060

Budapest 13th District
1134 Budapest, Lehel út 70-76.
Fax: (1) 877-8371

1139 Budapest, Váci út 81.
Fax: (1) 451-3001

Budapest 14th District
1141 Budapest,
Nagy Lajos király útja 212-214.
Fax: (1) 422-4471

1148 Budapest, Örs vezér tere 24.
Fax: (1) 422-3901

Budapest 15th District
1152 Budapest, Szentmihályi út 137.
Fax: (1) 415-2281

Budapest 16th District
1165 Budapest, Jókai u. 2-4.
Fax: (1) 402-2181

Budapest 17th District
1174 Budapest, Ferihegyi út 74.
Fax: (1) 254-0191

Budapest 18th District
1181 Budapest, Üllői út 417.
Fax: (1) 297-1771

Budapest 19th District
1191 Budapest, Üllői út 259.
Fax: (1) 347-3011

Budapest 20th District
1203 Budapest,
Kossuth Lajos u. 21–29.
Fax: (1) 289-7021

Budapest 21st District
1211 Budapest, Kossuth L. u. 85.
Fax: (1) 278-5251

Budapest 22nd District
1222 Budapest, Nagytétényi út 37-43.
Fax: (1) 362-8151

Budapest 23th District
1230 Budapest, Hősök tere 14.
Fax: (1) 421-3091

Cegléd
2700 Cegléd, Kossuth tér 10/a.
Fax: (53) 505-301

Celldömölk
9500 Celldömölk, Koptik Odó u. 1/a.
Fax: (95) 525-251

Csorna
9300 Csorna, Soproni út 81.
Fax: (96) 592-201

Debrecen
4026 Debrecen, Bem tér 14.
Fax: (52) 524-650

4024 Debrecen, Piac u. 18.
Fax: (52) 503-211

4026 Debrecen, Péterfia utca 18.
Fax: (52) 503-355

Dombóvár
7200 Dombóvár,
Kossuth Lajos u. 65–67.
Fax: (74) 566-311

Dunakeszi
2120 Dunakeszi, Nádas u. 6. (Auchan)
Fax: (27) 548-161

Dunaújváros
2400 Dunaújváros, Vasmű út 39.
Fax: (25) 510-331

2400 Dunaújváros,
Dózsa György út 4/d.
Fax: (25) 511-281

Edelény
3780 Edelény, Borsodi út 2.
Fax: (48) 524-061

Eger
3300 Eger, Jókai utca 5-7.
Fax: (36) 510-810

3300 Eger, Dr. Sándor Imre u. 4.
Fax: (36) 510-311

Érd
2030 Érd, Budai út 22.
Fax: (23) 521-331

Esztergom
2500 Esztergom,
Kossuth Lajos u. 14.
Fax: (33) 510-271, (33) 510-279

Fertőd
9431 Fertőd, Fő utca 12.
Fax: (99) 537-661

Gödöllő
2100 Gödöllő, Gábor Áron utca 5.
Fax: (28) 525-051

Gyöngyös
3200 Gyöngyös, Fő tér 12.
Fax: (37) 505-281

Győr
9021 Győr, Arany János u. 28–32.
Fax: (96) 514-899

9024 Győr, Vasvári P. út 1/a.
Fax: (96) 514-591

Gyula
5700 Gyula, Városház u. 23.
Fax: (66) 560-261

Hajdúböszörmény
4220 Hajdúböszörmény,
Kossuth L. u. 5.
Fax: (52) 560-311

Hajdúszoboszló
4200 Hajdúszoboszló,
Szilfákalja u. 40.
Fax: (52) 557-181

Hatvan
3000 Hatvan, Kossuth tér 16.
Fax: (37) 542-051

Hódmezővásárhely
6800 Hódmezővásárhely,
Kossuth tér 6.
Fax: (62) 535-541

Jászberény
5100 Jászberény,
Lehel vezér tér 32–33.
Fax: (57) 505-151

Kalocsa
6300 Kalocsa,
Szent István király utca 37.
Fax: (78) 563-781

Kaposvár
7400 Kaposvár, Berzsenyi D. u. 1–3.
Fax: (82) 527-210

7400 Kaposvár, Fő u. 18.
Fax: (82) 527-911

Karcag
5300 Karcag, Kossuth tér 5.
Fax: (59) 500-311

Kazincbarcika
3700 Kazincbarcika,
Egressy Béni u. 19.
Fax: (48) 510-601

Kecskemét
6000 Kecskemét, Kisfaludy u. 5.
Fax: (76) 503-504

6000 Kecskemét, Kossuth tér 6–7.
Fax: (76) 503-111

Keszthely
8360 Keszthely, Széchenyi u. 1–3.
Fax: (83) 515-270

Kiskőrös
6200 Kiskőrös, Petőfi Sándor tér 8.
Fax: (78) 513-601

Kiskunfélegyháza
6100 Kiskunfélegyháza, Mártírok u. 2.
Fax: (76) 561-511

Kiskunhalas
6400 Kiskunhalas,
Bethlen Gábor tér 5.
Fax: (77) 521-071

Kisvárda
4600 Kisvárda, Mártírok útja 3.
Fax: (45) 500-861

Komárom
2900 Komárom, Mártírok útja 14.
Fax: (34) 540-820

Körmend
9900 Körmend, Bástya u. 1.
Fax: (94) 592-801

Makó
6900 Makó, Széchenyi tér 9–11.
Fax: (62) 511-331

Marcali
8700 Marcali, Rákóczi F. u. 25–27.
Fax: (85) 515-081

Mátészalka
4700 Mátészalka, Kölcsey u. 10.
Fax: (44) 500-901

Mezőtúr
5400 Mezőtúr, Szabadság tér 16.
Fax: (56) 516-981

Miskolc
3527 Miskolc, Bajcsy-Zs. u. 2–4.
Fax: (46) 501-566

3525 Miskolc, Erzsébet tér 2.
Fax: (46) 503-071

3528 Miskolc, Széchenyi u. 28.
Fax: (46) 500-801

Mohács
7700 Mohács, Széchenyi tér 1.
Fax: (69) 511-271

Monor
2200 Monor, Kossuth Lajos utca 71/a.
Fax: (29) 611-141

Mór
8060 Mór, Deák Ferenc u. 2.
Fax: (22) 563-371

Mosonmagyaróvár
9200 Mosonmagyaróvár,
Szent István király u. 117.
Fax: (96) 566-231

Nagykanizsa
8800 Nagykanizsa,
Deák Ferenc tér 11–12.
Fax: (93) 509-801

Nyírbátor
4300 Nyírbátor, Szabadság tér 5.
Fax: (42) 510-691

Nyíregyháza
4400 Nyíregyháza, Kossuth tér 7.
Fax: (42) 508-929

4400 Nyíregyháza,
Korányi Frigyes u. 5.
Fax: (42) 548-351

4400 Nyíregyháza, Szegfű u. 75.
Fax: (42) 594-291

Orosháza
5900 Orosháza, Könd u. 33.
Fax: (68) 512-281

Oroszlány
2840 Oroszlány, Rákóczi út 26.
Fax: (34) 560-781

Ózd
3600 Ózd, Sárli u. 4.
Fax: (48) 570-431

Pápa
8500 Pápa, Fő tér 15.
Fax: (89) 510-851

Pécs
7621 Pécs, Irgalmasok útja 5.
Fax: (72) 526-231

7624 Pécs, Rókus u. 1.
Fax: (72) 517-851

7622 Pécs, Bajcsy-Zsilinszky u. 11.
Fax: (72) 523-261

Pilisvörösvár
2085 Pilisvörösvár, Fő út 77.
Fax: (26) 530-721

Salgótarján
3100 Salgótarján, Bem út 2–3.
Fax: (32) 523-011

Sárvár
9600 Sárvár, Batthyány u. 12.
Fax: (95) 520-830

Sátoraljaújhely
3980 Sátoraljaújhely, Kossuth tér 6.
Fax: (47) 523-381

Siófok
8600 Siófok, Szabadság tér 4.
Fax: (84) 519-531

Sopron
9400 Sopron, Széchenyi tér 14–15.
Fax: (99) 506-389, (99) 506-385

Szarvas
5540 Szarvas, Rákóczi u. 2.
Fax: (66) 514-351

Szeged
6722 Szeged,
Kossuth Lajos sugarút 9–13.
Fax: (62) 549-701

6720 Szeged, Széchenyi tér 15.
Fax: (62) 558-088

Székesfehérvár
8000 Székesfehérvár, Távírda u. 1.
Fax: (22) 511-789

8000 Székesfehérvár, Palotai út 1.
Fax: (22) 511-955

Szekszárd
7100 Szekszárd, Széchenyi u. 37–39.
Fax: (74) 528-541

Szentendre
2000 Szentendre, Városház tér 4.
Fax: (26) 501-411

Szentes
6600 Szentes, Kossuth L. u. 13.
Fax: (63) 561-051

Szigetszentmiklós
2310 Szigetszentmiklós,
Vak Bottyán u. 18.
Fax: (24) 525-581

Szolnok
5000 Szolnok, Szapáry út 22.
Fax: (56) 516-210

Szombathely
9700 Szombathely, Fő tér 36.
Fax: (94) 506-690

9700 Szombathely, Fő tér 15.
Fax: (94) 513-111

Tapolca
8300 Tapolca, Fő tér 4–8.
Fax: (87) 511-231

Tata
2890 Tata, Ady Endre u. 25.
Fax: (34) 586-801

Tatabánya
2800 Tatabánya, Győri út 25.
Fax: (34) 514-534

2800 Tatabánya, Fő tér 20.
Fax: (34) 513-171

Tiszaújváros
3580 Tiszaújváros,
Bethlen Gábor út 17.
Fax: (49) 544-251

Vác
2600 Vác, Széchenyi utca 28–32.
Fax: (27) 518-221

Várpalota
8100 Várpalota, Szabadság tér 5.
Fax: (88) 592-501

Vecsés
2220 Vecsés, Fő út 246-248.
Fax: (29) 557-901

Veszprém
8200 Veszprém, Kossuth u. 11.
Fax: (88) 576-541

8200 Veszprém, Budapest út 4.
Fax: (88) 590-271

Zalaegerszeg
8900 Zalaegerszeg,
Kossuth Lajos u. 21–23.
Fax: (92) 597-333

Addresses and contacts

Raiffeisen Bank International AG

Ausztria
Am Stadtpark 9
1030 Wien
Phone: +43-1-71 707 0
Fax: +43-1-71 707 1715
www.rbinternational.com
ir@rbinternational.com
rbi-pr@rbinternational.com

Banking network

Albania
Raiffeisen Bank Sh.a.
European Trade Center
Bulevardi "Bajram Curri"
Tirana
Phone: +355-4-238 1000
Fax: +355-4-2275 599
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus
Priorbank, JSC
31A V. Khoruzhey
220002 Minsk
Phone: +375-17-289 9090
Fax: +375-17-289 9191
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina
Raiffeisen Bank d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Phone: +387-33-287 101
Fax: +387-33-213 851
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria
Raiffeisenbank (Bulgaria) EAD
18/20 Ulica N. Gogol
1504 Sofia
Phone: +359-2-9198 5101
Fax: +359-2-943 4528
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia
Raiffeisenbank Austria d.d.
Petrinjska 59
10 000 Zagreb
Phone: +385-1-456 6466
Fax: +385-1-481 1624
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvezdova 1716/2b
140 78 Prague 4
Phone:+ 420-221-141 111
Fax: +420-221-142 111
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Akadémia utca 6
1054 Budapest
Phone: +36-1-484 4400
Fax: +36-1-484 4444
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Rruga UÇK, No. 51
10 000 Pristina
Phone: +381-38-222 222
Fax: +381-38-20 30 1130
SWIFT/BIC: RBKOCS22
www.raiffeisen-kosovo.com

Poland
Raiffeisen Bank Polska S.A.
Ul. Piekna 20
00-549 Warsaw
Phone: +48-22-585 2001
Fax: +48-22-585 2585
SWIFT/BIC: RCBWPLPW
www.raiffeisen.pl

Romania
Raiffeisen Bank S.A.
Piata Charles de Gaulle 15
011857 Bucharest 1
Phone: +40-21-306 1000
Fax: +40-21-230 0700
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
ZAO Raiffeisenbank
Smolenskaya-Sennaya sq., 28
119002 Moscow
Phone: +7-495-721 9900
Fax: +7-495-721 9901
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia
Raiffeisen banka a.d.
Bulevar Zorana Djindjica 64a
11070 Novi Beograd
Phone: +381-11-320 2100
Fax: +381-11-220 7080
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
811 06 Bratislava 1
Phone: +421-2-5919 1111
Fax: +421-2-5919 1110
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Slovenia
Raiffeisen Banka d.d.
Zagrebska cesta 76
2000 Maribor
Phone: +386-2-229 3100
Fax: +386-2-303 3442
SWIFT/BIC: KREKSI22
www.raiffeisen.si

Ukraine
Raiffeisen Bank Aval JSC
Vul. Leskova, 9
01011 Kiev
Phone: +38-044-490 8888
Fax: +38-044-285 3231
SWIFT/BIC: AVAL UA UK
www.aval.ua

Leasing companies

Austria
Raiffeisen-Leasing International GmbH
Am Stadtpark 3
1030 Vienna
Phone: +43-1-71 707 2966
Fax: +43-1-71 707 2059
www.rli.co.at

Albania
Raiffeisen Leasing Sh.a.
Rruga Kavajës 44
Tirana
Phone: +355-4-274 920
Fax: +355-4-2232 524
www.raiffeisen-leasing.al

Belarus
JLLC Raiffeisen Leasing
31A V. Khoruzhey
220002 Minsk
Phone: +375-17-289 9394
Fax: +375-17-289 9394
www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb, Building B
71000 Sarajevo
Phone: +387-33-254 354
Fax: +387-33-212 273
www.rlbh.ba

Bulgaria
Raiffeisen Leasing Bulgaria OOD
Business Park Sofia
Building 7B, 4th floor
1766 Sofia
Phone: +359-2-491 9191
Fax: +359-2-974 2057
www.rlbg.bg

Croatia
Raiffeisen Leasing d.o.o.
Radnicka cesta 43
10000 Zagreb
Phone: +385-1-6595 000
Fax: +385-1-6595 050
www.rl-hr.hr

Czech Republic
Raiffeisen-Leasing s.r.o.
Hvezdova 1716/2b
14078 Prague 4
Phone: +420-221-5116 11
Fax: +420-221-5116 66
www.rl.cz

Hungary
Raiffeisen Lízing Zrt.
Hungária krt. 40-44.
1087 Budapest
Phone: +36-1-298 8000
Fax: +36-1-298 8010
www.raiffeisenlizing.hu

Kazakhstan
Raiffeisen Leasing Kazakhstan LLP
146, Shevchenko st., Flat 1
050008 Almaty
Phone: +7-727-3785 430
Fax: +7-727-3785 447
www.rlkz.kz

Kosovo
Raiffeisen Leasing Kosovo
Str. Agim Ramadani, No. 15
10000 Pristina
Phone: +381-38-2222 22
Fax: +381-38-2030 3011

Moldova
ICS Raiffeisen Leasing SRL
51 Alexandru cel Bun
2012 Chisinau
Phone: +373-22-2793 13
Fax: +373-22-2783 81
www.raiffeisen-leasing.md

Poland
Raiffeisen-Leasing Polska S.A.
Ul. Prosta 51
00838 Warsaw
Phone: +48-22-32 63 600
Fax: +48-22-32 63 601
www.rl.com.pl

Romania
Raiffeisen Leasing IFN S.A.
Nusco Tower
Sos Pipera nr 42, Etaj 1A
020112 Sector 2, Bucharest
Phone: +40-21-306 9696
Fax: +40-37-287 9988
www.raiffeisen-leasing.ro

Russia
OOO Raiffeisen Leasing
Stanislavskogo St. 21/1
109004 Moscow
Phone: +7-495-721 9980
Fax: +7-495-721 9572
www.rlru.ru

Serbia
Raiffeisen Leasing d.o.o.
Milutina Milankovica 134a
11070 Novi Beograd
Phone: +381-11-20177 00
Fax: +381-11-71300 81
www.raiffeisen-leasing.rs

Slovakia
Tatra Leasing s.r.o.
Hodžovo námestie 3
81106 Bratislava 1
Phone: +421-2-5919 3168
Fax: +421-2-5919 3048
www.tatraleasing.sk

Slovenia
Raiffeisen Leasing d.o.o.
Tivolska 30 (Center Tivoli)
1000 Ljubljana
Phone: +386-1-241 6250
Fax: +386-1-241 6268
www.rl-sl.com

Ukraine
LLC Raiffeisen Leasing Aval
Moskovskiy Prospect, 9
Corp. 5 office 101
04073 Kiev
Phone: +38-044-590 2490
Fax: + 38-044-200 0408
www.rla.com.ua

Real estate leasing companies

Czech Republic
Raiffeisen Leasing
Real Estate s.r.o.
Hvezdova 1716/2b
14078 Prague 4
Phone: +420-2-215116 10
Fax: +420-2-215116 41
www.realestateleasing.cz

Branches and representative offices - Europe

France
RBI Representative Office Paris
9-11, Avenue Franklin D. Roosevelt
75008 Paris
Phone: +33-1-4561 2700
Fax: +33-1-4561 1606

Germany
RBI Representative Office Frankfurt
Mainzer Landstrasse 51
60329 Frankfurt am Main
Phone: +49-69-2992 1918
Fax: +49-69-2992 1922

Italy
RBI Representative Office Milan
Via Andrea Costa 2
20131 Milan
Phone: +39-02-2804 0646
Fax: +39-02-2804 0658

Russia
RBI Representative Office Moscow
Smolenskaya-Sennaya sq., 28
119002 Moscow
Phone: +7-495-721 9905
Fax: +7-495-721 9907

Spain
RBI Representative Office Madrid
Príncipe de Vergara 11, 4°C
28001 Madrid
Phone: +34-91-431 6536
Fax: +34-91-431 8772

Sweden
RBI Representative Office Nordic Countries
Drottninggatan 89
P.O. Box 3294
10365 Stockholm
Phone: +46-8-440 5086
Fax: +46-8-440 5089

UK
RBI London Branch
10, King William Street
London EC4N 7TW
Phone: +44-20-7929 2288
Fax: +44-20-7933 8099

Branches and representative offices Asia and America

China
RBI Beijing Branch
Beijing International Club 200
2nd floor
Jianguomenwai Dajie 21
100020 Beijing
Phone: +86-10-653 23388
Fax: +86-10-653 25926

RBI Representative Office Hong Kong
Unit 2106-08, 21st Floor,
Tower One, Lippo Centre
89 Queensway, Hong Kong
Phone: +85-2-2730 2112
Fax: +85-2-2730 6028

RBI Xiamen Branch
Unit 01-02, 32/F, Zhongmin Building
No. 72 Hubin North Road
Xiamen
Fujian Province
361012 China
Phone: +86-592-2623 988
Fax: +86-592-2623 998

India
RBI Representative Office Mumbai
803, Peninsula Heights
C.D. Barfiwala Road, Andhere (W)
400 058 Mumbai
Phone: +91-22-2623 0657
Fax: +91-22-2624 4529

Korea
RBI Representative Office Korea
Leema Building, 8th floor
146-1, Soosong-dong
Chongro-ku
Seoul 110-755
Phone: +82-2-398 5840
Fax: +82-2-398 5807

Singapore
RBI Singapore Branch
One Raffles Quay
#38-01 North Tower
Singapore 048583
Phone: +65-6305 6000
Fax: +65-6305 6001

USA
RB International Finance (USA) LLC
1133, Avenue of the Americas,
16th Floor
10036 New York
Phone: +01-212-845 4100
Fax: +01-212-944 2093
http://usa.rbinternational.com

RBI Representative Office New York
1133, Avenue of the Americas,
16th Floor
10036 New York
Phone: +01-212-593 7593
Fax: +01-212-593 9870

Vietnam
RBI Representative Office Ho Chi Minh City
6 Phung Khac Khoan Street,
Room G6
District 1, Ho Chi Minh City
Phone: +84-8-3829 7934
Fax: +84-8-3822 1318

Raiffeisen Zentralbank AG Austria

Am Stadtpark 9
1030 Vienna
Phone: +43-1-26216 0
Fax: +43-1-26216 1715
www.rzb.at

Selected Raiffeisen specialist companies

F.J. Elsner Trading Gesellschaft m.b.H.
Am Heumarkt 10
1030 Vienna
Phone: +43-1-79 736 0
Fax: +43-1-79 736 9142
www.elsner.at

Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft
Wipplingerstraße 25
1010 Vienna
Phone: +43-1-53 451 269
Fax: +43-1-53 451 233
www.kathrein.at

Raiffeisen-Leasing International Gesellschaft m.b.H.
Am Stadtpark 3
1030 Vienna
Phone: +43-1-71707 2966
Fax: +43-1-71707 76 2966
www.rli.co.at

Last update: 15.03.2011.

Raiffeisen Bank Zrt. Annual Report 2010
Exchange rate (National Bank of Hungary) as at 31 December 2009: 1 EUR = 270,84 HUF
Exchange rate (National Bank of Hungary) as at 31 December 2010: 1 EUR = 278,75 HUF

The Publisher undertakes liabilitiy for the correctness of the data and the statements in the present publication and hereby states that it has not failed to disclose any fact that is of relevance in assessing the Bank's position. The Publisher is aware that the Bank is liable for any damage caused by failure of disclosure or by disclosure of misleading content.

Published by Raiffeisen Bank Zrt. • Executive publisher: Heinz Wiedner, Chief Executive Officer