Annual Report 2013

Raiffeisen BANK Hungary

Consolidated key data of Raiffeisen Bank Zrt.

Monetary values in euro mn	2013	Változás	2012
Income statement			
Net interest income	150	(1.32%)	152
Net fee and commission income	102	64.52%	62
Trading profit (loss)	36	71.43%	21
Operating expenses	133	(3.62%)	138
Profit before tax	(129)	(33.85%)	(195)
Profit after tax	(131)	(33.84%)	(198)
Balance sheet			
Loans and advances to banks	93	(17.70%)	113
Loans and advances to customers	4,123	(6.57%)	4,413
Deposits from banks	761	(8.86%)	835
Deposits from customers	4,139	(16.08%)	4,932
Equity (incl. minorities and profit)	385	(3.27%)	398
Balance sheet total	6,235	(13.56%)	7,213
Resources			
Average statistical number of staff	2,712	(7.76%)	2,940
Banking outlets on balance-sheet day	122	(0.81%)	123

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2013 was 296,91 HUF/EUR in 2012 was 288,05 HUF/EUR.

Contents

Consolidated key data of Raiffeisen Bank Zrt.	***2***
Report of the Supervisory Board	***5***
Foreword by the Chief Executive Officer	***7***
Overview of the 2013 business year	***9***
Shareholder of Raiffeisen Bank Zrt.	***14***
Board of Directors and Supervisory Board	***14***
Management of Raiffeisen Bank Zrt.	***15***
Declaration on Corporate Governance Practice	***16***
General remarks on the Bank's operations in the 2013 business year	***22***
Corporate and Municipalities Division	22
Small and medium-sized enterprises	23
Retail customers	24
Private Banking customers	25
Financial institutions	26
Raiffeisen Bank International at a glance	***27***
Raiffeisen glossary	30
Consolidated Financial Statements, 2013	***32***
Independent Auditor's Report	32
Consolidated income statement	33
Consolidated statement of comprehensive income	34
Consolidated statement of financial position	35
Consolidated statement of changes in equity	36
Consolidated statement of cash flows	38
Notes to the consolidated financial statements	40
Consolidated income statement and financial position in euro	***120***
Central offices and branches in Hungary	***122***
Addresses and contacts	***126***

Report of the Supervisory Board

Ladies and Gentlemen,

After years of extremely low or even negative growth, 2013 finally showed the first signs of an economic recovery in the Eurozone and Central and Eastern Europe alike. We also saw an increasing shift of economic growth to Central Europe with Poland, Czech Republic and Slovakia taking on a leading role in the region. In addition, political decisions about the future of the European Banking Union were finally made and provided more clarity for the European banking sector. However, the business environment for banks remained difficult. Especially the short-term raising of equity capital requirements and various complex regulatory requirements, as well as banking levies, have been and continue to be an additional burden on banks leading to restricted lending.

In autumn 2013, RBI Group launched the program "Fit for Future 2016" with the goal to lower costs to the level of 2012 by the year 2016. This means that over the next three years we will more than offset inflation and save around EUR 450 million in total. We were also very satisfied with the EUR 2.78 billion result of the recent capital increase. The higher free float makes our shares even more attractive for both private and institutional investors. The proceeds will be used to achieve our goal, for the coming 12 to 18 months, of achieving a fully-phased in Basel III CET 1ratio of 10.0 per cent by the end of the transition period. Both actions were taken in order to support our successful business model across the region and guarantee a sustainable development of the Group in this still challenging environment. Hence, the RBI Group is proud of posting a profit before tax of EUR 835 million.

On behalf of the Supervisory Board, let me take this opportunity to thank all employees of Raiffeisen Bank Hungary for their hard work in this continuously challenging environment and their constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

Herbert Stepic
Chairman of the Supervisory Board

Foreword by the Chief Executive Officer

In the past year the Hungarian economy started to grow again and achieved a GDP growth of 1.1 per cent in 2013. The annual budget deficit at 2.2 per cent was kept well below the target of 3 per cent and Hungary was released formally from the Excessive Deficit procedure by the European Commission, which can be considered a positive development Unemployment was further reduced to 8.6 per cent and the first quarter 2014 increased this positive overall trend - reaching a GDP growth of 3.5 per cent.

The banking environment in Hungary slightly improved compared to the previous year, but it was still a difficult year for the financial institutions operating in Hungary, with the top banks still showing an overall loss due to high risk provisions and reduced revenues.

The government kept the banking tax at the same level as in previous years and declared it permanent. The government also increased the transaction tax as well as charging the banks with a one-off duty amounting to 208 per cent of the amount paid as financial transaction tax for the first four months in 2013, to compensate for a shortfall in tax revenues versus the earlier estimates.

In this context, Raiffeisen Bank Hungary showed a net loss of HUF 38.558 billion. However, the result was a considerable improvement over the previous year and due mainly to significantly lower risk cost. Our bank continued its strategy to focus on its core customers and to excel in customer service and orientation.

In Corporate Banking the bank was able to further strengthen its already good position in large local domestic and international companies and again was the leading bank in Hungary for trade and export financing. It also kept its number one position in the Hungarian FX and derivative market. Raiffeisen Bank Hungary participated in the first phase of the Central Bank of Hungary (MNB) Funding for Growth Scheme (FGS) and managed to fully utilize the requested and allocated amount.

We also managed to increase the number of SME clients by 13 per cent, becoming one of the most active banks in this segment, which we consider very important for the future economic development in Hungary. Raiffeisen Bank Zrt continues to participate in the next phase of the MNB Funding for Growth Scheme (FGS) aimed specifically at small and medium sized companies.

On the Retail side, our efforts in the affluent segment and Private Banking also showed excellent results. We decided to keep the size of the branch network practically unchanged, the fourth position among the banks in Hungary, and underlining our commitment to the Hungarian Retail business.

The current outlook is positive for further growth in the Hungarian economy. Comparative to other countries the burden on banks as it relates to banking taxes and transaction taxes is the highest in Europe and needs to be reduced over time in order to get back to a healthy banking system.

Heinz Wiedner

Overview of the 2013 business year

Macroeconomic Environment in 2013

1. Global Economic Environment

In 2013, five years after the crisis broke out, the state of the global economy could best be described as "still in recovery", and for the time being we would prefer not to venture a guess as to when it could make a full return to health. This does not mean, however, that the majority of last year's economic changes were not positive: by the end of the year all three of the major economic centres had returned to growth, and unemployment is no longer rising in any of them. Owing to this, the economies are less and less in need of further economic-policy assistance, and in many places the tapering of these measures has already begun. It is true, however, that all of this is being done very cautiously, which shows that the leaders do not have a great deal of faith in the strength of the economy. Essentially, to this day, there have been no statements by the most important economic-policy actors that do not include a caveat to the effect that if the risk of recession returns, a high degree of support can be expected.

Just as it was the first to go into crisis back then, the United States economy has also been the first to climb out of it. Indeed, the force of the Great Economic Recession of 2008-09 is well illustrated by the fact that one of the major economic centres did not return to its pre-recession (2007) levels of output until 2013. What is more, the US economy has made the most progress in this regard, and neither Europe nor the developed Asian economies are expected to reach this stage in the near future. Based on these results, the tapering of economic policy stimulus measures has begun in the USA. Last year the federal government carried out a substantial reduction in the budget deficit: as a result of the tax increases put into effect at the start of the year, and some USD 250 billion in cost cutting, last year's deficit only amounted to 4 percent of GDP (while in 2012 it had still been above 7 percent). Given the extent of the deficit reduction, it can still be regarded as favourable that economic growth only slowed to 1.9 percent.

Meanwhile, the dynamic improvement in the labour market continued: employment rose by 1.8 percent in 2013, which is the greatest increase since the turn of the millennium, and unemployment had fallen below 7 percent by the end of the year. The latter is important because it provided grounds for the withdrawal of stimulus measures by the Federal Reserve. The Federal Reserve has explicit targets with regard to the real economy (such as pushing unemployment below 6.5 percent), so last December it announced the phasing out of the bond buying programme, and began to do so gradually in 2014. We believe this also paves the way for an increase in interest rates (which in our view could take place in 2015).

In 2013 we also reached the point where we could finally say that the European Union was putting the debt crisis behind it. However, 2013 was still not really a year of growth, as the combined GDP of the 28 member countries increased by 0.1 percent. While this is an improvement on the -0.4 percent figure of 2012, it is still far from a shining performance. Fortunately, as we have already mentioned, the overall picture is improved by a number of favourable developments. It is clear from the detailed data that the shortage of demand induced by fiscal policy measures has come to an end: in the European Union government spending rose by 0.5 percent overall, and by 0.2 percent even in countries that use the euro. By the end of the year the trend in capital investments had reversed: in the fourth quarter a 1.4 percent expansion was observed in activity that has an important bearing on the medium-term future. Meanwhile the regional disparities have lessened a great deal. In Southern Europe the same risk factors as usual can continue to be listed: indebtedness remains high (both in the state and private sector), property prices are falling and political stability has not improved much either since 2011 (when a series of governments failed). These risks can only be expected to subside very slowly, over a period of many years. That said, the direction of the changes is favourable, and it is perhaps due to this that most of the positive economic surprises came from the periphery. In its latest economic survey the European Commission noted that not since the beginning of 2010 (that is, since the time of the first Greek crisis) have the disparities in economic activity within the European Union been as small as they were last December. A role in this was also certainly played by the interest policy of the European Central Bank, which cut interest rates twice last year (once in the spring and once again in the autumn). However, the limitations in terms of elbow room are clearly shown by the fact that both cuts only proved to be half-measures: while the base rate fell, the interest rates around the base rate did not change in the same extent. Since the most important interest rates are now essentially at zero percent, dramatic changes would have to occur in order for the ECB to make further cuts (that is, to introduce negative interest). At the moment we do not see much likelihood of that happening.

In terms of the money and capital markets, 2013 brought a mixed bag of results. The stock markets of developed nations, for example, closed an excellent year. Meanwhile, however, as the tapering of US economic policy stimulus got under way, the emerging markets tanked, and suffered a record level of capital withdrawal. This is because the reduction in Fed assistance increased yields in the mature markets, leading to a proportionate decline in the relative attractiveness of the emerging markets, which are seen as riskier. In the European Union, similarly to the changes in the real economy, the year 2013 was once again about convergence: while the yields in the central countries increased slightly (in spite of the interest rate cuts), the yields in peripheral nations (including the CCE region) fell considerably.

2. The Hungarian economy

The Hungarian economy saw a return to growth in 2013. According to the report by the Central Statistical Office, last year GDP increased by 1.1 percent, after the 1.7 percent decline of 2012. The growth surplus is mainly due to the expansion in public-sector investments and consumption, and to the excellent performance of the agricultural sector. The Hungarian economy would only have grown by 0.2 percent without the upturn in agriculture, and 0.1 percent without the government measures aimed at stimulating demand. The performance of the agricultural sector, however, varies from year to year (indeed, from quarter to quarter), and a sustainable growth curve cannot be based solely on expansion in public-sector investments and consumption. For this, the performance of the manufacturing and service industries, and growth in private sector investments and household consumption, are needed. Fortunately, last year brought some positive trends with regards to these too. By the end of the year, the structure of growth had become more balanced: the manufacturing and service sectors both picked up pace, while retail purchases also gained momentum. Private-sector investments showed some growth as well, albeit only on a tenth of the scale of investments in the public sector, and from a very low base, so it is by no means certain that we are witnessing a sustained trend in this regard.

Besides economic growth, there was also positive news from the labour market. The unemployment rate had fallen below 9 percent by the end of the year, which is lower than it has been since the beginning of 2009, while employment exceeded 4 million, which is a 21-year high. At the same time, there appears to be no change to employment in the private sector, with the number of workers declining minimally in the first nine months of the year, before increasing slightly in the fourth quarter. This apparent contradiction is explained by the community work programme. At the end of last year 180 thousand employees were registered as a part of this scheme. The launch of the winter community work programmes (the main aim of which is to impart basic skills) made it possible to avoid the usual seasonal drop in employment, and this also had a positive impact on the unemployment rate.

Besides this, the balance of payments indicators also developed favourably. The current account balance showed a EUR 2.3 billion surplus in the first three quarters of 2013, and there is a good chance that the surplus for the whole year was close to EUR 3 billion. The capital account also exceeded EUR 2 billion in the first three quarters (this was approximately equal to the amount of EU transfers for the period). The country's gross debt shrank to EUR 116 billion, which represents a drop of almost 10 percent in the space of a year – the downsizing of loans continues in the Hungarian economy. Meanwhile, the public finance deficit also remained within the mandatory 3 percent, although the 2.7 percent figure shown by the preliminary calculation still means that the state has splashed out in comparison to 2012. (The impact of this is discussed in the part related to GDP figures above.)

3. Interest rates and money markets

In Hungary, monetary policy continued in the expansive cycle that began in the summer of 2012: every month the monetary council reduced the base interest rate, with the only interim change being that from summer onwards the reductions were made in increments of 20, rather than 25 basis points. Thus by the end of the year the base rate had dropped to 3 percent (from 5.75 percent in January). Besides this, interest terms were also loosened by the MNB's lending programme, as the central bank launched its Funding For Growth Scheme in the summer. In the first phase some HUF 750 billion of cheap credit was placed with SMEs (most of which was used for the refinancing of existing, more expensive loans), while the volume of loans under the second phase launched in October could theoretically reach HUF 2,000 billion. In the latter phase the central bank is placing more emphasis on kick-starting new lending (which is planned to account for 90 percent of the disbursed credit). It is a safe bet that the Hungarian economy will not be able to take up all of the funds that are being made available under the scheme, but nevertheless we are talking about several hundred billion forints in new, cheap investment credit. The loosening in the capital markets has mainly had a big impact on government securities, specifically on those with shorter maturities. The yield on maturities of less than one year fell to around half during the year, while at the longer maturities (although there was a high degree of fluctuation), no real downward trend in yields emerged. Due in part to the lower interest rates, the forint also weakened, although the year 2013 can be considered a calm period in the trading of the Hungarian currency. The forint weakened by an average of 2.5 percent in 2013. The economic stimulation measures, however, have had no impact on the stock market so far: during volatile trading, Hungary's main stock index, the BUX, only managed to close the year with a slight increase, while the world's leading indexes produced a 10% gain. Over the year as a whole, the decline in trading volume continued, but only at a rate of 3.4 percent, which is smaller than the rate of decrease experienced in previous years. Meanwhile, the Budapest Stock Exchange bid farewell to one of its blue chips, as Egis was delisted.

4. The banking sector

The sector's overall portfolio of customer loans shrank continuously over the year. The decline in the corporate loan portfolio slowed in comparison to the previous year; the growth in forint loans was due to the first phase of the Funding For Growth Scheme, while the foreign currency loans of companies decreased at a considerable rate.

The retail loan portfolio showed a decrease in respect of both forint and foreign currency loans. The government measures aimed at downsizing foreign currency loans failed to reduce the foreign currency loans of households by as much as had been expected; the exchange rate cap scheme only went some way towards managing the problem of foreign currency debt.

The portfolio deterioration continued throughout the year, in both the corporate and retail segments.

Customer deposits decreased in the first half of the year, and showed minimal growth in the last quarter, overall remaining at approximately the previous year's level by year's end.

The bank sector has a weak long-term profitability outlook; a number of government measures place a considerable burden on the banks.

Profitability improved somewhat during the year, as after the substantial losses of the previous two years, the bank sector made a profit of HUF 54 billion in 2013 based on preliminary data. In recent years significant disparities have been observed in the performances of market players with large market shares.

The banking sector's capital position is stable, and the short-term liquidity of the banks is satisfactory.

Expert staff

Raiffeisen Bank's staff numbers continued to decline over the course of the year, to 2,528 on 31 December. In harmony with this process, the rationalisation of personnel costs was also an area of focus, although in the course of these efforts the bank did all it could to take the views of its employees into consideration as fully as possible.

The performance management process in operation at the Bank applies to all employees, and provides a framework for clear target-setting, constructive feedback, and well-founded performance appraisals. Financial rewards and non-financial recognition based on performance provide incentives for staff to excel.

The Bank places considerable emphasis on ensuring that its employees receive an equitable and competitive income by the standards of the Hungarian labour market. The Cafeteria system of non-cash benefits, which has been in operation for many years, allows employees to choose the fringe benefits that are best suited to their personal requirements.

Development programmes are geared to business strategy, organisational and personal objectives, and prevailing market conditions.

Some of the training courses aim to provide the skills necessary for successfully performing the given role, while others facilitate employees' development in alignment with their individual career goals. Besides the programmes designed to help integrate new employees, classroom and online training courses aimed at developing various competencies are available, as well as training promoting employees' well-being, and job rotation schemes both in Hungary and abroad. Support for managers' personal development is provided by skills assessment tools and goal-oriented training schemes. Some of the training programmes are held by external service providers, while internal knowledge sharing also functions within an efficient framework.

In 2013, employees spent a total of 13,500 working days participating in various professional and skills-development training programmes, team-building events and conferences.

Corporate social responsibility

Since 2008, the Raiffeisen Közösen (Raiffeisen Together) program has encompassed the bank's activities in the area of corporate social responsibility, which focus on supporting programmes that develop the life skills of children raised in care, as well as the provision of quality meals for children living in hardship. In the bank's CSR activities, we endeavour to instil an approach that permeates the institution as a whole and is integrated organically into the organisational culture, since the bank's activity has a significant impact on society, the environment and the future. For this reason, we promote programs not merely for the benefit of the external community but for our own colleagues as well, whom we actively involve – as far as we can – in the implementation of the programs concerned. Cooperating in a true partnership with organisations serving a variety of good causes, we contribute to the broader community in which our bank operates – so that, for us, corporate social responsibility means more than merely generating profits and paying taxes.

Together for Children's Meals programme

On two occasions in 2013, both at the start of summer and during the winter, we again made donations of groceries as part of the "Lunch for All" programme run by the Children's Meals Foundation (GYEA). The programme provides needy nursery and primary school children with regular meals at weekends and during school holidays. In the early summer we contributed HUF 12.7 million to the provision of meals for children, followed by nearly HUF 17 million in the winter, out of donations set aside on the basis of customers' card use. Including its donations made in 2013, Raiffeisen Bank has given a total of HUF 155 million in support for children's meals over the past five years, ensuring many months of regular quality meals for more than 8,300 children around the country.

Voluntary work for children

Traditionally every year since 2009, we have announced a Bank Corporate Volunteers programme for our employees with the professional cooperation of the Volunteer Centre Foundation (ÖKA). As part of this programme, on ten occasions in 2013 we gave individual divisions the opportunity to engage in volunteering activities in the various communities around the country, primarily in institutions that focus on child welfare, and we announced this same opportunity for the entire staff on a further two occasions. Again in 2013, 221 of our colleagues lent a hand in nursery schools in various locations around the country. In a total of some 1770 working hours they repaired fences, repainted wooden toys, gave a new lease of life to playgrounds, and planted grass seed and flowers in at institutions such as the "Fecskefészek" Nursery School in Mátyásföld, the Heim Pál Children's Hospital, and the Zugló Family Assistance and Child Welfare Centre.

Healthcare support for colleagues

For years the Bank has set aside a fixed amount of funds for the support of colleagues who encounter difficulties as a result of long-term health problems arising within their families. Employees must apply for the support under certain conditions. Three of our colleagues received such support in 2013.

Shareholder

Raiffeisen-RBHU Holding GmbH 100%

Supervisory Board

Chairman

Herbert Stepic
Raiffeisen Bank International AG

Other members

Ferenc Berszán
Raiffeisen Bank International AG

Nicolaus Hagleitner
(from 24 January 2013)
Raiffeisen Bank International AG

Krisztina Horváth
(until 28 February 2014)
Raiffeisen Bank Zrt.

Ferenc Kementzey
(from 28 February 2014)
Raiffeisen Bank Zrt.

Mag. Karl Reinhard
(until 7 January 2013)
Raiffeisenlandesbank NÖ-Wien AG

Julius Marhold
(until 7 January 2013)
Raiffeisenlandesbank Burgenland

Martin Melkowitsch
(until 18 December 2013)
Raiffeisen Bank Zrt.

Peter Novak
(from 24 January 2013)
Raiffeisen Bank International AG

Dr. Karl Sevelda
Raiffeisen Bank International AG

Dr. Martin Sotter
(until 7 January 2013)
Raiffeisenlandesbank Steiermark AG

Dr. Johann Strobl
Raiffeisen Bank International AG

Mag. Heinz Wiedner
Raiffeisen Bank Zrt.

Audit Comittee

Chairman

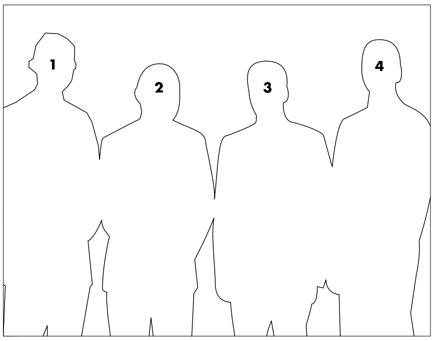
Georg Feldscher
Raiffeisen Bank International AG

Other members

Ursula Wirsching
Raiffeisen Bank International AG

Dr. Mercedes Szabó Tóth
Raiffeisen Bank Zrt.

Management of Raiffeisen Bank Zrt.



1 Heinz Wiedner
Chief Executive Officer

2 Kementzey Ferenc
Member of the Management Board

3 Ralf Cymanek
Member of the Management Board

4 Martin Pytlik
Member of the Management Board

Raiffeisen Bank Zrt. Declaration on Corporate Governance Practice

Responsible corporate governance is an essential means 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 ensures 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 eight members two of whom (the executive members) are also in a regular employment relationship with the company. 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.

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 2013 the Board of Directors held four meetings and passed resolutions by means of a written ballot on eleven 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, relating 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 – are among 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, within the constraints of the Remuneration Policy. 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.

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
- 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.
- Project Committee
  The Project Committee is the Management-level body with primary responsibility for the project-based coordination of the Bank's developments, and exercises full control over the Bank's project management practices.
- Asset-Liability Committee (ALCO)
  The purpose of the Asset-Liability Committee (ALCO) is to ensure that the Bank's asset-liability structure is in line with its stated profitability and market-share objectives, and at the same time to ensure compliance with RBI's and the Bank's internal liquidity, financing and interest rate limits.
- Internal Capital Adequacy Assessment Process Committee (ICAAP Committee)
  The ICAAP Committee has the task of ensuring the satisfactory operation, approval and ongoing development of the internal capital adequacy assessment process: overseeing the ICAAP process and defining the tasks related to it, prioritising them and monitoring implementation, drawing conclusions and incorporating the results into the decision-making process.

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 regarding the stand-alone annual financial statements prepared in accordance with the Hungarian Act on Accounting and the consolidated statements prepared in accordance with International Financial Reporting Standards, and regarding the utilisation of the after-tax profit, only if in possession of the written report of the Supervisory Board. 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.

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 support units, and the sales network. The Bank's governance is supported by a process-based 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 the appropriate means of their 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, which are established along professional lines and overseen 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.

The Bank applies standardised organisational solutions to ensure the coordination of its decision-making forums and of its relationships with the authorities and the regulators. In addition, an independent organisational unit at the Bank is responsible for maintaining contact with the Sole Shareholder, so as to ensure uninterrupted communication and render operations transparent 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

The monitoring of the regular and effective operation of the internal control system is performed by the Internal Audit Department, by means of audits determined in its annual plan, and if necessary, in the framework of extraordinary audits. The annual internal auditing plan is based on risk analyses performed using a predetermined methodology that aims to take into account – and to rank, according to severity – the likelihood of various individual threats and circumstances occurring, and the possible negative impacts of such events. The independent Internal Audit Department analyses the full range of risks inherent in the various business processes, and examines whether the system of internal controls that has been implemented, together with the applied procedures, are appropriate for effectively managing such risks. As a part of this, the Bank's Management provides the department with unrestricted access to all necessary information, documents and data, and 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 unit. 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, and to the determination of their remuneration.

VI.2. Compliance Office

In keeping with the statutory requirements and the expectations of the Regulatory Authority, the Bank has established an independent organisational unit – as part of the internal lines of defence – which performs the following functions:

- Monitoring compliance with the Bank Group's Ethics and Compliance Regulations, issuing guidelines in respect of related issues, investigating reported incidents
- Organising, directing and coordinating efforts within the Bank to combat money laundering and the financing of international terrorism: operating a reporting and monitoring system, and liaising with the competent authorities
- Ensuring and controlling compliance with the data protection regulations, and liaising with the competent authorities
- Ensuring and controlling compliance with the statutory provisions on the segregation of financial and investment services, on the restriction of information flow, on the prohibition on insider trading and market manipulation, and on the conclusion of transactions by employees, liaison with the competent authorities
- Ensuring and controlling compliance with the statutory provisions on conflicts of interests
- Ensuring and controlling compliance with the statutory provisions relating to investment service provision (e.g. the Investment Services Act)
- Organising and putting into practice measures to combat corruption

VII. Disclosure, publication

The Bank fulfils its disclosure and publication obligations – in strict compliance with Act CXII of 1996/Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.), Act CXX of 2001 on the Capital Market (Tpt.) and Act CXXXVIII of 2007 (Bszt.) 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 National Bank of Hungary (MNB).

VIII. Basic principles of the risk management and hedge transaction policy

Risk management at Raiffeisen Bank operates independently and is fully separated from the business departments, under the supervision of the Chief Risk Officer. The analysis and management of customer credit risk is the task of the Credit Risk Department and the Retail and SME Credit Risk Department; the analysis of market and operational risk, as well as compliance with the Basel II regulations, capital measurement and the development of portfolio-level credit risk models, is the task of the Integrated Risk Analysis Department.

Credit risk

The risk assessment and credit appraisal of non-retail customers is based on an individual analysis and rating, typically with quarterly financial monitoring and an annual limit review. In retail and SME lending, an automated, scorecard-based appraisal takes place.

The limits on lending reflect the balance of business and risk criteria considered to be desirable by the Bank's owner and management, within the constraints of the Act on Credit Institutions and other statutory provisions, as well as of the Bank's Credit Policy.

The Bank responded to customers' payment difficulties caused by the economic crisis with loan restructuring solutions by introducing processes designed to give early warning of defaults, and by strengthening its collection and receivables management activity.

The Bank Group's risk management processes comply with the Basel II requirements. The core data necessary for the sophisticated measurement of risks is recorded in structured form in a modern data warehouse. Since May 2012 the capital requirement of the entire bank portfolio (corporate, retail and SME) is quantified by the Bank using the advanced internal ratings-based (IRB) approach.

In 2011 the Bank Group developed a proactive capital management system based on risk weightings, which ensures improved support for risk-aware business decisions and the Bank Group's long-term capital adequacy, and the most effective use of the capital at its disposal.

Operational risk

Every organisational unit (department, region, subsidiary) plays an active part in the management of operational risk and, where necessary, in reducing the risk level. The Bank makes concerted efforts to develop its risk management organisation and raise the level of risk-awareness, which encompasses the identification, collation, evaluation, reporting and monitoring of any operational risks that could jeopardise the achievement of the Bank's business objectives. The main tools used for the identification of risks include loss data collection, key risk indicators and scenario analyses, as well as controlling and risk self-assessments.

In the course of its risk management activities the Bank places strong emphasis on the "use test" (for the practical implementation of measures to reduce operational risk), in which context the Bank initiates risk mitigation measures if risks are found to exceed the tolerance threshold.

Market and liquidity risk

The management of market and liquidity risks takes place at several levels within the Bank, through use of advanced methods and infrastructure, with monitoring performed independently from the business departments. The measurement and reporting of risks is performed on a daily basis. The classification, measurement and measurement of risks and the setting aside of economic capital takes place in the context of the Bank's ICAAP procedures.

The measurement and controlling of risks is achieved through complex position, risk, stop loss and VaR limit systems, applying a methodology that conforms to the parent bank's requirements. The management of market and liquidity risks related to banking activity extends to the following areas: trading book and banking book risk and interest rate risk; the Bank's liquidity risk, measured both on a going concern basis and through stress testing; the risk associated with the possible illiquidity of market positions; equity risk; currency risk; option trading risk; the counterparty risk relating to OTC derivative transactions.

IX. Environmental protection

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

X. Employment policy

Raiffeisen Bank is one of the leading employers in the financial sector: at the end of 2013, the combined number of internal and external employees approached 2,900. It is particularly important for the Bank to perform its activities as an equitable and fair employer, fully observing and complying with the provisions of the Hungarian Labour Code, and ensuring favourable working conditions and career prospects for its employees.

Recruitment and selection is performed centrally by the Human Resources Department, taking care to ensure that there is no discrimination in the day-to-day practice of selection. Raffeisen Bank's selection processes are aimed at the recruitment of skilled and qualified staff, but also provide the opportunity for graduates at the start of their careers to join the Bank and embark on an intensive programme of professional development.

The Bank gives special priority to ensuring that its employees receive an equitable and competitive income by the standards of the Hungarian labour market. The Cafeteria system of non-cash benefits, which has been in operation for many years, allows employees to choose the fringe benefits that are best suited to their personal requirements.

The performance management process in operation at the Bank applies to all employees, and provides a framework for clear target-setting, constructive feedback, and well-founded performance appraisals. Financial rewards and non-financial recognition based on performance provide incentives for staff to excel.

Raiffeisen Bank conducts complex training and development programmes, which, besides the enhancement of professional knowledge and skills, focus on personal, leadership, language and computer skills development. Every year the Bank's employees spend an average of more than five days participating in training and development events and programmes.

The Workplace Council performs its activities within the organisational framework of the Bank, thus ensuring that employees' interests are taken into consideration.

XI. Research and development

Our Company conducted no research and development projects in 2013.

General remarks on the Bank's operations in the 2013 business year

1.1.Corporate and Municipalities Division

Raiffeisen Bank's Corporate and Municipalities Division maintained its leading position in the commercial banking market on both the lending and deposits side again in 2013.

At the end of 2013 the Treasury Department and the Economic and Investment Intelligence Department became a part of the division, which, following the restructuring, continued its operation as the Corporate and Investment Banking Division.

On the loans side, in 2013 it was primarily the Funding For Growth Scheme announced by the National Bank of Hungary (MNB) that generated positive results. Raiffeisen Bank concluded contracts, within the short deadline available for doing so, for the entire amount of the credit line of HUF 64 billion that was applied for in the first phase of the Scheme. The HUF 64 billion that was placed went to participants in numerous sectors (e.g. trade, agriculture, manufacturing industry, property transactions). This favourable funding opportunity continues to be available to our customers in 2014, in the second phase of the scheme.

In 2013 the Bank's total annual portfolio of contracts for project financing and syndicated loans amounted to HUF 105 billion, and from this amount the total amount of newly contracted transactions was in excess of HUF 60 billion. A substantial proportion of the new loans were corporate syndicated loans, but we also concluded several new transactions in the M&A and real estate financing segments.

In trade and export financing, we surpassed even our excellent results of the previous year. We retained our market-leading position in respect of Exim refinancing transactions, and were awarded the title of best commercial bank partner by EximBank. In agriculture financing we retained our market position achieved in the previous year, while in the factoring sector we grew 131% in a market that shrank by 10%.

We participated as lead arranger in one of the biggest deals in Central and Eastern Europe in 2013, when Nitrogénművek Zrt. issued USD 200 million in bonds with a 7-year term. We were the arranger and lead manager of the public takeover bid of shares in Shopline-webáruház Nyrt.

Last year we redoubled our efforts to acquire international customers, opening new accounts for 62 new international corporate clients, and a total of 320 international clients overall. The volume of all our transactions increased by 8%, while the volume of our outgoing international transactions grew by 23%, which is a testament to the success of our Cash Management service.

With regard to apartment-building financing, thanks to our cooperation agreement concluded with the European Investment Bank (Green Energy Lending Programme), the volume of investments related to energy efficiency increased substantially. Following the debt consolidation of local authorities that serve populations of less than 5000, the Municipalities Division continued preparing for the assumption – at the terms stipulated in the budget act – of these debt portfolios by the Hungarian State. The final consolidation of the full portfolio was completed on 28 February 2014.

The Bank's Treasury – based on statistics published by the National Bank of Hungary – executed the highest volume of foreign exchange transactions in the country in 2013, and was once again the largest player in the derivatives section of the Budapest Stock Exchange. As a primary issuer of government bonds, and as the issuer of our own bonds, we were one of the key participants in the domestic bond market.

1.2. Small and medium-sized enterprises

The year 2013 brought a number of positive changes for the Bank's SME customers. Our strategic objective is to forge close, cooperative business partnerships with our customers, and maintaining these, to find optimal, mutually beneficial financial solutions. Accordingly, we are also developing our nationwide network of relationship managers, made up of experienced advisers who offer effective assistance, whether in choosing the appropriate bank account, or regarding our services relating to more complex transactions, or in connection with financing solutions. We are pleased to report that the number of our corporate customers increased dynamically again last year, which also led to growth in the funds at the bank's disposal, and in the number of transactions executed.

We believe in the value of up-to-date, accurate business information, so in 2013 we relaunched our Raiffeisen Business Partner Club, a series of conferences, special events and business breakfasts held countrywide. At these events, well-known specialists help our customers expand not only their understanding of banking-related issues, but also their knowledge of other aspects of company management. The Club provides our customers with excellent networking opportunities, as well as a range of exclusive partner discounts.

As the year progressed, the economic environment also took a turn for the better, as the growth in GDP and the upturn in the loan market boosted the business activity of companies. This in turn led to a discernible increase in demand for competitive overdraft facilities to ensure day-to-day liquidity, and our Bank responded to this need by launching new products. Our Auto-Renewal Overdraft Facility, which can be applied for even without tangible collateral, provides our customers with a freely usable source of funds. An additional benefit is that there is no need to conclude a new contract every year, since if the terms and conditions remain unchanged, the facility can simply be extended annually for up to five years.

Our Company Loan product offers a solution to the need for long-term credit that has resulted from the recent increased appetite for capital investment. Besides this, we naturally also offer our customers a range of refinanced facilities, including those provided under the Funding For Growth Scheme launched in the summer of 2013.

The relative stability of the EUR/HUF exchange rate, which fluctuated within the 290-305 range, brought some relief for businesses with foreign currency loans; however, the upward trend observed during the year did lead to an overall increase in the costs of euro-based loans. Payment defaults due to increased financial burdens can usually be avoided, since the Bank offers customised solutions to difficulties that are reported in good time: the repayments are decreased through a lengthening of the term, bringing them into line with the customers' altered financial capacity, thus assuring that financing can continue over the longer term.

Our FX Spot Rate Conversion service is increasingly popular due to the volatility of the exchange rate, as it enables our customers to quickly convert currencies via our DirekNet internet bank, free of charge and at competitive exchange rates, in relation to their export-import activities or for making repayments on their foreign currency loans.

The growing number of bank card and online purchases makes it important for businesses to offer modern, cash-free means of payment. For this, our Bank, in conjunction with a partner, offers a competitive solution for the acceptance of both bank cards and "SZÉP" cards.

We are pleased to report that based on the results of regular surveys, our customers' satisfaction continued to improve last year. We believe that more and more people are coming to realise that Raiffeisen Bank genuinely values and respects its customers.

1.3. Retail customers

In 2013 the shakeup of the market for retail savings continued, in a way that was similar to the previous year. The volume of fixed-term deposits fell further due to the environment of declining interest rates, while the market for investment products continued to pick up momentum. The structure of liabilities at our Bank also developed in line with the market trend. The volume of our time deposits decreased, but at the same time the volume of our bond and investment funds grew substantially, thus compensating for the drop in deposits.

The number of our customers with a securities account rose from 51 to 61 thousand during the year. In 2013 we issued 18 of our own bonds, and started to distribute Interest Bearing Treasury Bills, which were subscribed in a total value of over HUF 65 billion over the year.

In 2013 the volume of our retail customers' investment fund units grew by 34%, from HUF 112 billion to HUF 152 billion. The bulk of the growth was accounted for by money-market, liquidity and absolute return funds.

The Raiffeisen Long-term Investment Securities Account, launched in 2010, remains highly popular. At the end of 2013 our customers held 20% of their investments in accounts of this type, which offer a tax benefit.

Overall, retail savings – together with bonds and investment funds – amounted to HUF 611 billion in managed assets at the close of 2013.

In 2013 the Bank continued to give special priority to one of its main strategic objectives, that of encouraging customers to use us as their primary account-keeper; thus, for example, following introduction of the financial transaction duty we took great care to ensure that the transactions that encourage active account use remained free of charge.

To encourage new customers to use us as their primary bank, our Bank has developed – and tested in 2013 – a complex customer management process that we plan to roll out in all our branches in 2014.

In October 2013 we launched a new retail account package under the name of "DíjNullázó Plusz" (FeeEliminator Plus), which represents a competitive solution for customers who use us as their primary bank in an account-management market that has been seriously shaken up by the recent government measures – such as the introduction of the financial transaction duty and free cash withdrawals.

With regard to retail lending, in 2013 the most important objective was to step up lending activity. With regard to new loans, the focus remains on the sale of unsecured lending products, through the deployment of competitive facilities and processes. Thus we conducted innovative and continuous online marketing activity to support the personal loan facility, which has been deservedly popular for so many years; and from the fourth quarter onwards, by introducing new processes, we made it possible for customers to undergo a full pre-transaction credit appraisal without having to visit a branch. At the beginning of the year, within only a few weeks, the new state-supported home loan facilities were also rolled out, and quickly gained popularity despite the falling market interest rate environment. In the middle of the year the Bank launched a brand new credit card facility (Onecard), with several new features that were new in the market, and that deservedly became popular among our customers in just a few months.

Naturally, the managing of the existing portfolio also received priority treatment, as the effective management of the non-performing portfolio is of key importance to the Bank. In this regard, the National Asset Management Agency programme received special support in 2013.

Overall the Bank retained its market share with regard to retail loans, which at the end of 2013 was 6.4%.

1.4. Private Banking Customers

Friedrich Wilhelm Raiffeisen Private Banking closed the most successful years in its history in 2013. Thanks to the confidence that our customers have in us, and which we value highly, the assets entrusted to our care amounted to HUF 287 billion by the end of the year, which represents a growth of 7% relative to the previous year.

Earning and maintaining the satisfaction of our preferred private customers would be inconceivable without offering customised solutions and the highest possible quality of service. Last year we once again invested substantial sums in the interests of launching new products and services, as well as developing our IT systems and the knowledge base of our banking advisers. The excellent results of our customer satisfaction survey, conducted for the third time in December 2013, have confirmed the success of our efforts.

Our personal advisers greet customers in the comfortable, well-appointed and discrete surroundings of Private Banking branches all around the country, and upon request they can also visit customers at their home or office at a time arranged by telephone, anywhere in the country. As a part of the ongoing programme of branch renovations, our Friedrich Wilhelm Raiffeisen branch in Kecskemét was refurbished in 2013.

However, ultimately it is the expertise of our investment advisers that provides the foundation for our customers' trust in us. Only professionals are able to effectively grasp the complex aspects – both time-consuming and that require constant attention – of financial transactions aimed at maintaining and increasing the value of assets under management.

Our investment advisers seek out and offer the financial structures that are essential for ensuring the effective long-term management of our customers' assets:

Proactive investment advice

Our advisers proactively provide our customers with the information they need to make decisions, and use their professional expertise to assist them in choosing the necessary securities. We tailor the investment portfolios based on the risk appetite of our customers and the return that they wish to achieve, and send notification if market information that could have a bearing on the portfolio comes to light.

Target Return Wealth Management

Our customers rightfully expect to profit from the increases in the prices of securities in a favourable market, while at the same time keeping losses to a minimum under negative market circumstances. Target Return Wealth Management fulfils precisely this requirement, while also relieving our customers of the burden of monitoring the market on a daily basis. Target Return Wealth Management represents a strategy where the target is to achieve a positive yield, while at the same time applying a set of strict risk management principles.

Securities transactions online

Our Internet Brokering service enables our customers to access their investment account via the internet bank.

1.5. Financial institutions

The year 2013 brought a number of events that were significant from the perspective of the financial institutions segment. Both the Bank Group and the local management pledged their commitment to products and business lines that serve institutional customers. The Raiffeisen Bank Group aims to be the partner of choice for insurance companies, investment fund managers, and the providers of investment and other financial services.

During the year this department succeeded in maintaining its revenues at the 2012 level, despite the fact that savings and the interest income earned on them has always played an important role in this segment. We successfully compensated for the fall in interest income resulting from the falling interest rates and the higher costs resulting from the international regulatory environment, with a dynamic increase in commission revenue. The sources of the commission revenues were the Bank's increasingly successful tailored products offered to institutional clients, especially by our Markets/Treasury department and departments providing transaction services (securities and payment and account management services). One of the greatest achievements of 2013 was, for example, the development of a successful tailored bond product for asset managers and fund managers that offers an attractive yield in the current environment of falling interest rates, with risks that are easy to understand and analyse.

In addition, during the year we took a number of steps that allow us to continue growing in this customer segment, and for the Bank to become one of the leading service providers in the market. By way of example: in 2013 the Group Securities Services (GSS) division was established within the Raiffeisen Bank Group, creating the opportunity for us to enter the market for securities services, custody and the related investment products through tailored solutions, and to set our sights on achieving growth and acquiring market share in the international asset management and investment banking client segment.

The almost zero risk cost and very low general costs of this division, and its still minimal capital requirement, show that we are on the right track. It continues to make sense to invest in this client segment, whether through tailored product development or through process development that is driven by the relationship with a specific partner. The year 2013 showed once again that this segment represents a source of high commission revenue, stable savings portfolios and abundant cross-selling opportunities, and – no less importantly – long-term client commitment.

Raiffeisen Bank International at a glance

A leading bank in Central and Eastern Europe, including Austria

Raiffeisen Bank Zrt. is a subsidiary of Raiffeisen Bank International AG (RBI), which regards Central and Eastern Europe (including Austria), as its home market. For more than 25 years, RBI has been operating in the Central and Eastern Europe (CEE) region, where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 15 markets. As a universal bank, RBI ranks among the leading banks in the region. The powerful role played by the bank is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. Over time, RBI has positioned itself as a fully integrated corporate and retail banking group in CEE. The bank not only has good access to retail and corporate customers, but also boasts a comprehensive product offering. At the end of 2013 around 58.000 staff served approximately 14.6 million customers in around 3000 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international as well as major multinational clients operating in CEE. Moreover, RBI is represented in the world's financial centres and operates branches and representative offices in Asia. All in all, RBI employs about 59.000 staff and has total assets of around € 130.6 billion.

RBI operates subsidiary banks in the following CEE markets:

• Albania	Raiffeisen Bank Sh.a.
• Belarus	Priorbank JSC
• 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	Raiffeisen Bank Aval JSC

As the parent company of these banks, RBI's shareholding in them is at or near to 100 per cent in most cases.

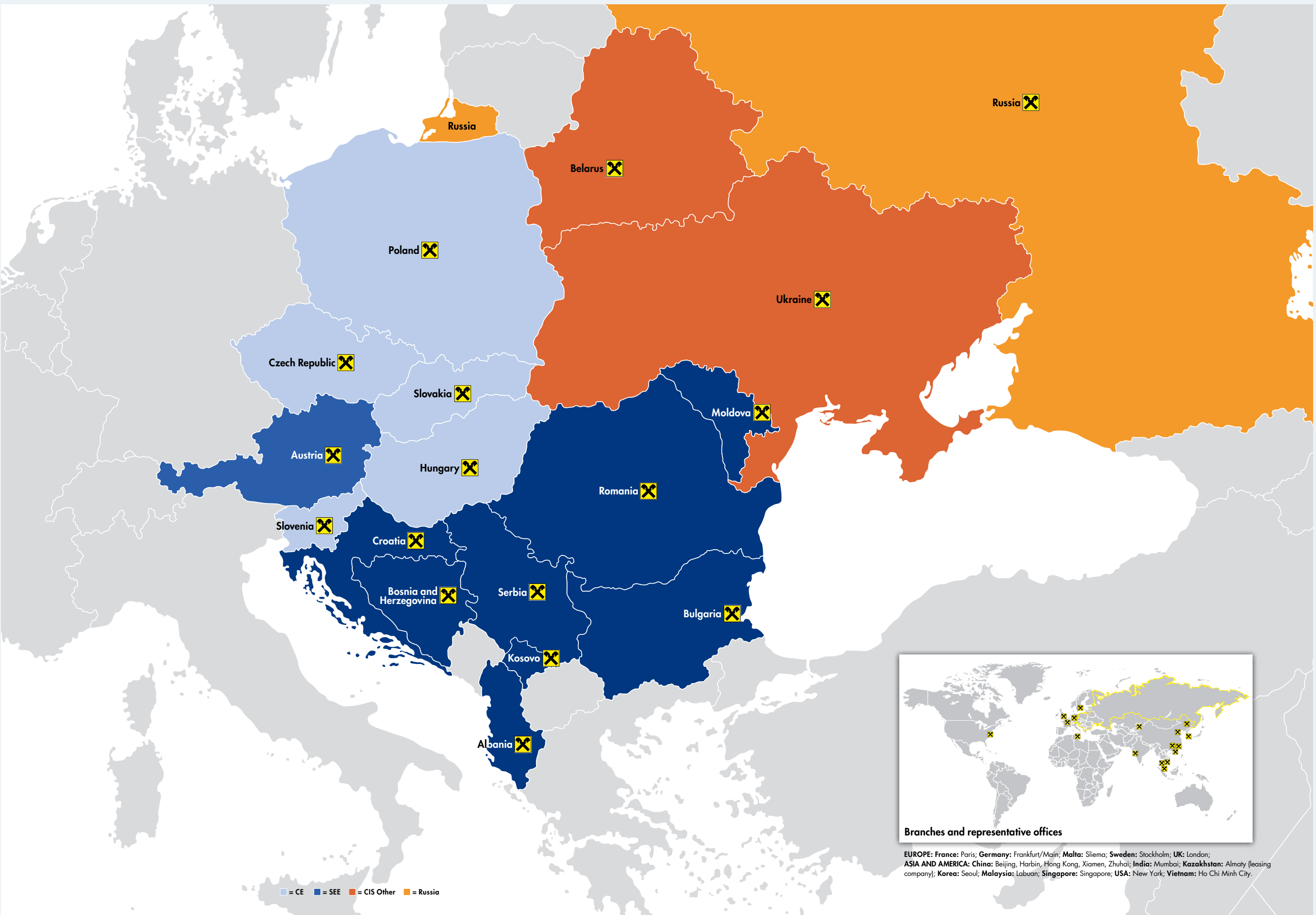
RBI's development

RZB was founded in 1927 as "Genossenschaftliche Zentralbank". Raiffeisen established its first subsidiary bank in Central and Eastern Europe already back in 1987. Other own subsidiaries have since been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks and subsequently combining them into a holding company that from 2003 operated under the name Raiffeisen International. In April 2005 Raiffeisen International was listed on the stock exchange in order to finance its future growth efficiently. Today's RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB).

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger, holding approximately 78.5 per cent of the shares as of 31 December 2013. The remaining approximate 21.5 per cent of RBI's shares were in free float. Due to the capital increase at the beginning of 2014, the free float rose significantly to about 39.3 per cent after RZB waived its subscription rights and participated in the amount of just € 750 million. As of the editorial deadline RZB held 60.7 per cent of RBI's shares.

For more information please refer to www.rbinternational.com and www.rzb.at.

At the end of 2013 around 58.000 staff served approximately 14.6 million customers in around 3000 business outlets of Raiffeisen Bank International in CEE.



Raiffeisen Glossary

Gable Cross

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group and RZB Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. It symbolizes the protection and security that the members of the Raiffeisen banks enjoy through their self-determined collaboration. Today, the gable cross is one of Austria's best-known trademarks and a well-recognized brand in CEE.

Raiffeisen Bank International

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market. 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 15 markets. At the end of 2013 around 58000 staff served approximately 14.6 million customers in around 3000 business outlets in CEE. In Austria, RBI is one of the top corporate and investment banks. Moreover, RBI is represented in the world's financial centres and operates branches and representative offices in Asia. All in all, RBI employs about 59000 staff and has total assets of approximately € 130.6 billion.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger, holding approximately 78.5 per cent of the shares as of 31 December 2013. The remaining approximate 21.5 per cent of RBI's shares were in free float. Due to the capital increase at the beginning of 2014, the free float rose significantly to about 39.3 per cent after RZB waived its subscription rights and participated in the amount of just € 750 million. As of the editorial deadline RZB held 60.7 per cent of RBI's shares.

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 RBG 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.

Raiffeisen Banking Group

The Raiffeisen Banking Group (RBG) is Austria's largest banking group by total assets. As per year-end 2013, RBG's consolidated balance-sheet total amounted to more than € 291 billion. It represents about a quarter of all banking business in Austria and comprises the country's largest banking network with 2,285 business outlets and more than 29,700 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 universal banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 90 per cent 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.

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Independent Auditors' Report

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 2013, the consolidated statements of profit or loss and other 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 as adopted by EU, 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 the consolidated financial position of the Company as at 31 December 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Budapest, 25 April 2014

KPMG Hungária Kft.

Robert Stöllinger
Partner

Consolidated income statement

(HUF million)	Note	2013	2012
Interest and similar income	(5)	**106,119**	**137,143**
- cash and cash equivalents		2,125	3,919
- on placements with banks		308	527
- on loans to non-banks		81,282	101,219
- on securities		20,535	29,646
- from leases		1,869	1,832
Interest expenses and similar charges	(6)	**61,267**	**93,200**
- on borrowings from banks		6,870	12,155
- on deposits from non-banks		39,937	68,865
- on debt securities issued		9,142	10,517
- on subordinated liabilities		1,472	1,663
- other interest-like expenses		3,846	0
Net interest income		**44,852**	**43,943**
Fee and commission income		38,394	26,551
Fee and commission expense		8,161	8,781
Net fee and commission income	(7)	**30,233**	**17,770**
Dividend income		133	44
Net trading income	(8)	10,738	5,952
Net income from derivatives held for risk management	(9)	8,567	8,761
Other operating income	(10)	887	4,895
Operating income		**20,325**	**19,652**
Impairment losses	(11)	**40,154**	**61,901**
Personnel expenses	(12)	25,769	25,285
Rental expenses		7,747	7,668
Equipment expenses		6,370	6,755
Other operating expenses	(10)	53,928	35,832
Operating expenses		**93,814**	**75,540**
Share of profits/(losses) of associates		**0**	**(12)**
Profit/(loss) before tax		**(38,558)**	**(56,088)**
Income tax expense	(13)	98	123
Deferred tax	(13)	562	738
Profit/(loss) for the period		**(39,218)**	**(56,949)**
Attributable to:			
Equity holders of the parent		(39,077)	(56,831)
Non controlling interest		(141)	(118)

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

Consolidated statement of comprehensive income

(HUF million)	2013	2012
Profit/(loss) for the period	**(39,218)**	**(56,949)**
Other comprehensive income/(loss)		
Change of financial assets measured at fair value through other comprehensive income :		
Change in fair value of available-for-sale financial assets	1,911	10,315
Amount transferred to profit or loss	3,202	3,852
Cash flow hedges :		
Effective portion of changes in fair value	(4,741)	(70)
Income tax on other comprehensive income/(loss)	**(971)**	**(2,692)**
Other comprehensive income/(loss) for the period, net of income tax	**(599)**	**11.405**
Total comprehensive income/(loss) for the period	**(39,817)**	**(45,544)**
Total comprehensive income/(loss) attributable to:		
Equity holders of the Bank	(39,676)	(45,426)
Non-controlling interest	(141)	(118)
Total comprehensive income/(loss) for the period	**(39,817)**	**(45,544)**

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

Consolidated statement of financial position

(millió forint)	Note	2013	2012
Assets			
Cash and cash equivalents	(15)	116,004	129,153
Placements with banks	(16)	27,733	32,795
Net loans	(17)	1,224,254	1,285,535
Financial assets at fair value through profit or loss	(18)	55,464	54,173
Available for sale securities	(19)	243,896	399,681
Held to maturity securities	(19)	107,766	111,820
Investments in associated undertakings		9	9
Investments in unlisted securities		45	45
Property, plant and equipment	(21)	11,205	17,871
Investment property	(21)	202	197
Intangible assets	(22)	15,785	15,703
Goodwill	(23)	1,155	1,155
Current tax assets		1,562	105
Deferred tax assets	(37)	3,677	5,199
Other assets	(25)	32,162	36,500
Assets classified as held for sale	(33)	10,569	11,094
Total assets		**1,851,488**	**2,101,035**
LIABILITIES AND EQUITY			
Deposits from banks	(27)	225,960	243,145
Deposits from non-banks	(28)	1,228,781	1,436,552
Debt securities issued	(29)	133,973	142,642
Subordinated liabilities	(30)	56,586	55,518
Financial liabilities at fair value through profit or loss	(26)	50,402	54,724
Current tax liabilities		123	109
Deferred tax liabilities	(37)	126	115
Provisions	(32)	9,838	15,149
Other liabilities	(31)	31,189	37,367
Liabilities classified as held for sale	(33)	108	49
Total liabilities		**1,737,086**	**1,985,370**
Equity attributable to equity holders of the parent		**113,558**	**115,919**
Ordinary shares		50,000	165,023
Preference shares		0	0
Share capital	**(34)**	**50,000**	**165,023**
Retained earnings		(84,042)	(44,699)
Capital reserve	(34)	152,604	0
Non-distributable reserve		0	0
Fair value reserve	(35)	(5,004)	(4,405)
Non controlling interest		**844**	**(254)**
Total equity		**114,402**	**115,665**
Total liabilities, non controlling interest and shareholder's equity		**1,851,488**	**2,101,035**

Consolidated statement of changes in equity

(HUF million)	Ordinary shares	Share capital	General risk reserve	Capital reserve	Non-distributable reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Note	(34)		(35)	(34)							
Balance 1 January 2013	**165,023**	**165,023**	**0**	**0**	**0**	**(4,405)**	**(4,405)**	**(44,699)**	**115,919**	**(254)**	**115,665**
Total comprehensive income/(loss) for the period											
Profit or loss	0	**0**	0	0	0	0	**0**	(39,077)	**(39,077)**	(141)	**(39,218)**
Other comprehensive income/(loss)											
Net change in fair value of available-for-sale financial assets, net of tax	0	**0**	0	0	0	1,548	**1,548**	0	**1,548**	0	**1,548**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	0	**0**	0	0	0	2,594	**2,594**	0	**2,594**	0	**2,594**
Effective portion of changes in fair value of cash flow hedge items, net of tax	0	**0**	0	0	0	(4,741)	**(4,741)**	0	**(4,741)**	0	**(4,741)**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**(599)**	**(599)**	**0**	**(599)**	**0**	**(599)**
Total comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**(599)**	**(599)**	**(39,077)**	**(39,676)**	**(141)**	**(39,817)**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Issue of share capital and share premium	0	**0**	0	37,581	0	0	**37,581**	0	**37,581**	0	**37,581**
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	(115,023)	**(115,023)**	0	115,023	0	0	**115,023**	0	**0**	0	**0**
Non-distributable reserve	0	**0**	0	0	0	0	**0**	0	**0**	0	**0**
Total contributions by and distributions to owners	**(115,023)**	**(115,023)**	**0**	**152,604**	**0**	**0**	**152,604**	**0**	**37,581**	**0**	**37,581**
Changes in ownership interests	0	**0**	0	0	0	0	**0**	(266)	**(266)**	868	**602**
Change in non-controlling interest during the period	0	**0**	0	0	0	0	**0**	0	**0**	371	**371**
Non controlling interest arising on acquisition	0	**0**	0	0	0	0	**0**	0	**0**	371	**371**
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**	**(266)**	**(266)**	**1,239**	**973**
Total transactions with owners, recorded directly in equity	**(115,023)**	**(115,023)**	**0**	**152,604**	**0**	**0**	**152,604**	**(266)**	**37,315**	**1,239**	**38,554**
Balance 31 December 2013	**50,000**	**50,000**	**0**	**152,604**	**0**	**(5,004)**	**147,600**	**(84,042)**	**113,558**	**844**	**114,402**

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

Consolidated statement of changes in equity

(HUF million) Note	Ordinary shares (34)	Share capital	General risk reserve (35)	Capital reserve (34)	Non-distributable reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Balance 1 January 2012	**165,023**	**165,023**	**0**	**0**	**323**	**(15,810)**	**(15,487)**	**12,864**	**162,400**	**(1,496)**	**160,904**
Total comprehensive income/(loss) for the period											
Profit or loss	0	**0**	0	0	0	0	**0**	(56,831)	**(56,831)**	(118)	**(56,949)**
Other comprehensive income/(loss)											
Net change in fair value of available-for-sale financial assets, net of tax	0	**0**	0	0	0	8,355	**8,355**	0	**8,355**	0	**8,355**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	0	**0**	0	0	0	3,120	**3,120**	0	**3,120**	0	**3,120**
Effective portion of changes in fair value of cash flow hedge items, net of tax	0	**0**	0	0	0	(70)	**(70)**	0	**(70)**	0	**(70)**
Net amount transferred to profit or loss (cash flow hedge items), 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**	**11,405**	**11,405**	**0**	**11,405**	**0**	**11,405**
Total comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**11,405**	**11,405**	**(56,831)**	**(45,426)**	**(118)**	**(45,544)**
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**	0	**0**	0	**0**
Transfer to reserves, net of tax	0	**0**	0	0	(323)	0	**(323)**	323	**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**	**0**	**0**	**(323)**	**0**	**(323)**	**323**	**0**	**0**	**0**
Changes in ownership interests	0	**0**	0	0	0	0	**0**	(1,055)	**(1,055)**	7	**(1,048)**
Change in non-controlling interest during the period	0	**0**	0	0	0	0	**0**	0	**0**	1,353	**1,353**
Non controlling interest arising on acquisition	0	**0**	0	0	0	0	**0**	0	**0**	1,353	**1,353**
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**	**(1,055)**	**(1,055)**	**1,360**	**305**
Total transactions with owners, recorded directly in equity	**0**	**0**	**0**	**0**	**(323)**	**0**	**(323)**	**(732)**	**(1,055)**	**1,360**	**305**
Balance 31 December 2012	**165,023**	**165,023**	**0**	**0**	**0**	**(4,405)**	**(4,405)**	**(44,699)**	**115,919**	**(254)**	**115,665**

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

Consolidated statement of cash flows

(HUF million)	Note	2013	2012
Profit/(loss) for the period		**(39,218)**	**(56,949)**
Cash flows from operating activites			
Adjustments for:			
Depreciation and amortisation	(21, 22)	6,385	8,166
Net impairment loss on non-financial assets	(17)	583	309
Net impairment losses and write-offs on financial assets	(7)	25,389	9,283
Net interest income	(5)	(44,852)	(43,943)
Disposal of assets		103	43
Other		556	428
Income tax expense	(13)	660	861
		(11,176)	**(24,853)**
Change in placements with banks	(16)	5,062	66,983
Change in loans and advances to customers	(17)	35,892	231,420
Change in derivative financial instruments	(18)	(7,221)	(50,145)
Change in AFS securities (without revaluation)	(19)	160,194	(134,878)
Change in other assets and asset held for sale	(25,33)	4,015	13,905
Change in deposits from banks	(27)	(17,185)	(74,925)
Change in deposits from non-banks	(28)	(207,771)	2,014
Change in other liabilities, provisions and liabilities held for sale	(31,32,33)	(11,430)	(25,267)
		(38,444)	**29,107**
Interest and dividends received		106,252	137,187
Interest paid		(61,267)	(93,200)
Income tax paid		(570)	3,001
Net cash from / (used in) operating activities		**(44,423)**	**(5,707)**
Cash flows from investing activities			
Purchase of securities	(19)	(23,765)	1,106
Disposals of securities	(19)	24,686	28,166
Purchase of investment in associates		0	(12)
Disposal of investment in associates		0	0
Purchase of equity investments		0	(5)
Disposal of equity investments		0	81
Purchase of property, plant and equipment	(21)	(1,769)	(1,041)
Disposals of property, plant and equipment	(21)	5,819	66
Purchase of intangible assets	(22,23)	(3,993)	(4,496)
Disposals of intangible assets	(22,23)	32	520
Net cash used in investing activities		**1,010**	**24,385**

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

Consolidated statement of cash flows

(HUF million)	Note	2013	2012
Cash flows from financing activities			
Increase in issued debt securities	(29)	38,189	67,571
Repayment of debt securities	(29)	(46,859)	(51,252)
Increase in subordinated liabilities	(30)	1,069	(3,962)
Issuance of new shares and proceeds from share premium	(34)	37,952	1,372
Dividend paid		0	0
Net cash from financing activities		**30,351**	**13,729**
Net increase/decrease of cash and cash equivalents		**(13,062)**	**32,407**
Cash and cash equivalents at 1 January		**129,153**	**98,285**
Net effect of exchange rate		(87)	(1,539)
Cash and cash equivalents at December 31		**116,004**	**129,153**

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 2013 comprise the Bank and its subsidiaries (together referred to as the "Group"). For further information on consolidated subsidiaries please see Note 42.

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') as adopted by EU.

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 25 April 2014.

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 39.

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

Accounting treatments of IFRS 13 were implemented in 2013. The effect of IFRS 13 on Group's P&L was not significant.

(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 all Group entities.

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 Bank. Control exists when the Bank 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 Bank 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 Bank'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 Bank'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 43.

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 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 measured at the lower of its carrying amount and fair value less costs to sell.

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 42.

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 the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. If the 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 6 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 capitalized and amortised. 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 is disclosed according to IAS 40. It is determined by independent experts and is reviewed quarterly. The fair value is supported by market evidence. (See Note 21).

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 observable market 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 40.

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 municipal 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 issued 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.

Hedge accounting

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationship. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and the hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedging relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability that could affect profit and loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of comprehensive income as the hedged item).

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit and loss as part of the recalculated effective interest rate of the item over its remaining lifetime.

The Group hedges fixed rate loans, fixed rate issued bonds and structured issued bonds in fair value hedges.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the exposure to variablility in cash flows that is attributable to a particular risk associated with a recognized asset or liability, the protion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss under Net income from derivatives held for risk management.

The Group applies cash-flow hedge accounting using cross currency interest rate swaps for risk management purposes where the hedged portfolio is a group of foreign currency loans and forint deposits and the purpose of the hedge is to eliminate the fluctuation of the interest income and expense that arises from changes in the base rates and the fluctuation of the forint exchange rate.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

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 loans 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 the case of non-retail portfolio based loan loss provisioning, the Bank applies a model determined on RBI group level. At the end of 2010 RBI (Raiffeisen Bank International) harmonized the provisioning model for 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 differentiated; in case of the internal rating categories there is no smoothing; and the loss given default is determined on RBI group level. In December 2013, RBI introduced a new Corporate rating model which assigns 25 different rating grades for non-defaulted customers. The default rates corresponding to the rating grades are estimated on a group level for each relevant non-retail asset class (Regular Corporate, Large Corporate, Specialized Lending, Financials), as Network Units might not have enough observations in each rating grades for accurate local estimation. The effect of these changes was HUF 3,287 million additional loan loss provision allocation at the end of 2013.

In line with the RBI Group Accounting regulations at the end of financial year 2011 the Group has introduced in its financial reporting the application of credit conversion factors concerning the off-balance sheet items' portfolio-based loan loss provisioning.

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) appraiser. 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.

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 and measured in the consolidated statement of financial position as part of the securities portfolio. 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.

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 for 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 commitments and certain issued guarantees, and other liabilities, which include pending legal issues and employee benefits, 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 38.

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 in case of floating rate instruments is revised at the repricing date 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.

ab) 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 2013, and have not been applied in preparing these consolidated financial statements:

IAS 27 (Separate financial statements)
(Effective for annual periods beginning on or after 1 January 2014)

The revised IAS 27 will only be relevant for separate financial statements. The application of the revised version of IAS 27 will have no impact on the consolidated financial statements. The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.

IAS 28 (Investments in associates and joint ventures)
(Effective for annual periods beginning on or after 1 January 2014 Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early).

Joint ventures are added to the scope of the revised IAS 28, since, under IFRS 11, joint ventures may only be included in the consolidated financial statements according to the equity method. The revised version of IAS 28 is not expected to have any impact on the consolidated financial statements.

IAS 32 (Offsetting financial assets and liabilities)
(Effective for annual periods beginning on or after 1 January 2014)

The amendments of IAS 32 clarify existing application issues relating to the offsetting of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right to set off" and "simultaneous realiza-tion and settlement". The revised version of IAS 32 is not expected to have any impact on the consolidated financial statements.

IFRS 10 (Consolidated financial statements)
(Effective for annual periods beginning on or after 1 January 2014)

IFRS 10 replaces the parts of IAS 27 (Consolidated and Separate Financial Statements) that deal with consolidated financial statements. SIC-12 (Consolidation – Special Purpose Entities) will be replaced by IFRS 10. In IFRS 10, there is only one basis for consolidation, namely control. Under IFRS 10, control exists if an investor has all three of the following elements: (a) controlling influence over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in the standard to deal with complex scenarios. Based on current expectation, from the perspective of the Bank, the future application of IFRS 10 will have slight impact on the consolidated group via consolidation of DAV group and Raiffeisen Real Estate Invesment Fund from 2014.

IFRS 11 (Joint arrangements)
(Effective for annual periods beginning on or after 1 January 2014)

IFRS 11 replaces IAS 31 (Interests in Joint Ventures) and SIC-13 (Jointly Controlled Entities - Non-Monetary Contributions by Ventures). IFRS 11 deals with how a joint arrangement should be classified. Joint arrangements are classified as a contractual agreement in which two or more parties practice joint management. Joint management can extend to a joint venture or a joint operation. In contrast to IAS 31, accounting for jointly controlled assets is no longer addressed separately in IFRS 11; the rules for joint ventures are applied. IFRS 11 will not have impact on the Bank's consolidated financial statements.

IFRS 12 (Disclosures of interests in other entities)
(Effective for annual periods beginning on or after 1 January 2014)

IFRS 12 is a disclosure standard regarding statements in the notes and is applicable to entities that have interests in subsidiaries, joint arrangements (joint ventures or joint operations), associates and/or unconsolidated structured entities. In general, the disclo-sure requirements in IFRS 12 are far more extensive than those in the current standards. We assume that the future application of IFRS 12 will have no impact on the consolidated financial statements.

Amendments to IFRS 10, IFRS 11 and IAS 27 (Investment entities)
(Effective for annual periods beginning on or after 1 January 2014)

These amendments provide an exception to the consolidation requirements of subsidiaries in IFRS 10 (Consolidated Financial Statements). This applies if the parent company meets the definition of an "investment company" (for example, certain mutual funds). These entities measure their investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 (Financial Instruments) or IAS 39 (Financial Instruments: Recognition and Measurement). These amendments will have no impact on the consolidated financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (Transition guidance)
(Effective for annual periods beginning on or after 1 January 2014)

As a result of these amendments, the transition guidance in IFRS 10, IFRS 11 and IFRS 12 is clarified and additional relief provid-ed in all three standards. Adjusted comparative information is only required for the preceding comparative period. In addition, in connection with the disclosures in the notes on non-consolidated structured entities there is no obligation to provide comparative information for periods that precede the first-time application of IFRS 12.

Amendments to IAS 36 (Recoverable amount disclosures for non-financial assets)
(Effective for annual periods beginning on or after 1 January 2014)

The changes represent a correction of the disclosure rules that were changed more extensively than intended in connection with IFRS 13. These relate to impaired assets for which the recoverable amount is equivalent to fair value less costs of disposal. At present, the recoverable amount must be disclosed regardless of impairment. The correction now restricts the disclosure to actual impairments, but extends the disclosures to be made in such cases. The Bank assumes that, apart from the possible need to make additional disclosures in specific cases, the changes will have no influence on the consolidated financial statements.

Amendments to IAS 39 (Novation of OTC derivatives and continuation of hedging relationship)
(Effective for annual periods beginning on or after 1 January 2014)

As a result of the amendments, derivatives remain designated as hedging instruments in existing hedging relationships despite novation. Novation refers to cases in which the original parties to a derivatives contract agree that a central counterparty shall replace their original counterparty to become the counterparty to each of the original parties. The fundamental requirement is that the use of a central counterparty is required by law or regulation. Moreover, changes to contractual arrangements must be limited to those that are necessary for novation. The objective of the amendments is to avoid any impact on hedge accounting as a consequence of the write-off of the derivative on the conversion of the contract to a central counterparty. The Bank assumes that the changes will have no impact on the consolidated financial statements.

IFRS 9 Financial Instruments (issued in 2009)
(Effective for annual periods beginning on or after 1 January 2018, 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.

Additions to IFRS 9 Financial Instruments (issued in 2010)
(Effective for annual periods beginning on or after 1 January 2018, 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.

The Group does not expect the amendments to 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.

Amendments to IFRS 9 and IFRS 7 - Mandatory effective date and transitional disclosures

These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 (2010).

The amended IFRS 7 require to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.

If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.

If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7.

If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required.

It is expected that the Amendments, when initially applied, will not have material impact on the Group's 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.

(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 Group'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 Group has carried out integrated provisioning, capital requirement and profit after tax forecasting and stress-testing semi-annually since 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:

2013 (HUF million)	Place-ments with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Govern-ment and public sector	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Individually impaired								
Minimal risk	0	51	0	0	0	0	0	2
Excellent credit standing	0	1,311	0	0	0	0	0	26
Very good credit standing	0	9	2	0	0	0	0	38
Good credit standing	0	4,219	267	0	0	0	0	50
Average credit standing	0	434	73	0	0	0	0	207
Acceptable credit standing	0	2,973	99	0	0	0	0	71
Weak credit standing	0	6,437	441	300	0	0	290	166
Very weak credit standing	0	2,241	2,106	0	0	0	523	622
Doubtful / high default risk	0	7,223	4,192	2,974	0	0	100	557
Default	0	250,050	158,326	9,108	0	0	123	13,343
Unrated	0	214	4,529	313	0	0	0	1,465
Total gross amount of individually impaired financial assets	**0**	**275,162**	**170,035**	**12,695**	**0**	**0**	**1,036**	**16,547**
Total individually impaired allowance for impairment	0	160,793	105,878	1,850	0	0	558	3,169
Total carrying amount of individually impaired finan-cial assets	**0**	**114,369**	**64,157**	**10,845**	**0**	**0**	**478**	**13,378**
Collectively impaired								
Minimal risk	0	582	6,668	0	0	0	0	0
Excellent credit standing	0	509	13,458	0	0	0	0	5
Very good credit standing	0	12,334	29,275	2	0	0	0	28,987
Good credit standing	0	39,003	49,118	0	0	0	0	20,901
Average credit standing	259	84,037	48,422	0	0	0	0	21,904
Acceptable credit standing	27	84,861	41,586	44	0	0	0	40,585
Weak credit standing	310	80,232	33,393	7	0	0	0	14,079
Very weak credit standing	826	51,017	24,996	0	0	0	0	17,341
Doubtful / high default risk	0	88,020	28,647	0	0	0	0	11,223
Default	0	77	19,253	0	0	0	0	0
Unrated	0	1,260	10,403	14	0	0	0	352
Total gross amount of collectively impaired financial assets	**1,422**	**441,932**	**305,219**	**67**	**0**	**0**	**0**	**155,377**
Total collectively impaired allowance for impairment	7	7,759	8,328	0	0	0	0	1,378
Total carrying amount of collectively impaired financial assets	**1,415**	**434,173**	**296,891**	**67**	**0**	**0**	**0**	**153,999**

2013 (millió Ft)	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	0	0	0	0	0	0	0
Good credit standing	0	0	0	0	0	0	0	0
Average credit standing	0	4	53	0	0	0	0	0
Acceptable credit standing	0	8	36	0	0	0	0	0
Weak credit standing	0	1	170	0	0	0	0	0
Very weak credit standing	0	0	401	0	0	0	0	0
Doubtful / high default risk	0	73	860	0	0	0	0	0
Default	0	0	336	0	0	0	0	0
Unrated	0	0	242	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**86**	**2,098**	**0**	**0**	**0**	**0**	**0**
Past due comprises:								
up to 30 days	0	69	1,727	0	0	0	0	0
31 to 90 days	0	16	216	0	0	0	0	0
91 to 180 days	0	0	48	0	0	0	0	0
181 days to 1 year	0	0	36	0	0	0	0	0
more than 1 year	0	1	71	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**86**	**2,098**	**0**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Minimal risk	0	188	20	0	2	121	1	3,683
Excellent credit standing	0	19,479	32	0	0	5	37	14,464
Very good credit standing	23,613	15,206	316	0	1,457	341	21,703	27,592
Good credit standing	0	487	1,046	0	0	19	6,591	44,418
Average credit standing	0	43,689	1,851	0	0	2,119	1,485	33,901
Acceptable credit standing	0	6,141	2,453	0	0	23	95	47,913
Weak credit standing	27	17,218	2,505	156,228	360,604	5,035	6,392	45,964
Very weak credit standing	2,678	3,364	2,101	786	1,414	4,545	683	34,733
Doubtful / high default risk	0	20,746	2,026	0	0	2,714	532	14,301
Default	0	0	768	0	1,731	20	70	68
Unrated	0	79	4,837	2	0	300	182	714
Total carrying amount of neither past due nor impaired financial assets	**26,318**	**126,597**	**17,955**	**157,016**	**365,208**	**15,242**	**37,771**	**267,751**
Total gross amount	**27,740**	**843,777**	**495,307**	**169,778**	**365,208**	**15,242**	**38,807**	**439,675**
Total allowance for impairment	**7**	**168,552**	**114,206**	**1,850**	**0**	**0**	**558**	**4,547**
Total carrying amount	**27,733**	**675,225**	**381,101**	**167,928**	**365,208**	**15,242**	**38,249**	**435,128**

2012 (HUF million)	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	13	0	0	0	0	0
Excellent credit standing	0	0	0	0	0	0	0	0
Very good credit standing	0	0	0	0	0	0	0	0
Good credit standing	0	2,581	16	4	0	0	0	77
Average credit standing	0	333	44	0	0	0	0	7
Acceptable credit standing	0	5,375	105	11	0	0	0	1
Weak credit standing	0	8,792	279	883	0	0	869	1,174
Very weak credit standing	0	4,021	802	2,241	0	0	850	545
Doubtful / high default risk	0	60,096	3,866	2,939	0	0	447	4,176
Default	0	254,334	139,296	17,958	0	0	2,190	16,786
Unrated	0	850	2,551	374	0	0	0	430
Total gross amount of individually impaired financial assets	**0**	**336,382**	**146,972**	**24,410**	**0**	**0**	**4,356**	**23,196**
Total individually impaired allowance for impairment	0	147,820	88,774	3,263	0	0	2,361	5,779
Total carrying amount of individually impaired financial assets	**0**	**188,562**	**58,198**	**21,147**	**0**	**0**	**1,995**	**17,417**
Collectively impaired								
Minimal risk	0	0	18,797	0	0	0	0	0
Excellent credit standing	0	0	15,044	0	0	0	0	2
Very good credit standing	0	0	33,227	0	0	0	0	0
Good credit standing	0	22,282	43,858	0	0	0	0	29,514
Average credit standing	0	66,108	53,871	0	0	0	0	34,168
Acceptable credit standing	0	125,742	51,016	0	0	0	0	35,157
Weak credit standing	0	160,472	36,337	0	0	0	0	25,480
Very weak credit standing	0	74,269	27,359	0	0	0	0	14,319
Doubtful / high default risk	0	24,188	40,286	0	0	0	0	8,562
Default	0	76	29,487	0	0	0	0	5
Unrated	0	87	20,204	0	0	0	0	58
Total gross amount of collectively impaired financial assets	**0**	**473,224**	**369,486**	**0**	**0**	**0**	**0**	**147,265**
Total collectively impaired allowance for impairment	0	4,430	14,932	0	0	0	0	1,027
Total carrying amount of collectively impaired financial assets	**0**	**468,794**	**354,554**	**0**	**0**	**0**	**0**	**146,238**

2012 (HUF million)	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	591	0	0	0	0	0	0
Good credit standing	0	0	0	0	0	0	0	0
Average credit standing	0	0	6	0	0	0	0	0
Acceptable credit standing	0	0	6	0	0	0	0	0
Weak credit standing	0	2	62	209	1,240	0	0	0
Very weak credit standing	0	0	188	0	0	0	0	0
Doubtful / high default risk	0	26	651	0	0	0	0	0
Default	0	0	427	0	756	0	0	0
Unrated	0	1	203	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**620**	**1,543**	**209**	**1,996**	**0**	**0**	**0**
Past due comprises:								
up to 30 days	0	7	1,339	195	1,240	0	0	0
31 to 90 days	0	22	78	0	0	0	0	0
91 to 180 days	0	0	9	0	0	0	0	0
181 days to 1 year	0	0	79	0	569	0	0	0
more than 1 year	0	591	38	14	187	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**620**	**1,543**	**209**	**1,996**	**0**	**0**	**0**
Neither past due nor impaired								
Minimal risk	0	92	16	0	0	1	0	298
Excellent credit standing	0	8,707	31	0	0	1	507	23,807
Very good credit standing	20,548	9,232	204	0	0	222	18,019	24,057
Good credit standing	219	80	572	0	1,681	2,182	3,887	24,660
Average credit standing	0	20,364	1,519	0	9,159	6	956	44,048
Acceptable credit standing	38	10,035	2,545	0	0	46	341	58,533
Weak credit standing	6,757	14,778	2,417	72,903	501,802	2,825	8,994	66,007
Very weak credit standing	5,213	18,449	2,186	167	2,764	4,536	1,138	31,943
Doubtful / high default risk	20	16,972	2,470	0	0	2,214	2,010	10,830
Default	0	0	1,001	0	4,885	34	186	58
Unrated	0	25	7,143	0	0	970	254	943
Total carrying amount of neither past due nor impaired financial assets	**32,795**	**98,734**	**20,104**	**73,070**	**520,291**	**13,037**	**36,292**	**285,184**
Total gross amount	32,795	908,960	538,105	97,689	522,287	13,037	40,648	455,645
Total allowance for impairment	**0**	**152,250**	**103,706**	**3,263**	**0**	**0**	**2,361**	**6,806**
Total carrying amount	**32,795**	**756,710**	**434,399**	**94,426**	**522,287**	**13,037**	**38,287**	**448,839**

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:** Non-retail segment: 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).
  Retail segment: This grade is reserved for top rated customers.
- **Excellent credit standing:** Non-retail segment: 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.
  Retail segment Based on excellent financial situation payments are expected under all circumstances.
- **Very good credit standing:** Non-retail segment: 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.
  Retail segment Based on very high income, the probability that all payments – capital and interest – can be fulfilled also in the long run is very high
- **Good credit standing:** Non-retail segment: Based on strong profitability, all financial obligations can be expected to be fulfilled in the medium term. Good equity base and healthy substance.
  Retail segment: Based on favourable financial situation and high soci-demographic status all financial obligations can be expected to be fulfilled in the medium term. Good equity base and healthy substance.
- **Average credit standing:** Non-retail segment: Based on strong profitability, no interruptions of principal and interest payments are expected. Reasonable financing structure with satisfactory equity base.
  Retail segment: Based on prober credit capacity and soci-demographic status, no interruptions of principal and interest payments are expected.
- **Acceptable credit standing:** Non-retail segment 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.
  Retail segment: Based on satisfactory income and prober soci-demographic status, no interruption of principal and interest payments are expected, however increased sensitivity towards massive deterioration of the economic environment.
- **Weak credit standing:** Non-retail segment: 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.
  Retail segment: The customer shows lower income and has limited credit capacity. Substantial deterioration of the economic parameters could negatively affect timely principal and interest payments.
- **Very weak credit standing:** Non-retail segment: 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.
  Retail segment: Customer with low income and has unfavourable soci-demographic status. Already minor deterioration of the economic environment can interfere with full and timely fulfilment of financial obligations.
- **Doubtful/high default risk:** Non-retail segment: Company with very weak profitability and problematic financing structure. Partial loss of principal or interest is expected in work out case.
  Retail segment: Customer with very weak low income and has unfavourable soci-demographic status. Partial loss of income or interest is expected in work out case.
- **Default:** Default. Financial obligations could not be completely fulfilled in time.

- **Unrated:** Non-retail segment: 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. pending legal issues in amount of HUF 1.4 billion 2013, and HUF 0.4 billion in 2012).
  Retail segment: Unrated exposures in the retail sector mostly negative accounts and distressed exposures, marginal amount of data quality problem loans and employee loans (HUF 5.3 billion in 2013 and HUF 6,6 billion in 2012). Unrated exposure in the retail sector are that loans which are provided by subsidiaries (HUF 16.1 billion in 2013 and HUF 24.4 billion in 2012).

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.

Loans and advances to corporate clients and sovereigns

All type of lending exposures are concernedin restructuring at workout (loans, overdrafts, bonds, guarantees, factoring frames and any other financing facilities)
As non-retail workout restructurings are occurring only in case

- the client faces financial problems
- has or probably will have material overdue
- significant economic loss is expected on its claim

The fact of restructuring does not mean re-aging or healed status of the client, the restructuring in itself does not mean improved risk status neither on client, nor on portfolio level, it only gives a new financing structure, which best fits to the client's feasible operational/other cash-flow projections.
The re-ageing from workout status, thus the improvement of the rating and the risk status can only be made if the following cumulative conditions are met:

- material loss is no longer expected on the Borrower under existing conditions, and no other default triggers are present
- willingness and ability to repay debt has been proved: minimum 3 consecutive repayment periods of material

principal installment are made orderly (i.e. grace period and 'symbolic' installment excluded) and the liquidity plan ensures business continuity.

Loans and advances to retail clients

All types of private individual loan products are included in restructuring (personal loans, credit cards, overdrafts, mortgage loans). There are two main types of restructuring: 1) Restructuring tools proven by the bank; 2) Restructuring program launched by the Government.

Tools of banking restructuring:
The restructuring is offered for the delinquent customers during the collection process or they can claim preventive restructuring knowing their own financial situation or in case of change of it (e.g. unemployment, death, long lasting illness etc.). Main tools in the program are the following: term extension; temporary interest only repayment; temporary instalment decrease; revolving loans consolidation; re-packaging of loans or only the past due amounts into a new term loan.

Government packages:
FX -protection programs for foreign currency based mortgage loans. Delinquent (up to 180 days in past due) and non-delinquent customers can apply for the fixed FX rate instalment repayment which eliminated the FX volatility risk during the protection period.
In 2013 HUF 354 billion gross exposure was denominated in foreign currency in private individuals mortgage portfolio, and 40% of the portfolio had entered into the FX protection program (2012: 361 billion, 25.9%).

Hungarian National Bank's „Funding for Growth" Program:
As part of its monetary policy instruments, on 1 June 2013 the Hungarian National Bank (HNB) is launching its three-pillar Funding for Growth Scheme (FGS) to alleviate disruptions observed in lending to small and medium-sized enterprises, to strengthen financial stability and to reduce the external vulnerability of the country.

Under Pillar I and II of the FGS the MNB provides refinancing loans to credit institutions participating in the Scheme, at a 0 per cent interest rate and with a maximum maturity of 10 years. Banks can give credits to clients at a maximum 2,5 % interest marge. At the end of 2013 the FGS deposit was HUF 62,226 million.

Regarding the provisioning rules the day past due before restructuring is also taken into account for at least three month after restructuring (grace period is excluded). Therefore the customer has to prove the ability and willingness of repayment to cure back. No delinquency is tolerated during the probation period.

The Group's exposure to restructured loans at the reporting date is shown below:

2013 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to sovereigns	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Individually impaired								
Gross amount	0	50,888	76,150	4,505	0	0	0	0
Allowance for impairment	0	31,343	43,280	658	0	0	0	0
Carrying amount of individually impaired	**0**	**19,545**	**32,870**	**3,847**	**0**	**0**	**0**	**0**
restructured loans	**0**	**14,340**	**38,127**	**13**	**0**	**0**	**0**	**0**
Collectively impaired								
Gross amount	0	32,410	161,103	0	0	0	0	0
Allowance for impairment	0	1,298	3,521	0	0	0	0	0
Carrying amount of collectively impaired	**0**	**31,112**	**157,582**	**0**	**0**	**0**	**0**	**0**
restructured loans	**0**	**9,649**	**91,403**	**0**	**0**	**0**	**0**	**0**
Past due but not impaired								
Past due comprises:								
up to 30 days	0	0	1,159	0	0	0	0	0
31 to 90 days	0	0	170	0	0	0	0	0
91 to 180 days	0	0	15	0	0	0	0	0
181 days to 1 year	0	0	32	0	0	0	0	0
more than 1 year	0	0	69	0	0	0	0	0
Carrying amount of past due but not impaired	**0**	**0**	**1,445**	**0**	**0**	**0**	**0**	**0**
Fair value of collaterals	**0**	**0**	**421**	**0**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Carrying amount of neither past due nor impaired restructured loans	**0**	**532**	**8,713**	**1,705**	**0**	**0**	**0**	**537**
Fair value of collaterals	**0**	**457**	**3,476**	**0**	**0**	**0**	**0**	**131**
Total gross amount	0	83,830	247,411	6,210	0	0	0	537
Total allowance for impairment	0	32,641	46,801	658	0	0	0	0
Total carrying amount of restructured loans	**0**	**51,189**	**200,610**	**5,552**	**0**	**0**	**0**	**537**
Total fair value of collaterals	**0**	**24,446**	**133,427**	**13**	**0**	**0**	**0**	**131**

2012 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to sovereigns	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Individually impaired								
Gross amount	0	40,164	47,318	19,649	0	0	0	94
Allowance for impairment	0	16,375	26,518	2,996	0	0	0	0
Carrying amount of individually impaired	**0**	**23,789**	**20,800**	**16,653**	**0**	**0**	**0**	**94**
restructured loans	**0**	**12,686**	**24,034**	**11**	**0**	**0**	**0**	**24**
Collectively impaired								
Gross amount	0	4,743	175,326	0	0	0	0	6
Allowance for impairment	0	73	8,946	0	0	0	0	0
Carrying amount of collectively impaired	**0**	**4,670**	**166,380**	**0**	**0**	**0**	**0**	**6**
restructured loans	**0**	**2,621**	**102,202**	**0**	**0**	**0**	**0**	**0**
Past due but not impaired								
Past due comprises:								
up to 30 days	0	0	598	0	0	0	0	0
31 to 90 days	0	0	46	0	0	0	0	0
91 to 180 days	0	0	0	0	0	0	0	0
181 days to 1 year	0	0	56	0	0	0	0	0
more than 1 year	0	0	19	0	0	0	0	0
Carrying amount of past due but not impaired	**0**	**0**	**719**	**0**	**0**	**0**	**0**	**0**
Fair value of collaterals	**0**	**0**	**380**	**0**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Carrying amount of neither past due nor impaired restructured loans	**0**	**3,772**	**7,310**	**0**	**0**	**0**	**0**	**214**
Fair value of collaterals	**0**	**2,745**	**4,018**	**0**	**0**	**0**	**0**	**120**
Total gross amount	0	48,679	230,673	19,649	0	0	0	314
Total allowance for impairment	0	16,448	35,464	2,996	0	0	0	0
Total carrying amount of restructured loans	**0**	**32,231**	**195,209**	**16,653**	**0**	**0**	**0**	**314**
Total fair value of collaterals	**0**	**18,052**	**130,634**	**11**	**0**	**0**	**0**	**144**

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 to rely primarily 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:

2013 (HUF million)	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	**2,535**	**22,680**	**4,296**	**1,039**	**17,015**	**47,565**
Debt securities issued by	**0**	**16,349**	**1,541**	**0**	**5,936**	**23,826**
Central governments	0	263	350	0	321	**934**
Companies	0	1,222	793	0	405	**2,420**
Others	0	14,864	398	0	5,210	**20,472**
Shares	**0**	**1,448**	**18**	**0**	**410**	**1,876**
Mortgage on	**0**	**139,384**	**255,683**	**96**	**26,319**	**421,482**
Residential real estate	0	22,575	247,446	0	1,872	**271,893**
Commercial real estate	0	116,778	8,016	96	24,445	**149,335**
Other	0	31	221	0	2	**254**
Guarantees from	**0**	**9,856**	**5,433**	**3,788**	**20,408**	**39,485**
Central governments	0	7,117	5,433	3,788	5,282	**21,620**
Other banks	0	2,739	0	0	15,126	**17,865**
Other	**0**	**38,927**	**1,888**	**0**	**24,273**	**65,088**
Total collateral	**2,535**	**228,644**	**268,859**	**4,923**	**94,361**	**599,322**

2012 (HUF million)	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	**6,454**	**25,724**	**4,275**	**12,160**	**15,647**	**64,260**
Debt securities issued by	**3,382**	**25,380**	**1,401**	**0**	**2,512**	**32,675**
Central governments	3,382	587	232	0	1,086	**5,287**
Companies	0	846	909	0	743	**2,498**
Others	0	23,947	260	0	683	**24,890**
Shares	**0**	**285**	**34**	**0**	**414**	**733**
Mortgage on	**0**	**194,439**	**294,514**	**108**	**30,392**	**519,453**
Residential real estate	0	28,873	281,389	0	2,671	**312,933**
Commercial real estate	0	165,310	12,213	108	27,720	**205,351**
Other	0	256	912	0	1	**1,169**
Guarantees from	**0**	**14,467**	**5,100**	**7,439**	**20,043**	**47,049**
Central governments	0	9,795	5,098	7,439	4,971	**27,303**
Other banks	0	4,672	2	0	15,072	**19,746**
Other	**0**	**67,574**	**10,214**	**0**	**23,919**	**101,707**
Total collateral	**9,836**	**327,869**	**315,538**	**19,707**	**92,927**	**765,877**

The fair value of collateral held against loans and advances to customers and banks at the reporting date was as follows:

2013 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Investments in securities	Guarantees and undrawn credit facilities	Total Collateral
Individually impaired	0	69,722	84,363	0	5,091	**159,176**
Collectively impaired	0	124,501	174,717	0	6,881	**306,099**
Past due but not impaired	0	49	620	0	0	**669**
Neither past due nor impaired	2,535	34,372	9,159	4,923	82,389	**133,378**
Total collateral	**2,535**	**228,644**	**268,859**	**4,923**	**94,361**	**599,322**

2012 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Investments in securities	Guarantees and undrawn credit facilities	Total Collateral
Individually impaired	0	110,145	73,575	0	5,888	**189,608**
Collectively impaired	0	188,008	233,431	0	10,865	**432,304**
Past due but not impaired	0	158	279	717	0	**1,154**
Neither past due nor impaired	9,836	29,558	8,253	18,990	76,174	**142,811**
Total collateral	**9,836**	**327,869**	**315,538**	**19,707**	**92,927**	**765,877**

The net carrying amount of assets obtained by the Group by taking possession of collateral held as security, or calling upon other credit enhancements, were as follows:

(HUF million)	2013	2012
Real estate	487	396
Inventories	358	334
Other	14	0
Total assets obtained	**859**	**730**

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:

2013 (HUF million)	Placements with banks	Loans and advances to customers	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Real estate	0	221,986	0	101	1,016	11,854
Domestic trade	0	138,303	0	324	327	75,327
Other, mainly service industries	0	157,589	0	1,124	812	34,725
Finance	27,740	105,942	2	12,988	35,696	58,850
Central Bank	0	0	144,204	0	0	0
Public administration	0	166,423	219,545	199	0	1,168
Chemicals and pharmaceuticals	0	44,206	1,457	0	42	55,786
Food processing	0	51,629	0	0	15	13,195
Agriculture	0	37,338	0	0	26	7,657
Transportation, communication	0	34,990	0	4	8	32,301
Construction	0	44,232	0	122	11	97,897
Heavy industry	0	24,837	0	0	179	12,415
Light industry	0	23,365	0	1	17	11,183
Energy	0	14,278	0	2	0	6,597
Infrastructure	0	1,532	0	1	0	1,038
Private households	0	442,212	0	376	658	19,682
Total gross exposure	**27,740**	**1,508,862**	**365,208**	**15,242**	**38,807**	**439,675**

2012 (HUF million)	Placements with banks	Loans and advances to customers	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Real estate	0	236,200	0	103	2,115	11,143
Domestic trade	0	151,608	0	280	1,202	90,049
Other, mainly service industries	0	265,207	0	1,477	1,304	66,529
Finance	32,501	92,036	0	10,784	32,739	48,692
Central Bank	294	0	288,942	0	0	0
Public administration	0	3,276	222,505	11	0	0
Chemicals and pharmaceuticals	0	67,734	10,840	0	224	53,305
Food processing	0	54,295	0	1	27	7,575
Agriculture	0	37,558	0	0	118	5,412
Transportation, communication	0	37,104	0	2	1	28,253
Construction	0	49,025	0	118	117	95,441
Heavy industry	0	36,964	0	0	533	15,005
Light industry	0	25,090	0	0	116	11,265
Energy	0	13,282	0	2	0	7,526
Infrastructure	0	2,446	0	22	0	1,225
Private households	0	472,929	0	237	2,152	14,225
Total gross exposure	**32,795**	**1,544,754**	**522,287**	**13,037**	**40,648**	**455,645**

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.

VaR (Value at Risk) limit system is operated on daily basis where separate VaR limits are 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. Credit spread risk is indicated as an individual risk factor in the reports as well.

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. The bank is carrying out daily market conformity check activity, the results are delivered on a regular basis to the Management.
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.
A special interest rate model was introduced for the non-maturity products in the banking book, which is used in risk reports, too.

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	*(HUF million)*
Fixed rate instruments	***As at 31 December 2013***
Financial assets	*419,071*
Financial liabilities	*460,116*
Total fixed rate instruments	***(41,045)***

	As at 31 December 2013	
Variable rate instruments	**Financial assets**	**Financial liabilities**
HUF	449,280	728,922
CHF	317,041	19,140
EUR	520,648	306,017
USD	12,716	109,864
Other currencies	2,312	16,893
Total variable rate financial instruments	**1,301,997**	**1,180,836**

Interest-bearing financial instruments	**(HUF million)**
Fixed rate instruments	**As at 31 December 2012**
Financial assets	462,474
Financial liabilities	678,871
Total fixed rate instruments	**(216,397)**

	As at 31 December 2012	
Variable rate instruments	**Financial assets**	**Financial liabilities**
HUF	515,717	737,734
CHF	465,873	33,073
EUR	485,645	353,781
USD	20,732	59,170
Other currencies	6,580	13,349
Total variable rate financial instruments	**1,494,547**	**1,197,107**

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 certain fixed interest loans, fixed interest and structured issued bonds.

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".

Fair value hedges (HUF million)	2013	2012
Valuation gain/(loss) on hedged instruments	(481)	(7,413)
Valuation gain/(loss) on hedging interest rate swaps	492	7,290

The Group applies cash-flow hedge accounting using cross currency interest rate swaps for risk management purposes where the hedged portfolio is a group of foreign currency loans and forint deposits and the purpose of the hedge is to eliminate the fluctuation of the interest income and expense that arises from changes in the base rates and the fluctuation of the forint exchange rate.

Nominal and interest cash flows of cash-flow hedged deals are the following :

Cash flow hedges (HUF million)	Within 1 year	1-5 years	Over 5 years
Inflows	12,184	31,915	6,163
Outflows	2,597	6,791	1,521

During 2013 net losses of HUF 4,740 million relating to the effective portion of cash flow hedges were recognised in other comprehensive income (2012: HUF 70 million).

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:

2013 (HUF million)	HUF	CHF	EUR	USD	Other	Total
Cash and cash equivalents	101,163	594	10,864	1,791	1,592	116,004
Placements with banks	257	2,336	25,140	0	0	27,733
Loans and advances to customers	449,231	282,897	480,821	9,738	1,567	1,224,254
Financial assets at fair value through profit or loss - except for derivatives	16,473	0	151	33	0	16,657
Available for sale securities	194,263	34,643	12,506	2,484	0	243,896
Held to maturity securities	101,854	0	5,912	0	0	107,766
Financial assets except for derivatives	**863,241**	**320,470**	**535,394**	**14,046**	**3,159**	**1,736,310**
Deposits from banks	119,490	27,587	75,272	3,060	551	225,960
Deposits from non-banks	857,515	7,648	218,462	125,501	19,655	1,228,781
Debt securities issued	118,147	0	15,826	0	0	133,973
Subordinated liabilities	27	0	56,559	0	0	56,586
Financial liabilities except for derivatives	**1,095,179**	**35,235**	**366,119**	**128,561**	**20,206**	**1,645,300**
Net open position on balance sheet	**(231,938)**	**285,235**	**169,275**	**(114,515)**	**(17,047)**	**91,010**
Net derivative and spot instruments (short) / long position	363,647	(288,195)	(155,966)	118,070	15,308	(52,864)
Total net currency positions	**131,709**	**(2,960)**	**13,309**	**3,555**	**(1,739)**	**143,874**

2012 (HUF million)	HUF	CHF	EUR	USD	Other	Total
Cash and cash equivalents	103,498	472	16,871	3,328	4,984	129,153
Placements with banks	845	9,993	21,957	0	0	32,795
Loans and advances to customers	469,916	363,808	430,704	18,814	2,293	1,285,535
Financial assets at fair value through profit or loss - except for derivatives	13,525	0	0	0	0	13,525
Available for sale securities	294,207	96,386	9,088	0	0	399,681
Held to maturity securities	101,300	0	10,520	0	0	111,820
Financial assets except for derivatives	**983,291**	**470,659**	**489,140**	**22,142**	**7,277**	**1,972,509**
Deposits from banks	118,400	29,438	81,763	13,539	5	243,145
Deposits from non-banks	1,041,455	8,282	289,864	81,716	15,235	1,436,552
Debt securities issued	122,696	0	19,946	0	0	142,642
Subordinated liabilities	57	0	55,461	0	0	55,518
Financial liabilities except for derivatives	**1,282,608**	**37,720**	**447,034**	**95,255**	**15,240**	**1,877,857**
Net open position on balance sheet	**(299,317)**	**432,939**	**42,106**	**(73,113)**	**(7,963)**	**94,652**
Net derivative and spot instruments (short) / long position	404,921	(436,396)	(64,035)	72,966	6,798	(15,746)
Total net currency positions	**105,604**	**(3,457)**	**(21,929)**	**(147)**	**(1,165)**	**78,906**

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

Risk factors related to the FX options are handled within VaR calculations. For Greek values (gamma and vega) additional limits are defined and monitored on 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:

VaR position

	2013 (HUF million)			
Trading Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	61	113	12	401
Interest Rate Risk	115	164	72	390
Price Risk	8	6	0	44
Total Risk	118	206	88	508
Diversification Effect	66	78	0	0
Banking Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	0	0	0	0
Interest Rate Risk	560	503	284	2,846
Total Risk	560	503	284	2,846
Diversification Effect	0	0	0	0

VaR position

	2012 (HUF million)			
Trading Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	29	85	2	291
Interest Rate Risk	251	105	29	498
Price Risk	0	3	0	18
Total Risk	245	155	27	458
Diversification Effect	34	39	0	0
Banking Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	0	0	0	0
Interest Rate Risk	1,062	1,689	990	2,982
Total Risk	1,062	1,689	990	2,982
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 2013 and 2012, respectively:

Gap report

	2013 (HUF million)			
Trading book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	(1,147)	251	228	(36)
3 months to 1 year	(25,325)	5,178	(7,237)	(481)
1 year to 5 years	60,869	(357)	(1,102)	16
over 5 years	33,165	0	0	0
Banking book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	139,234	21,197	78,298	25,055
3 months to 1 year	(5,435)	(24,788)	(8,007)	37,072
1 year to 5 years	(40,911)	2,150	(27,881)	(170)
over 5 years	13,056	0	253	0

Gap report

	2012 (HUF million)			
Trading book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	(119,727)	(6,023)	39,343	1,137
3 months to 1 year	139,878	(3,246)	(26,084)	449
1 year to 5 years	(11,677)	0	3,187	(18)
over 5 years	(1,302)	0	0	0
Banking book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	463,429	23,852	67,565	59,558
3 months to 1 year	(184,373)	(20,150)	(66,930)	(6,710)
1 year to 5 years	10,820	(107)	(3,676)	(1)
over 5 years	8,904	0	49	0

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	2013 (HUF million)					
	Carrying amount	Gross nominal inflow/ (outflow)	3 months or less	3-12 months	1-5 years	more than 5 years
LIABILITIES						
Deposits from banks	225,960	**243,735**	42,862	24,672	112,258	63,943
Deposits from non-banks	1,228,781	**1,235,731**	1,051,350	137,635	41,040	5,706
Debt securities issued	133,973	**142,151**	28,607	29,058	74,263	10,223
Subordinated liabilities	56,586	**64,392**	313	1,301	47,341	15,437
Financial liabilities at fair value through profit or loss - except for derivatives	0	**0**	0	0	0	0
Other liabilities	31,189	**31,190**	29,674	1,491	0	25
Liabilities held for sale	0	**0**	0	0	0	0
Total liabilities	**1,676,489**	**1,717,199**	**1,152,806**	**194,157**	**274,902**	**95,334**
Derivative instruments						
Interest rate swaps	0	**7,494**	130	2,279	4,816	269
Forward exchange contracts:	**0**	**(3,931)**	**(994)**	**1,361**	**(2,803)**	**(1,495)**
- Outflow	0	**1,973,907**	698,077	685,666	531,924	58,240
- Inflow	0	**1,977,838**	699,071	684,305	534,727	59,735
Contingent liabilities	**174,832**	**174,832**	**41,378**	**57,844**	**70,466**	**5,144**
Other commitments and contingencies	174,832	**174,832**	41,378	57,844	70,466	5,144
Commitments	**264,843**	**264,843**	**46,698**	**120,076**	**70,710**	**27,359**
Unutilised loan facilities	125,288	**125,288**	18,517	58,075	41,870	6,826
Unutilised overdraft facilities	98,157	**98,157**	26,033	53,518	4,560	14,046
Unutilised guarentee frames	41,398	**41,398**	2,148	8,483	24,280	6,487

Liquidity risk	2012 (HUF million)					
	Carrying amount	Gross nominal inflow/ (outflow)	3 months or less	3-12 months	1-5 years	more than 5 years
LIABILITIES						
Deposits from banks	243,145	**255,265**	75,120	33,740	80,017	66,388
Deposits from non-banks	1,436,552	**1,457,471**	1,068,844	337,473	43,110	8,044
Debt securities issued	142,642	**153,011**	22,373	24,117	100,533	5,988
Subordinated liabilities	55,518	**63,569**	253	1,132	22,628	39,556
Financial liabilities at fair value through profit or loss - except for derivatives	0	**0**	0	0	0	0
Other liabilities	37,367	**37,367**	37,367	0	0	0
Liabilities held for sale	49	**49**	49	0	0	0
Total liabilities	**1,915,273**	**1,966,732**	**1,204,006**	**396,462**	**246,288**	**119,976**
Derivative instruments						
Interest rate swaps	0	**8,082**	3,303	1,271	3,424	84
Forward exchange contracts:	**0**	**(19,153)**	**(6,914)**	**(9,281)**	**(3,233)**	**275**
- Outflow	0	**1,815,875**	581,416	425,402	712,549	96,508
- Inflow	0	**1,835,028**	588,330	434,683	715,782	96,233
Contingent liabilities	**1,971**	**169,650**	**55,450**	**60,894**	**47,784**	**5,522**
Other commitments and contingencies	1,971	**169,650**	55,450	60,894	47,784	5,522
Commitments	**285,994**	**285,995**	**38,189**	**139,846**	**78,247**	**29,713**
Unutilised loan facilities	131,467	**131,467**	7,879	74,131	40,781	8,676
Unutilised overdraft facilities	102,148	**102,149**	27,772	57,239	5,460	11,678
Unutilised guarentee frames	52,379	**52,379**	2,538	8,476	32,006	9,359

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 2013	
Date	Million HUF
31/01/2013	20
28/02/2013	28
29/03/2013	10
30/04/2013	46
31/05/2013	29
28/06/2013	29
31/07/2013	18
30/08/2013	14
30/09/2013	15
31/10/2013	22
29/11/2013	26
31/12/2013	17

Economic capital allocated for illiquid positions in 2012	
Date	Million HUF
31/01/2012	121
29/02/2012	95
30/03/2012	59
27/04/2012	72
31/05/2012	74
29/06/2012	57
31/07/2012	62
31/08/2012	61
28/09/2012	46
31/10/2012	78
30/11/2012	54
28/12/2012	74

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 and approximately 90 Departmental Operational Risk Managers 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 management tools: Key Risk Indicators; Scenarios; Control and Risk Self Assessment; loss data collection and external data pooling.

The Group also uses a database of external public loss events and is a 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 departmental operational risk managers into a loss database, and based on this and other data such as key risk indicators and risk mitigation plans, quarterly reports are created by Operational Risk Controlling; the Board of Management receives information about operational risk data on a quarterly basis through the Quarterly Risk and Performance Committee report, besides this the CRO and Chief Operational Officer (COO) on a quarterly basis by means of the Operational Risk Committee materials, and the CRO of RBI through the CRO meetings. The results of the self assessments are presented to all board members once a year.
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,

Operational Risk Controlling Group 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 where the Chief Risk Officer, the Chief Operations Officer and the Members of the Operational Risk Committee (mainly heads 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 Bank International 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 (under IRB approach);
- 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, tied-up 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 (if core loan capital has contractual maturity);
- 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
BUTÁR Gazdasági Szolgáltató Kft.
Raiffeisen Befektetési Alapkezelő Zrt.
Raiffeisen Gazdasági Szolgáltató Zrt.
Raiffeisen Lízing Zrt.
Raiffeisen Property Lízing Zrt.
RB Kereskedőház Kereskedelmi Kft.
SCTB Ingatlanfejlesztő és Ingatlanhasznosító Kft.
SCT Kárász utca Ingatlankezelő Kft.
SCT Tündérkert Kft.
RB Szolgáltató Központ Kft.

Capital requirement calculation

The Group's policy is to maintain the capital adequacy continuously above the required level and take any necessary actions in time. 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 and April 2012, capital requirement of exposures to private individuals and Micro-SME customers respectively are measured by advanced IRB method.

Consolidated solvency ratio calculation according to supervisory consolidation group

(HUF million)	2013	2012
Ordinary share capital	50,000	50,000
Capital reserve	152,604	115,023
Retained earnings	(85,689)	(53,839)
Non controlling interest	31	248
Less intangible assets	(15,821)	(15,735)
Tier 1 capital	**101,125**	**95,697**
Fair value reserve for available-for-sale equity securities	558	217
Equity consolidation differences according to HAS	359	356
Collective allowances for impairment	6,344	7,951
Qualifying subordinated liabilities	45,130	47,848
Tier 2 capital	**52,391**	**56,372**
Additional own funds specific to cover market risks	0	1,529
Tier 3 capital	**0**	**1,529**
Total consolidated regulatory capital	**153,516**	**153,598**
Capital requirement	**109,189**	**133,770**
Consolidated solvency ratio (%)	**11.25%**	**9.19%**

Due to the significant methodological changes in Economic Capital requirement calculation in December, the Bank was temporarily not in compliance with the pillar 2 (ICCAP) capital adequacy requirement by 31 December 2013 based on its own internal assessment. This phenomenon was solely due to the changes in calculation rules, since there was neither significant adverse change in the portfolio risk profile nor unexpected loss event. Due to the capital position strengthening actions already scheduled earlier, the economic capital based adequacy was completely resolved in January 2014.

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 also 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 Credit Risk Control and ICAAP Coordination Unit, and is subject to review by the Senior Management. 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

(HUF million)	2013	2012
Cash and cash equivalents	**2,125**	**3,919**
Placements with banks	**308**	**527**
Loans and advances to customers	**81,282**	**101,219**
Securities at fair value through profit or loss	**647**	**505**
Government bonds	259	95
Treasury bills issued by the Government	256	212
Treasury bills issued by the Central Bank	129	81
Investment certificate	3	117
Available for sale securities	**12,099**	**20,644**
Government bonds	1,927	222
Treasury bills issued by the Government	0	1
Treasury bills issued by the Central Bank	8,972	17,803
Other securities issued by the public sector	1,200	2,573
Investment certificates	0	45
Held to maturity securities	**7,789**	**8,497**
Government bonds	7,605	7,448
Corporate bonds	184	1,049
From leases	**1,869**	**1,832**
Interest income	**106,119**	**137,143**

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 105,472 million (2012: HUF 136,638 million).

(6) Interest expense

(HUF million)	2013	2012
Deposits from banks	6,870	12,155
Deposits from non-banks	39,937	68,865
Dept securities issued	9,142	10,517
Subordinated liabilities	1,472	1,663
Other interest-like expenses	3,846	0
Interest expense	**61,267**	**93,200**

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 57,421 million (2012: HUF 93,200 million).

Other interest-like expenses row shows Mezzanine fees. There is a contract between the Bank and Raiffesien Bank International about synthetic securitisation. The Bank pays Mezzanine fees quarterly under this contract.

(7) Net fee and commission income

Fee and commission income

(HUF million)	2013	2012
Account management, turnover and cash handling fees	22,701	14,004
Guarantees and documentary credits	2,401	2,063
Fees from leases	205	300
Fees from investment services	6,350	4,251
Bankcard fees	4,588	3,437
Other commission and fee income	2,149	2,496
Total fee and commission income	**38,394**	**26,551**

The introduction of Financial Transaction Duty contributed to the growth of Account management, turnover and cash handling fees in 2013.

Fee and commission expense

(HUF million)	2013	2012
Payments transfer business	3,181	2,832
Loan administration and guarantee business	1,076	1,333
Securities business	484	378
Agency fees	925	1,052
Bankcard fees	1,321	1,477
Other banking services	1,174	1,709
Total fee and commission expense	**8,161**	**8,781**
Net income from commissions and fees	**30,233**	**17,770**

(8) Net trading income

(HUF million)	2013	2012
Realised net gains/(losses) from securities at fair value through profit or loss	631	412
Unrealised net gains/(losses) from securities at fair value through profit or loss	19	339
Realised net gains/(losses) on FX positions and derivative instruments	18,575	(842)
Unrealised net gains/(losses) on FX positions and derivative instruments	(8,487)	6,043
Net trading income	**10,738**	**5,952**

(9) Net income from derivatives held for risk management

(HUF million)	2013	2012
Derivatives held for risk management without hedge accounting	**7,714**	**8,057**
Realised and unrealised net gains/(losses) on cross currency interest rate swaps	7,173	10,404
Realised and unrealised net gains/(losses) on other derivatives	541	(2,347)
Hedge accounting	**280**	**704**
Realised net gains/(losses) on hedging derivatives	227	827
Unrealised net gains/(losses) on hedging derivatives	492	7,290
Unrealised net gains/(losses) on hedged items	(439)	(7,413)
Cash-flow hedge accounting	**573**	**0**
Other	**0**	**0**
Net income from derivatives held for risk management	**8,567**	**8,761**

The unrealised revaluation result of cross currency interest rate swaps (CIRS) was HUF (2,844) million (2012: HUF 16,028 million).

The most significant input variable with profit and loss impact of CIRS portfolio revaluation is the movement of the EURHUF basis swap spreads. In 2012, a significant spread decrease could be observed (average spread decrease was around 150 basis points), which caused a significant loss in revaluation. In 2013, further spread decreasing happened, the spread became lower by approximately 100 basis points, which had a significant negative effect on the profit and loss. The portfolio sensitivity was reduced in 2013 by fetching more CIRS deals into Hedge Accounting treatment.

The Group started to apply cash flow hedge accounting in December 2012. During 2012, no gains or losses relating to cash flow hedges were transferred from equity to profit and loss. Net ineffectiveness recognised on cash flow hedges during 2013 was HUF 932 million (2012 was nil).

The Group uses IRS and CIRS to hedge the FCY and interest rate risks arising from a portfolio of floating, foreign exchange denominated (FX) mortgage loans and a portfolio of deposits denominated in local currency.

The FV's of the derivatives designated as CF hedges are as follows:

(HUF million)	*2013*		*2012*	
Instrument type	*Asset*	*Liability*	*Asset*	*Liability*
IRS	*32*	*50*	*0*	*0*
CIRS	*0*	*5.277*	*597*	*227*
Total	***32***	***5.327***	***597***	***227***

(10) Other operating income and other operating expenses

(HUF million)	*2013*	*2012*
Other operating income		
Realised net gains/(losses) from available-for-sale securities	*146*	*496*
Unrealised net gains/(losses) from available-for-sale securities	*267*	*(81)*
Net gains/(losses) from held-to-maturity securities	*0*	*269*
Operational fees	*347*	*373*
Property development fees	*28*	*0*
Gains/(losses) on sale on receivables	*47*	*(939)*
Gains/(losses) on disposal of inventory	*178*	*108*
Gains/(losses) on disposal of investments	*(3,305)*	*212*
Gains/(losses) on disposal of intangibles, property, plant and equipment	*103*	*31*
Energy trading margin	*1,989*	*2,023*
Revenues related to damages	*4*	*15*
Other	*1,083*	*2,388*
Other operating income	***887***	***4,895***

Gains/(losses) on disposal of investments contains the P&L effect of sale of Global Thermal Kft, Afforest Kft, Győri Kert Kft and KAWA Kft.

(HUF million)	*2013*	*2012*
Other operating expenses		
Other taxes	*32,072*	*10,992*
Telecommunication and information systems expenses	*1,426*	*1,547*
Business travel cost	*581*	*602*
Professional fees	*3,424*	*3,879*
Cash processing and delivery	*235*	*309*
Manpower services	*595*	*1,018*
External bankcard services	*94*	*102*
Advisory fees	*1,830*	*1,697*
Other	*670*	*753*
Office supplies	*295*	*272*
Depreciation	*6,962*	*8,742*
Impairment and write-offs	*2,593*	*3,515*
Energy	*16*	*80*
Fees to public authorities	*1,303*	*1,355*
Other	*5,256*	*4,848*
Other operating expenses	***53,928***	***35,832***

Other taxes mainly contains the amount of HUF 12,057 million Special Tax on Financial Institutions (2012: HUF 7,264 million), the amount of HUF 2,664 million local corporation tax in 2013 (2012: HUF 2,590 million) and the amount of HUF 16,411 million Financial transaction duty (2012 was nil).

(11) Impairment and provision for losses

(HUF million)	*2013*	*2012*
Impairment loss on	***46,003***	***61,015***
Placements with banks	*7*	*(467)*
Loans and advances to customers	*45,146*	*61,254*
Investments in associates	*719*	*151*
Other assets	*131*	*77*
Provision on	***(5,849)***	***886***
Guarantees and contingencies	*(5,849)*	*886*
Impairment and provision for losses	***40,154***	***61,901***

(12) Personnel expenses

(HUF million)	*2013*	*2012*
Salaries	*17,819*	*17,452*
Social security contributions	*5,821*	*5,740*
Other personnel benefits	*2,129*	*2,093*
	25,769	***25,285***

(HUF million)	2013		2012	
	Staff (person)	Salary expense	Staff (person)	Salary expense
Full time	2,583	17,795	2.855	16,668
Part time	118	23	75	741
Pensioners	4	0	5	41
Other	7	1	5	2
	2,712	**17,819**	**2.940**	**17,452**

(13) Income tax

Income tax expense recognised in the consolidated income statement

(HUF million)	2013	2012
Current tax expense	**98**	**123**
Deferred tax expense/(income)	**562**	**738**
Origination and reversal of temporary differences	560	743
Effect of changes in tax rates	2	0
Adjustments in respect of prior years	0	(5)
Income tax	**660**	**861**

Reconciliation of effective tax rate

	2013		2012	
	(%)		(%)	
Profit before tax		(38,558)		(56,088)
Applicable tax rate	10.00%	(3,856)	10.00%	(5,609)
Tax effects of items that modify the profit before tax under the Hungarian tax law	(9.29%)	3,583	(10.27%)	5,760
Temporary tax effects of IFRS adjustments	(1.46%)	562	(1.32%)	738
Provisions, impairment losses for loans and pending interest and commission	1.58%	(608)	(1.33%)	748
Impairment losses on investments in associates	0.08%	(29)	(0.11%)	59
Other provisions	(0.01%)	2	(0.34%)	190
Tangible and intagible assets	(0.01%)	3	0.03%	(18)
Fair value of available-for-sale financial assets	0.10%	(40)	0.33%	(185)
Fair value of financial liabilities	0.02%	(6)	0.00%	0
Effect of changes in tax rates	(0.01%)	3	0.00%	0
Decrease of probably usable tax loss carry-forward	(3.25%)	1,255	0.00%	0
Other	0.05%	(18)	0.10%	(56)
Tax effects of consolidation	(0.96%)	371	0.05%	(28)
Income tax	**(1.71%)**	**660**	**(1.54%)**	**861**

Income tax recognised in other comprehensive income

In 2013, the Group accounted HUF 971 million deferred tax charge (2012: HUF 2,692 million deferred tax income) directly against equity.

(14) Net gains/(losses) on financial instruments

(HUF million)	2013	2012
Loans and receivables	**40,300**	**46,633**
Net interest income	85,584	107,497
Impairment losses	(45,284)	(60,864)
Financial assets and liabilities measured at fair value through profit or loss	**19,952**	**15,218**
Trading securities	1,297	1,256
Net interest income	647	505
Unrealised net gains/(losses)	19	339
Realised net gains/(losses)	631	412
Trading derivative instruments	10,088	5,201
Derivatives held for risk management	8,567	8,761
Held-to-maturity investments	**7,789**	**8,766**
Net interest income	7,789	8,497
Realised net gains/(losses)	0	269
Available-for-sale financial assets	**17,625**	**35,226**
Net interest income	12,099	20,644
Unrealised net gains/(losses)	5,380	14,086
Realised net gains/(losses)	146	496
Financial liabilities measured at amortised cost	**(61,267)**	**(93,200)**
Net interest income	(61,267)	(93,200)
Net gains/losses on financial instruments	**24,399**	**12,643**

(15) Cash and cash equivalents

2013 (HUF million)	HUF	FCY	Total
Cash and cheques	19,108	3,827	**22,935**
Balances with National Bank of Hungary (NBH)	81,762	0	**81,762**
Balances with other banks	294	11,013	**11,307**
Cash and cash equivalents	**101,164**	**14,840**	**116,004**

2012 (HUF million)	HUF	FCY	Total
Cash and cheques	20,681	8,367	**29,048**
Balances with National Bank of Hungary (NBH)	82,101	0	**82,101**
Balances with other banks	716	17,288	**18,004**
Cash and cash equivalents	**103,498**	**25,655**	**129,153**

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% (2012: 3%) of certain deposits. The required average reserve balance amounted to HUF 38,363 million (2012: HUF 41,875 million). The compulsory reserve requirement may also be met by the Group's holding of government securities (see Note 18 and 19).

(16) Placements with banks

2013 (HUF million)	Up to 1 year		Over 1 year		Total
	HUF	FCY	HUF	FCY	
National Bank of Hungary	0	0	0	0	**0**
Other Banks	257	24,279	0	3,204	**27,740**
Impairment losses	1	0	0	6	**7**
Placements with banks	**256**	**24,279**	**0**	**3,198**	**27,733**

2012 (HUF million)	Up to 1 year		Over 1 year		Total
	HUF	FCY	HUF	FCY	
National Bank of Hungary	294	0	0	0	**294**
Other Banks	551	23,316	0	8,634	**32,501**
Impairment losses	0	0	0	0	**0**
Placements with banks	**845**	**23,316**	**0**	**8,634**	**32,795**

Specific allowances for impairment (HUF Million)

Balance at 1 January 2013	**0**
Impairment loss for the year:	
Charge for the year	7
Recoveries	0
Effect of foreign currency movements	0
Unwinding of discount	0
Write-offs	0
Balance at 31 December 2013	**7**

Specific allowances for impairment (HUF million)

Balance at 1 January 2012	**661**
Impairment loss for the year:	
Charge for the year	0
Recoveries	(467)
Effect of foreign currency movements	(59)
Unwinding of discount	0
Write-offs	(135)
Balance at 31 December 2012	**0**

(17) Loans and advances to customers

Loans and advances to customers

2013 (HUF million)	Gross amount	Of which: Non-performing loans	Specific allowances for impairment	Collective allowances for impairment	Carrying amount
Corporate					
Trading and industrial	325,611	84,024	64,196	3,423	257,992
Commercial real estate	214,049	83,818	52,456	2,646	158,947
Other	304,117	84,782	44,141	1,690	258,286
Total corporate	**843,777**	**252,624**	**160,793**	**7,759**	**675,225**
Retail	495,307	179,715	105,878	8,328	381,101
Government and public sector	169,778	9,052	1,850	0	167,928
Loans and advances to customers	**1,508,862**	**441,391**	**268,521**	**16,087**	**1,224,254**

2012 (HUF million)	Gross amount	Of which: Non-performing loans	Specific allowances for impairment	Collective allowances for impairment	Carrying amount
Corporate					
Trading and industrial	376,628	99,214	66,513	1,884	308,231
Commercial real estate	230,784	72,584	37,595	935	192,254
Other	301,548	82,682	43,711	1,612	256,225
Total corporate	**908,960**	**254,480**	**147,819**	**4,431**	**756,710**
Retail	538,105	151,988	88,775	14,931	434,399
Government and public sector	97,689	17,957	3,263	0	94,426
Loans and advances to customers	**1,544,754**	**424,425**	**239,857**	**19,362**	**1,285,535**

Allowances for impairment

The following table shows a reconciliation of movements on the allowance account in 2012 and 2013, respectively:

Specific allowances for impairment on loans and advances to customers	2013	2012
(HUF million)		
Balance at 1 January	**239,857**	**231,891**
Impairment loss for the year:		
Charge for the year	67,032	83,032
Recoveries	(18,755)	(24,527)
Effect of foreign currency movements	1,291	(7,022)
Write-offs	(23,631)	(38,728)
Change in consolidation group	2,727	(4,789)
Balance at 31 December	**268,521**	**239,857**

Collective allowances for impairment on loans and advances to customers (HUF million)	2013	2012
Balance at 1 January	**19,362**	**18,045**
Impairment loss for the year:		
Charge for the year	11,855	10,744
Recoveries	(14,986)	(7,995)
Effect of foreign currency movements	(103)	(498)
Write-offs	(41)	0
Change in consolidation group	0	(934)
Balance at 31 December	**16,087**	**19,362**

As at 31 December 2013 accumulated impairment losses amounted to HUF 284,608 million (2012: HUF 259,219 million), equal to 18.86% (2012: 16.78 %) 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 December 31, 2012 and 2013, 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:

2013 (HUF million)	Up to 1 year	1 year to 5 years	Over 5 years	Total
Gross investment leases	7,531	20,754	13,730	**42,015**
Unearned finance income	1,643	3,712	2,450	**7,805**
Net present value of minimum lease payments	**5,888**	**17,042**	**11,280**	**34,210**
Accumulated allowance for uncollectible minimum lease payments	1,332	1,808	390	**3,530**
Finance leases per balance sheet	**4,556**	**15,234**	**10,890**	**30,680**

2012 (HUF million)	Up to 1 year	1 year to 5 years	Over 5 years	Total
Gross investment leases	7,674	16,329	12,359	**36,362**
Unearned finance income	1,283	2,495	2,189	**5,967**
Net present value of minimum lease payments	**6,391**	**13,834**	**10,170**	**30,395**
Accumulated allowance for uncollectible minimum lease payments	3,260	5,758	1,471	**10,489**
Finance leases per balance sheet	**3,131**	**8,076**	**8,699**	**19,906**

Raiffeisen Leasing Zrt. has generated considerable new financing deals in 2013, mainly in corporate segment. The substantial part of the new business volume is linked to one big deal, where the financing of a bus fleet (159 pieces) used in public transport took place, in a total value of HUF 10,300 million.

In 2013, nil contingent rent was recognized in finance income (2012: nil), and unguaranteed residual value amounted to HUF 2,660 million (2012: HUF 2,773 million). At 31 December 2013, the accumulated allowance for uncollectible minimum lease payments amounted HUF 3,530 million (2012: HUF 10,489 million). Original contracted maturities range from 1 year to 35 years. The contracts earn interest on variable rates linked to the relating BUBOR, CHFLIBOR, EURIBOR. No guaranteed residual value exists.

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

(HUF million)	2013				2012			
	Cost	Accrued interest	Unre-alised gain/ loss	Book value	Cost	Accrued interest	Unre-alised gain/ loss	Book value
Debt and equity instruments:								
Government bonds	6,603	0	200	6,803	3,919	130	11	4,060
Treasury bills	6,878	6	5	6,889	6,533	33	0	6,566
Corporate bonds and other bonds	30	1	0	31	305	15	0	320
Investment fund units	906	0	103	1,009	885	0	70	955
Shares	1,906	0	19	1,925	1,600	0	24	1,624
Debt and equity instruments	**16,323**	**7**	**327**	**16,657**	**13,242**	**178**	**105**	**13,525**
Derivative financial instruments:								
Derivatives held for trading								
FX swaps	(37)	(5)	2,840	2,798	0	0	3,010	3,010
FX forwards	0	0	729	729	0	0	2,166	2,166
Security forwards	0	0	93	93	0	0	108	108
FX futures	0	0	819	819	0	0	142	142
FX options	0	0	2,989	2,989	0	0	2,316	2,316
Interest rate derivatives	0	3,966	13,382	17,348	0	5,755	20,869	26,624
Derivatives held for trading	**(37)**	**3,961**	**20,852**	**24,776**	**0**	**5,755**	**28,611**	**34,366**
Derivatives held for risk management:								
FX swaps	2,078	113	1,343	3,534	1,795	274	1,297	3,367
Hereof cross currency interest rate swaps in cash flow hedges	0	0	0	0	(231)	597	51	417
Interest rate derivatives	0	6,030	4,467	10,497	0	1,875	1,040	2,915
Hereof interest rate swaps in cash flow hedges	0	140	32	172	0	0	0	0
Hereof interest rate swaps in fair value hedges	0	554	983	1 537	0	422	1 280	1 702
Derivatives held for risk management	**2,078**	**6,143**	**5,810**	**14,031**	**1,795**	**2,149**	**2,337**	**6,282**
Total derivative financial instruments	**2,041**	**10,104**	**26,662**	**38,807**	**1,795**	**7,904**	**30,948**	**40,648**
Total financial asset at fair value through profit or loss	**18,364**	**10,111**	**26,989**	**55,464**	**15,037**	**8,082**	**31,053**	**54,173**

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.

(19) Investment in securities

At 31 December 2013, HUF 85,159 million (2012: HUF 155,190 million) from the total amount of Investment in securities were pledged as collateral for liabilities.

During 2013, in connection with available-for-sale investment securities an amount of HUF 1,911 million (2012: HUF 10,315 million) was recognised in other comprehensive income and an amount of HUF (3,202) million (2012: HUF (3,852) million) was reclassified from other comprehensive income to profit or loss.

(HUF million)	2013					2012				
Available-for-sale securities	Cost	Accrued interest	Unrealised gain/loss	Impairment	Book value	Cost	Accrued interest	Unrealised gain/loss	Impairment	Book value
Corporate and municipal bonds	41,416	107	(303)	0	41,220	112,595	307	(5,357)	0	107,545
Investment fund units	229	0	(52)	0	177	229	0	(69)	0	160
Government bonds	57,311	870	113	0	58,294	2,997	4	(64)	0	2,937
Treasury bills	144,125	77	3	0	144,205	288,798	370	(129)	0	289,039
	243,081	**1,054**	**(239)**	**0**	**243,896**	**404,619**	**681**	**(5,619)**	**0**	**399,681**

Held-to-maturity securites	Cost	Accrued interest	Discount/Premium	Impairment	Book value	Cost	Accrued interest	Discount/Premium	Impairment	Book value
Corporate bonds and other	1,243	14	170	0	1,427	9,900	437	183	0	10,520
Government bonds	101,154	4,112	1,073	0	106,339	96,741	4,192	367	0	101,300
	102,397	**4,126**	**1,243**	**0**	**107,766**	**106,641**	**4,629**	**550**	**0**	**111,820**

(20) Investment in associates

General and financial data of the associates for the years ended 31 December 2013 and 2012 is as follows:

2013 (HUF million)	Ownership (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Equity	Total equity and liabilities	Revenues	Expenses	Profit / (loss)
NOC Kft.	50,00%	462	3,137	**3,599**	4,505	75	**(981)**	**3,599**	508	950	**(442)**
		462	**3,137**	**3,599**	**4,505**	**75**	**(981)**	**3,599**	**508**	**950**	**(442)**

2012 (HUF million)	Ownership (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Equity	Total equity and liabilities	Revenues	Expenses	Profit / (loss)
NOC Kft.	50,00%	611	4,527	**5,138**	4,585	1,092	**(539)**	5,138	824	635	**189**
		611	**4,527**	**5,138**	**4,585**	**1,092**	**(539)**	**5,138**	**824**	**635**	**189**

NOC Kft. is consolidated according to the equity method. The book value of investment in the consolidated financial statements for the years ended 31 December 2013 and 2012 is the following :

2013 (millió Ft)	Gross carrying amount	Accumulated impairment	Net carrying amount
NOC Kft.	193	193	0

2012 (millió Ft)	Gross carrying amount	Accumulated impairment	Net carrying amount
NOC Kft.	181	181	0

(21) Property, plant and equipment

Owner occupied property

2013 (HUF million)	Gross carrying amount as at 1 January 2013	Additions	Disposals	Thereof extraordinary disposal	Acquired/ (sold) through business combinations	Gross carrying amount as at 31 December 2013
Properties	**22,627**	**511**	**717**	**502**	**(6,906)**	**15,515**
Freehold	7,141	1	0	0	0	7,142
Leasehold	15,486	510	717	502	(6,906)	8,373
Plant	**0**	**779**	**0**	**0**	**0**	**779**
Equipment	**18,478**	**475**	**2,264**	**223**	**0**	**16,689**
	41,105	**1,765**	**2,981**	**725**	**(6,906)**	**32,983**

2013 (HUF million)	Accumulated depreciaton as at 1 January 2013	Depreciation for the year	Disposals	Thereof extraordinary disposal	Acquired/ (sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2013	Carrying amount as at 31 December 2013
Properties	**8,162**	**979**	**424**	**209**	**(1,215)**	**7,502**	**14,465**	**8,013**
Freehold	1,326	49	0	0	0	1,375	5,815	5,767
Leasehold	6,836	930	424	209	(1,215)	6,127	8,650	2,246
Plant	**0**	**72**	**0**	**0**	**0**	**72**	**0**	**707**
Equipment	**15,072**	**1,138**	**2,006**	**200**	**0**	**14,204**	**3,406**	**2,485**
	23,234	**2,189**	**2,430**	**409**	**(1,215)**	**21,778**	**17,871**	**11,205**

2012 (HUF million)	Gross carrying amount as at 1 January 2013	Additions	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combina-tions	Gross carrying amount as at 31 December 2013
Properties	**24,323**	**152**	**1,848**	**1,826**	**0**	**22,627**
Freehold	7,143	20	22		0	7,141
Leasehold	17,180	132	1,826	1,826	0	15,486
Plant	**0**	**0**	**0**	**0**	**0**	**0**
Equipment	**18,838**	**886**	**1,246**	**355**	**0**	**18,478**
	43,161	**1,038**	**3,094**	**2,181**	**0**	**41,105**

2012 (HUF million)	Accumulated depreciaton as at 1 January 2013	Depreciation for the year	Disposals	Thereof extraordinary disposal	Acquired/ (sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2013	Carrying amount as at 31 December 2013
Properties	**7,534**	**1,168**	**540**	**533**	**0**	**8,162**	**16,789**	**14,465**
Freehold	1,128	205	7	0	0	1,326	6,015	5,815
Leasehold	6,406	963	533	533	0	6,836	10,774	8,650
Plant	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Equipment	**14,606**	**1,474**	**1,008**	**246**	**0**	**15,072**	**4,232**	**3,406**
	22,140	**2,642**	**1,548**	**779**	**0**	**23,234**	**21,021**	**17,871**

In 2013 the decrease of net carrying amount of leasehold properties is mainly due to the sale of Global Thermal Kft. (HUF 5,531 million).

Investment property

2013 (HUF million)	Gross carrying amount as at 1 January 2013	Additions	Disposals	Acquired/ (sold) through business combinations	Gross carrying amount as at 31 December 2013
Properties	1.240	3	0	0	1.243

2013 (HUF million)	Accumulated depreciaton as at 1 January 2013	Depreciation for the year	Disposals	Acquired/ (sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2013	Carrying amount as at 31 December 2013
Properties	1.043	1	3	0	1.041	197	202

2012 (HUF million)	Gross carrying amount as at 1 January 2012	Additions	Disposals	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2012
Properties	1.457	4	97	(124)	1.240

2012 (HUF million)	Accumulated depreciaton as at 1 January 2012	Depreciation for the year	Disposals	Acquired/(sold) through business combintions	Accumulated depreciation	Carrying amount as at 1 January 2012	Carrying amount as at 31 December 2012
Properties	1.310	1	268	0	1.043	147	197

The fair value of investment property is HUF 202 million (2012: HUF 197 million) based on quarterly valuation made by an independent appraiser.

(22) Intangible assets

2013 (HUF million)	Gross carrying amount as at 1 January 2013	Additions	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2013
Softwares	40,561	3,980	528	486	0	44,013
Other intangible assets	304	13	0	0	0	317
	40,865	**3,993**	**528**	**486**	**0**	**44,330**

2013 (HUF million)	Accumulated depreciaton as at 1 January 2013	Depreciation for the year	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2013	Carrying amount as at 31 December 2013
Softwares	24,927	3,870	494	484	0	28,303	15,634	15,710
Other intangible assets	235	7	0	0	0	242	69	75
	25,162	**3,877**	**494**	**484**	**0**	**28,545**	**15,703**	**15,785**

2012 (HUF million)	Gross carrying amount as at 1 January 2012	Additions	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2012
Softwares	36,972	4,495	906	349	0	40,561
Other intangible assets	307	0	3	0	0	304
	37,279	**4,495**	**909**	**349**	**0**	**40,865**

2012 (HUF million)	Accumulated depreciaton as at 1 January 2012	Depreciation for the year	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2012	Carrying amount as at 31 December 2012
Softwares	21,716	3,872	661	104	0	24,927	15,256	15,634
Other intangible assets	231	4	0	0	0	235	76	69
	21,947	**3,876**	**661**	**104**	**0**	**25,162**	**15,332**	**15,703**

(23) Goodwill

(HUF million)	2013	2012
Cost		
Balance at 1 January	**1,155**	**1,672**
Acquisitions through business combinations	0	0
Acquisition of non controlling interest	0	0
Other acquisitions – internally developed	0	0
Effect of movements in exchange rates	0	0
Disposal of subsidiaries	0	(517)
Balance at 31 December	**1,155**	**1,155**
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	**1,155**	**1,672**
At 31 December	**1,155**	**1,155**

The Group has goodwill in connection with Raiffeisen Befektetési Alapkezelő Zrt. (HUF 1,023 milion), SZELET Energiatermelő és Szolgáltató Kft. (HUF 107 million), Raiffeisen Autó Lízing Kft. (HUF 13 million) and SCT Kárász utca Kft. (HUF 12 million).
No impairment losses on goodwill were recognised during 2013 (2012 : nil). Raiffeisen Befektetési Alapkezelő Zrt. is a profitable company.

(24) Operating leases

Leases as a lessee

Non-cancellable operating lease rentals are payable as follows:

(HUF million)	2013	2012
Less than 1 year	5,037	6,018
Between 1 and 5 years	19,253	24,071
More than 5 years	3,537	5,530
	27,827	**35,619**

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 2013 an amount of HUF 5,088 million was recognised as an expense in profit or loss in respect of operating leases (2012: HUF 5,541 million)

(25) Other assets

(HUF million)	2012	2011
Other tax receivables	516	6,436
Cash at money exchange agents	7,522	7,396
Receivables from investment activities	7,719	5,641
Accruals	2,316	4,432
Inventory	4,078	5,574
Other	10,011	7,021
Other assets	**32,162**	**36,500**
Hereof : specific impairment	382	338
Specific impairment		
Balance at 1 January	**338**	**565**
Impairment loss for the year:		
Charge for the year	136	78
Recoveries	(5)	(4)
Effect of foreign currency movements	0	0
Write-offs	(72)	(301)
Change in consolidation group	(15)	0
Balance at 31 December	**382**	**338**

Inventory contains mainly real estate developments in progress HUF 2,657 million in 2013 (2012: HUF 3,500 million) of Raiffeisen Property Lízing Zrt. Cars repossessed from customers amount to HUF 67 million in 2013 (2012: HUF 336 million) of Raiffeisen Lízing Zrt. Repossessed properties amount to HUF 680 million in Raiffeisen Property Lízing Zrt. (2012: HUF 680 million).

Receivables from investment activities involve mainly receivables from clearing house and receivables from repo transactions.

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

(HUF million)	2013				2012			
	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	2,126	2,126	0	0	1,474	1,474
FX forwards	0	0	1,410	1,410	0	0	2,203	2,203
Security forwards	0	0	65	65	0	0	44	44
Foreign exchange futures	0	0	511	511	0	0	285	285
Foreign exchange options	0	0	2,723	2,723	0	0	2,037	2,037
Interest rate derivatives	0	3,800	13,277	17,077	0	6,662	18,627	25,289
Total derivative instruments held for trading	**0**	**3,800**	**20,112**	**23,912**	**0**	**6,662**	**24,670**	**31,332**
Derivative instrume nts held for risk management purposes								
FX swaps	6,630	(530)	13,944	20,044	19,018	(2,291)	5,175	21,902
Hereof cross currency interest rate swaps in cash flow hedges	165	(112)	5,277	5,330	292	227	(41)	478
Interest rate derivatives	0	2,928	3,518	6,446	0	101	1,389	1,490
Hereof interest rate swaps in fair value hedges	0	147	50	197	0	0	0	0
Hereof interest rate swaps in fair value hedges	0	5	380	385	0	1 158	(106)	1 052
Total derivative instruments held for risk management purposes	**6,630**	**2,398**	**17,462**	**26,490**	**19,018**	**(2,190)**	**6,564**	**23,392**
Total financial liabilities at fair value through profit or loss	**6,630**	**6,198**	**37,574**	**50,402**	**19,018**	**4,472**	**31,234**	**54,724**

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.

(27) Deposits from banks

2013	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	24,599	1,790	73,342	38,652	**138,383**
Non resident	21,508	18,465	38	47,566	**87,577**
	46,107	**20,255**	**73,380**	**86,218**	**225,960**

2012	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	67,855	12,653	38,944	29,254	**148,706**
Non resident	10,504	15,479	1,097	67,359	**94,439**
	78,359	**28,132**	**40,041**	**96,613**	**243,145**

(28) Deposits from non-banks

2013	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	803,462	315,714	34,435	8,912	**1,162,523**
Non resident	19,570	46,078	48	562	**66,258**
	823,032	**361,792**	**34,483**	**9,474**	**1,228,781**

2012	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	979,266	331,571	35,695	7,655	**1,354,187**
Non resident	26,383	55,309	112	561	**82,365**
	1,005,649	**386,880**	**35,807**	**8,216**	**1,436,552**

(29) Debt securities issued

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2013 (HUF million)	Carrying amount 2012 (HUF million)
RB PB KTV3	indexed to EUR/HUF exchange rate (max 10%)	0	12.02.2010	12.02.2013	No	0	3,218
RB PB KTV5	indexed to EUR/HUF exchange rate (max 5%)	0	23.04.2010	23.04.2013	No	0	3,485
RB KAM EUR5	fixed 2,70%	0	30.04.2010	30.04.2013	No	0	5,938
RB KAM KTV9	fixed 6%	0	19.05.2010	20.05.2013	No	0	10,368
RB TB KTV	fixed 7,55%	5,007	26.05.2010	30.12.2015	No	6,367	5,989
RB PB KTV8	indexed to EUR/HUF exchange rate (max 8,5%)	0	30.08.2010	28.02.2013	No	0	10,150
RB KAM KTV11	fixed 6,50%	0	17.11.2010	18.11.2013	No	0	5,038
RB KAM KTV12	fixed 7,15%	5,000	12.01.2011	13.01.2014	No	5,346	5,346
RB KAM KTV13	fixed 7%	5,000	09.03.2011	10.03.2014	No	5,283	5,285
RB PB KTV12	indexed to EUR/HUF exchange rate (max 10%)	0	09.03.2011	11.03.2013	No	0	5,098
RB PB KTV13	indexed to EUR/HUF exchange rate (max 9%)	0	09.03.2011	11.03.2013	No	0	3,082
RB TB KTV2	fixed 8,35%	3,000	23.03.2011	30.12.2016	No	3,695	3,445
RB PB KTV16	indexed to EUR/HUF exchange rate (max 10%)	3,000	29.04.2011	29.04.2014	No	3,057	3,093
RB PB KTV17	indexed to EUR/HUF exchange rate (max 10%)	3,000	25.05.2011	26.05.2014	No	3,041	3,078
RH10R1407	indexed to EUR/HUF exchange rate (max 10%)	5,000	01.07.2011	01.07.2014	No	5,052	5,096
RE3.70F1408	fixed 3,7%	2,969	30.08.2011	29.08.2014	No	3,012	2,966
RH10R1409	indexed to EUR/HUF exchange rate (max 10%)	5,000	23.09.2011	23.09.2014	No	5,110	5,027
RH8.40TB1612	fixed 8,4%	1,000	23.09.2011	30.12.2016	No	1,191	1,107
RE4.00F1410	fixed 4%	1,188	10.10.2011	10.10.2014	No	1,209	1,202
RH9.50TB1612	fixed 9,5%	2,500	10.10.2011	30.12.2016	No	3,028	2,791
RE4.00F1310	fixed 4,00%	0	24.10.2011	24.10.2013	No	0	1,174
RE4.00F1411	fixed 4%	1,781	11.11.2011	11.11.2014	No	1,807	1,793

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2013 (HUF million)	Carrying amount 2012 (HUF million)
RH8.00F1412	fixed 8%	2,000	12.12.2011	12.12.2014	No	2,008	2,008
RH8F141222	fixed 8%	3,000	21.12.2011	22.12.2014	No	3,005	3,006
RH9F140117	fixed 9%	1,210	18.01.2012	17.01.2014	No	1,314	1,314
RE4.5F140127	fixed 4,5%	1,336	27.01.2012	27.01.2014	No	1,392	1,376
RE5F150127	fixed 5%	1,039	27.01.2012	27.01.2015	No	1,095	1,084
RH9F140127	fixed 9%	2,650	27.01.2012	27.01.2014	No	2,871	2,872
RE4.75F1502	fixed 4,75%	2,116	08.02.2012	09.02.2015	No	2,219	2,192
RH8.75F1402	fixed 8,75%	5,360	08.02.2012	10.02.2014	No	5,779	5,779
RH10TB171227	fixed 10%	1,010	20.02.2012	27.12.2017	No	1,288	1,143
RH11R150220	indexed to EUR/HUF exchange rate (max 11%)	2,000	20.02.2012	20.02.2015	No	2,189	2,227
RH8.50F1402	fixed 8,5%	5,000	20.02.2012	20.02.2014	No	5,366	5,366
RH8.25F1503	fixed 8,25%	3,035	19.03.2012	19.03.2015	No	3,370	3,349
RHVALT150319	fixed 8,51%	5,000	19.03.2012	19.03.2015	No	5,067	5,112
RH10A180329	autocollable indexed to EUR/HUF exchange rate (max 10%)	0	30.03.2012	29.03.2018	No	0	2,052
RH8.25F1504	fixed 8,25%	2,000	18.04.2012	17.04.2015	No	2,217	2,202
RH8.00F1505	fixed 8%	1,500	23.05.2012	22.05.2015	No	1,648	1,630
RH9.50TB1712	fixed 9,5%	1,000	23.05.2012	20.12.2017	No	1,193	1,076
RH10A1806	autocollable indexed to EUR/HUF exchange rate (max 10%)	0	06.06.2012	06.06.2018	No	0	1,998
RH11R1506	indexed to EUR/HUF exchange rate (max 11%)	2,000	25.06.2012	25.06.2015	No	2,114	2,159
RH7.75F1506	fixed 7,75%	1,000	25.06.2012	25.06.2015	No	1,089	1,072
RE5TB171220	fixed 5%	594	03.08.2012	20.12.2017	No	636	595
RH7.50F1508	fixed 7,5%	1,000	03.08.2012	03.08.2015	No	1,030	1,031
RE3.50F1508	fixed 3,5%	594	31.08.2012	31.08.2015	No	601	591
RE3.50F1509	fixed 3,5%	742	28.09.2012	28.09.2015	No	749	736
RE4.75TB1712	fixed 4,75%	594	28.09.2012	20.12.2017	No	627	594
RH7F140929	fixed 7,03%	2,000	28.09.2012	29.09.2014	No	2,080	2,069
RH8.25TB1712	fixed 8,25%	1,000	28.09.2012	20.12.2017	No	1,163	1,033
RH9A181005	autocollable indexed to EUR/HUF exchange rate (max 9%)	0	05.10.2012	05.10.2018	No	0	1,922
RH6.75F1410	fixed 6,75%	1,000	12.10.2012	13.10.2014	No	1,037	1,029
RHVALT151130	fixed 6,95%	3,000	28.11.2012	30.11.2015	No	3,011	3,019
RE3.00F1601	fixed 3%	1,188	16.01.2013	18.01.2016	No	1,223	0
RE4TB181220	fixed 4%	891	16.01.2013	20.12.2018	No	918	0
RH5.75F1601	fixed 5,75%	1,500	16.01.2013	18.01.2016	No	1,640	0
RH7TB181220	fixed 7%	1,000	16.01.2013	20.12.2018	No	1,090	0
RH8.00R1601	fixed 8%	2,000	29.01.2013	29.01.2016	No	2,147	0
RH8.00R1605	fixed 8%	5,000	27.02.2013	27.05.2016	No	5,336	0
RH8.00R1702	fixed 8%	2,000	27.02.2013	27.02.2017	No	2,135	0
RH7.00R1605	fixed 7%	3,000	24.05.2013	24.05.2016	No	3,127	0
RH7.00R1606	fixed 7%	2,000	14.06.2013	14.06.2016	No	2,077	0
RH8.92R1607	fixed 8,92%	2,000	09.07.2013	11.07.2016	No	2,086	0
RH8.25R1701	fixed 8,25%	1,500	15.07.2013	16.01.2017	No	1,557	0
RH8.00R1612	fixed 8%	1,000	07.08.2013	07.12.2016	No	1,005	0

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2013 (HUF million)	Carrying amount 2012 (HUF million)
RH8A200812	variable-yield max. 10%	1,500	12.08.2013	12.08.2020	No	1,500	0
RH8.0R161223	fixed 8%	1,500	23.08.2013	23.12.2016	No	1,503	0
RAIFF190926	fixed 12,62%	3,750	26.09.2013	26.09.2019	No	3,222	0
RAIFF230926	fixed 21,9%	310	26.09.2013	26.09.2023	No	200	0
RE3.50TB1810	fixed 18%	594	09.10.2013	09.10.2018	No	599	0
RH5TB181009	fixed 25%	500	09.10.2013	09.10.2018	No	506	0
RH5.1R161129	fixed 5,1%	1,000	29.11.2013	29.11.2016	No	1,004	0
RAIFF191212	fixed 12,62%	3,400	12.12.2013	12.12.2019	No	2,881	0
RAIFF231214	fixed 21,9%	220	12.12.2013	14.12.2023	No	139	0
RH6A201214	variable-yield max. 10%	1,000	12.12.2013	14.12.2020	No	1,000	0
Debt securities issued		**135,078**				**142,392**	**155,405**

Repurchased own debt securities

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2013 (HUF million)	Carrying amount 2012 (HUF million)
RB PB KTV3	indexed to EUR/HUF exchange rate (max 10%)	0	12.02.2010	12.02.2013	No	0	291
RB PB KTV5	indexed to EUR/HUF exchange rate (max 5%)	0	23.04.2010	23.04.2013	No	0	2,374
RB KAM EUR5	fixed 2,70%	0	30.04.2010	30.04.2013	No	0	1,401
RB KAM KTV9	fixed 6%	0	19.05.2010	20.05.2013	No	0	23
RB TB KTV	fixed 7,55%	514	26.05.2010	30.12.2015	No	636	649
RB PB KTV8	indexed to EUR/HUF exchange rate (max 8,5%)	0	30.08.2010	28.02.2013	No	0	658
RB KAM KTV12	fixed 7,15%	30	12.01.2011	13.01.2014	No	32	4
RB KAM KTV13	fixed 7%	4	09.03.2011	10.03.2014	No	4	18
RB PB KTV12	indexed to EUR/HUF exchange rate (max 10%)	0	09.03.2011	11.03.2013	No	0	596
RB PB KTV13	indexed to EUR/HUF exchange rate (max 9%)	0	09.03.2011	11.03.2013	No	0	449
RB TB KTV2	fixed 8,35%	2	23.03.2011	30.12.2016	No	2	83
RB PB KTV16	indexed to EUR/HUF exchange rate (max 10%)	982	29.04.2011	29.04.2014	No	956	408
RB PB KTV17	indexed to EUR/HUF exchange rate (max 10%)	674	25.05.2011	26.05.2014	No	640	474
RH10R1407	indexed to EUR/HUF exchange rate (max 10%)	1,210	01.07.2011	01.07.2014	No	1,135	944
RE3.70F1408	fixed 3,7%	0	30.08.2011	29.08.2014	No	0	4
RH10R1409	indexed to EUR/HUF exchange rate (max 10%)	45	23.09.2011	23.09.2014	No	45	1,698
RH8.40TB1612	fixed 8,4%	1	23.09.2011	30.12.2016	No	1	0
RE4.00F1410	fixed 4,00%	0	10.10.2011	10.10.2014	No	0	1
RH9.50TB1612	fixed 9,5%	10	10.10.2011	30.12.2016	No	13	14
RH8.00F1412	fixed 8,00%	0	12.12.2011	12.12.2014	No	0	4
RH8F141222	fixed 8%	2	21.12.2011	22.12.2014	No	2	4

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2013 (HUF million)	Carrying amount 2012 (HUF million)
RH9F140117	fixed 9%	2	18.01.2012	17.01.2014	No	2	0
RE4.5F140127	fixed 4,5%	9	27.01.2012	27.01.2014	No	10	0
RH9F140127	fixed 9%	23	27.01.2012	27.01.2014	No	25	0
RH8.75F1402	fixed 8,75%	75	08.02.2012	10.02.2014	No	81	1
RH10TB171227	fixed 10%	7	20.02.2012	27.12.2017	No	9	0
RH11R150220	indexed to EUR/HUF exchange rate (max 11%)	2	20.02.2012	20.02.2015	No	2	0
RH8.50F1402	fixed 8,5%	9	20.02.2012	20.02.2014	No	10	0
RH8.25F1503	fixed 8,25%	2	19.03.2012	19.03.2015	No	2	1

Reference	Interest	Par value	First issuance	Due date	Listed	Carrying amount 2013 (HUF million)	Carrying amount 2012 (HUF million)
RHVALT150319	fixed 8,51%	142	19.03.2012	19.03.2015	No	142	0
RH10A180329	autocollable indexed to EUR/HUF exchange rate (max 10%)	0	30.03.2012	29.03.2018	No	0	12
RH8.25F1504	fixed 8,25%	6	18.04.2012	17.04.2015	No	7	0
RH7.75F1506	fixed 7,75%	0	25.06.2012	25.06.2015	No	0	1
RH7.50F1508	fixed 7,5%	4	03.08.2012	03.08.2015	No	4	0
RH7F140929	fixed 7,03%	2	28.09.2012	29.09.2014	No	2	0
RH6.75F1410	fixed 6,75%	1	12.10.2012	13.10.2014	No	1	0
RHVALT151130	fixed 6,95%	1,445	28.11.2012	30.11.2015	No	1,449	2,651
RH5.75F1601	fixed 5,75%	1	16.01.2013	18.01.2016	No	1	0
RH8.00R1601	fixed 8%	0	29.01.2013	29.01.2016	No	1	0
RH7.00R1605	fixed 7%	1,438	24.05.2013	24.05.2016	No	1,499	0
RH7.00R1606	fixed 7%	12	14.06.2013	14.06.2016	No	12	0
RAIFF190926	fixed 12,62%	200	26.09.2013	26.09.2019	No	209	0
RE3.50TB1810	fixed 18%	250	09.10.2013	09.10.2018	No	252	0
RH5TB181009	fixed 25%	3	09.10.2013	09.10.2018	No	3	0
RH5.1R161129	fixed 5,1%	478	29.11.2013	29.11.2016	No	480	0
RH6A201214	indexed to EUR/HUF exchange rate (max 10%)	750	12.12.2013	14.12.2020	No	750	0
Repurchased own debt securities		**8,335**				**8,419**	**12,763**
Net debt securities issued		**126,743**				**133,973**	**142,642**

(30) Subordinated liabilities

2013						
Lender	**Borrowed on**	**Amount in original currency (million)**	**Original currency**	**Interest**	**Due date**	**Carrying amount (million HUF)**
Raiffeisen Bank International AG	27.06.2008	30	EUR	3.57%	2020.06.30	8,909
Raiffeisen Bank International AG	30.06.2008	10	EUR	1.14%	2018.12.31	2,969
Raiffeisen Bank International AG	27.02.2009	20	EUR	7.14%	2019.02.27	5,979
Raiffeisen Bank International AG	25.09.2012	20	EUR	2.04%	2017.09.25	5,971
Raiffeisen Bank International AG	30.09.2012	20	EUR	2.09%	2017.09.29	5,939
Raiffeisen Bank International AG	30.09.2012	20	EUR	2.09%	2017.09.29	5,939
Raiffeisen Bank International AG	28.03.2013	20	EUR	2.04%	2018.03.30	5,970
Raiffeisen Bank International AG	28.06.2013	25	EUR	2.09%	2018.06.29	7,424
Raiffeisen Bank International AG	30.09.2013	25	EUR	1.94%	2018.09.28	7,460
AEGON Mo. Általános Biztosító Zrt.	02.02.2004	8	HUF	9.15%	2014.02.03	8
AEGON Mo. Általános Biztosító Zrt.	01.03.2004	2	HUF	9.69%	2014.03.03	2
AEGON Mo. Általános Biztosító Zrt.	01.04.2004	1	HUF	9.65%	2014.04.01	1
AEGON Mo. Általános Biztosító Zrt.	03.05.2004	6	HUF	8.91%	2014.05.05	6
AEGON Mo. Általános Biztosító Zrt.	01.07.2004	2	HUF	9.53%	2014.07.01	2
AEGON Mo. Általános Biztosító Zrt.	02.08.2004	5	HUF	9.78%	2014.08.04	5
AEGON Mo. Általános Biztosító Zrt.	03.09.2004	2	HUF	9.35%	2014.09.01	2
Subordinated liabilities						**56,586**

2012						
Lender	**Borrowed on**	**Amount in original currency (million)**	**Original currency**	**Interest**	**Due date**	**Carrying amount (million HUF)**
Raiffeisen Bank International AG	31/03/2008	20	EUR	1.15%	30/03/2018	5,844
Raiffeisen Bank International AG	27/06/2008	30	EUR	3.50%	30/06/2020	8,742
Raiffeisen Bank International AG	30/06/2008	10	EUR	1.07%	31/12/2018	2,913
Raiffeisen Bank International AG	30/06/2008	25	EUR	1.02%	29/06/2018	7,283
Raiffeisen Bank International AG	30/09/2008	25	EUR	1.05%	28/09/2018	7,302
Raiffeisen Bank International AG	27/02/2009	20	EUR	7.10%	27/02/2019	5,866
Raiffeisen Bank International AG	25/09/2012	20	EUR	2.16%	25/09/2017	5,860
Raiffeisen Bank International AG	30/09/2012	20	EUR	2.02%	29/09/2017	5,825
Raiffeisen Bank International AG	30/09/2012	20	EUR	2.02%	29/09/2017	5,825
AEGON Mo. Általános Biztosító Zrt.	03/02/2003	12	HUF	7.66%	04/02/2013	12
AEGON Mo. Általános Biztosító Zrt.	05/05/2003	3	HUF	7.66%	06/05/2013	3
AEGON Mo. Általános Biztosító Zrt.	01/07/2003	1	HUF	7.18%	01/07/2013	1
AEGON Mo. Általános Biztosító Zrt.	01/08/2003	2	HUF	7.91%	01/08/2013	2
AEGON Mo. Általános Biztosító Zrt.	01/09/2003	3	HUF	8.38%	02/09/2013	3
AEGON Mo. Általános Biztosító Zrt.	01/10/2003	5	HUF	8.33%	01/10/2013	5
AEGON Mo. Általános Biztosító Zrt.	03/11/2003	6	HUF	8.13%	04/11/2013	6
AEGON Mo. Általános Biztosító Zrt.	02/02/2004	8	HUF	9.15%	03/02/2014	8
AEGON Mo. Általános Biztosító Zrt.	01/03/2004	2	HUF	9.69%	03/03/2014	2
AEGON Mo. Általános Biztosító Zrt.	01/04/2004	1	HUF	9.65%	01/04/2014	1
AEGON Mo. Általános Biztosító Zrt.	03/05/2004	6	HUF	8.91%	05/05/2014	6

AEGON Mo. Általános Biztosító Zrt.	01/07/2004	2	HUF	9.53%	01/07/2014	2
AEGON Mo. Általános Biztosító Zrt.	02/08/2004	5	HUF	9.78%	04/08/2014	5
AEGON Mo. Általános Biztosító Zrt.	03/09/2004	2	HUF	9.35%	01/09/2014	2
Subordinated liabilities						**55,518**

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.

(31) Other liabilities

(HUF million)	2013	2012
Other taxes payable	3,446	3,434
Giro, postal clearing accounts, cash in transit	674	730
Suppliers	2,937	2,127
Payables relating to investment activities	14,310	19,788
Accruals	5,652	6,906
Other	4,170	4,382
Other liabilities	**31,189**	**37,367**

Payables relating to investment activities involve mainly liabilities from repo transactions and liabilities to customers from investment activities.

(32) Provisions

The following table shows the changes in the provision for commitments and contingencies as at 31 December 2013 and 2012 respectively:

(HUF million)	2013	2012
At beginning of year	**15,149**	**20,909**
Provisions made during the year	5,510	9,383
Release in provisions	(10,849)	(14,498)
Provisions used during the year	0	(6,001)
Provisions reversed during the year	(10,849)	(8,497)
Effect of revaluation	28	(645)
At end of year	**9,838**	**15,149**

In 2013 release of provision contains release in contingent liability (HUF 3,296 million), in FX –linked swap (HUF 1,858 million), in pending legal issues (HUF 658 million), and in provision for collateral FX-mismatch (HUF 4,325 million). The allocation to provision include allocation to contingent liability (HUF 1,324 million), to pending legal issues (HUF 351 million), to fine (HUF 584 million), to provision for salaries (HUF 436 million), to provision for FX –protection program (HUF 1,500 million) and to provision for collateral revaluation (HUF 555 million).

(33) 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 till 31 December 2013. Preparation of sale is ongoing.

DAV Holding Kft. was sold on 11 March 2013.

The table below shows the assets and liabilities held for sale as at 31 December 2013 and 31 December 2012.

(HUF million)	*2013*	*2012*
Assets classified as held for sale		
Investments in associated undertakings	*0*	*1*
Property, plant and equipment	*9,291*	*9,867*
Goodwill	*1,042*	*1,042*
Current tax assets	*5*	*4*
Other assets	*231*	*180*
	10,569	***11,094***
Liabilities classified as held for sale		
Current tax liabilities	*47*	*0*
Other liabilities	*61*	*49*
	108	***49***

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 had no material discontinued operations in 2013.

(34) Share capital

As at 31 December 2013 and 2012, the equity structure of the Group consisted of the following classes of shares:

2013 (HUF million)				
Shareholder	***Type of share***	***Number of shares***	***%***	***HUF million***
Raiffeisen-RBHU Holding GmbH	*Ordinary*	*5,000,004*	*100.00*	*50,000*
Raiffeisen-RBHU Holding GmbH	*Preference*	*0*	*0.00*	*0*
Total				***50,000***

2012 (HUF million)				
Shareholder	***Type of share***	***Number of shares***	***%***	***HUF million***
Raiffeisen-RBHU Holding GmbH	*Ordinary*	*16,502,300*	*100.00*	*165,023*
Raiffeisen-RBHU Holding GmbH	*Preference*	*0*	*0.00*	*0*
Total				***165,023***

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

Changes in Share Capital :

- The Sole Shareholder decides to reduce the Company's share capital for the benefit of capital reserve at 26/10/2012 as follows: the amount by which the capital is being reduced amount of HUF 115,023 million therefore the capital reduces from HUF 165,023 million to HUF 50,000 million. The Budapest Court as Court of registry has registered at 01/02/2013.

The Sole Shareholder has decided to increase the Share Capital four times in the year:

- Firstly, at 28/03/2013, the amount of the capital-increase was HUF 10,000. In the same time with the capital-increase the Sole Shareholder submitted to the Company the amount of HUF 9,179.69 million as capital reserve.

The Budapest Court as Court of registry registered it at 02/05/2013.
- Secondly, at 27/06/2013, the amount of the capital-increase was HUF 10,000. In the same time with the capital-increase the Sole Shareholder submitted to the Company the amount of HUF 8,937.74 million as capital reserve. The Budapest Court as Court of registry registered it at 18/07/2013.
- Thirdly, at 27/09/2013, the amount of the capital-increase was HUF 10,000. In the same time with the capital-increase the Sole Shareholder submitted to the Company the amount of HUF 2,997.99 million as capital reserve. The Budapest Court as Court of registry registered it at 10/04/2013.
- Finally, The Sole Shareholder decided to increase the Company's subscribed capital. The amount of the capital-increase HUF 10,000. In the same time with the capital-increase the Sole Shareholder submitted to the Company the amount of HUF 16,465.285 million as capital reserve. The Budapest Court as Court of registry registered it at 07/01/2014.

As at 31 December 2013 and 2012, the Group held no treasury shares in its portfolio.

During 2013 and 2012 there were no dividend payments.

(35) Other reserves

General risk reserve

In 2013, no general risk reserve was set aside. The balance of the general risk reserve was nil at 31 December 2013 (2012: nil).

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 nil at 31 December 2013 (2012: nil).

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. The effective portion of the gain or loss on the hedging instrument in cash flow hedges is also shown here.

(36) Non-controlling interest

In 2013 non controlling interest increased by HUF 1,239 million. Main changes were the capital increases in Raiffeisen Lízing Zrt. (HUF 512 million) and sale of Győri-Kert Agrárenergetikai Kft. (HUF 156 million) and Global Thermal Szolgáltató Kft. (HUF 710 million).

In 2012 non controlling interest increased mainly due to the capital increases in Raiffeisen Lízing Zrt. and Raiffeisen Energiaszolgáltató Kft.

(37) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

(HUF million)	2013	2012
Deferred tax assets	3,677	5,199
Deferred tax liabilities	126	115
Net deferred taxes	**3,551**	**5,084**

	2013			2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Placements with banks	1	0	1	0	0	0
Loans	814	226	588	0	1,464	(1,464)
Impairment losses	3,012	0	3,012	2,298	0	2,298
Financial assets at fair value through profit or loss	0	18	(18)	0	15	(15)
Available for sale securities	0	21	(21)	909	0	909
Investments in associated undertakings	1,002	0	1,002	973	0	973
Investments in unlisted securities	3	0	3	3	0	3
Property, plant and equipment	171	521	(350)	171	527	(356)
Investment property	23	0	23	23	0	23
Intangible assets	0	8	(8)	0	0	0
Goodwill	0	145	(145)	0	145	(145)
Deposits from banks	0	2,160	(2,160)	0	0	0
Financial liabilities at fair value through profit or loss	6	0	6	0	0	0
Provisions	351	0	351	353	0	353
Other items	13	1	12	0	6	(6)
Probably useable tax loss carry-forwards	1,255	0	1,255	2,511	0	2,511
Net tax assets (liabilities)	**6,651**	**3,100**	**3,551**	**7,241**	**2,157**	**5,084**

In 2013 the Bank has probably not usable tax loss carry-forwards in amount of HUF 163,475 million (2012 : HUF 125,949 million) and there is no deferred tax asset recognised on it.

(38) 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.

(HUF million)	2013	2012
	Nominal value	Nominal value
Contingencies		
Import letters of credit	11,088	19,060
Export letters of credit	0	50
Guarantees issued	155,726	148,177
Other contingencies (including litigation)	8,018	2,363
Total contingencies	**174,832**	**169,650**

Commitments		
Unutilized loan facilities	125,288	131,467
Unutilized overdraft facilities	98,157	102,149
Unutilized guarantee frames	41,398	52,379
Total commitments	**264,843**	**285,995**

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 1,415 million in 2013 for 2013 (in 2012 rental commitment for 2013 amounted to HUF 2,521 million).

(39) 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:

2013 (HUF million)	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
FINANCIAL ASSETS									
Cash and cash equivalents	0	116,004	0	0	**116,004**	**116,004**	116,004	0	0
Placements with banks	0	27,733	0	0	**27,733**	**27,733**	0	27,733	0
Net loans	0	1,221,144	3,110	0	**1,224,254**	**1,237,140**	0	1,047,769	189,371
Financial assets at fair value through profit or loss	0	0	15,873	39,591	**55,464**	**55,464**	15,738	39,726	0
Available for sale securities	243,896	0	0	0	**243,896**	**243,896**	202,499	41,397	0
Held to maturity securities	0	107,766	0	0	**107,766**	**113,575**	113,575	0	0
Investments in associated undertakings	0	0	9	0	**9**	**9**	0	0	9
Investments in unlisted securities	45	0	0	0	**45**	**45**	0	0	45
Total financial assets	**243,941**	**1,472,647**	**18,992**	**39,591**	**1,775,171**	**1,793,866**	**447,816**	**1,156,625**	**189,425**
FINANCIAL LIABILITIES									
Deposits from banks	0	225,960	0	0	**225,960**	**227,797**	0	227,797	0
Deposits from non-banks	0	1,228,781	0	0	**1,228,781**	**1,228,675**	0	1,228,675	0
Debt securities issued	0	94,758	39,215	0	**133,973**	**135,195**	0	135,195	0
Subordinated liabilities	0	56,586	0	0	**56,586**	**56,588**	0	56,588	0
Financial liabilities at fair value through profit or loss	0	0	27,392	23,010	**50,402**	**50,402**	65	50,337	0
Total financial liabilities	**0**	**1,606,085**	**66,607**	**23,010**	**1,695,702**	**1,698,657**	**65**	**1,698,592**	**0**

2012 (HUF million)	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
FINANCIAL ASSETS									
Cash and cash equivalents	0	129,153	0	0	**129,153**	**129,153**	0	0	0
Placements with banks	0	32,795	0	0	**32,795**	**32,795**	0	0	0
Net loans	0	1,281,869	3,666	0	**1,285,535**	**1,296,496**	0	3,666	0
Financial assets at fair value through profit or loss	0	0	10,177	43,996	**54,173**	**54,173**	12,662	41,511	0
Available for sale securities	399,681	0	0	0	**399,681**	**399,681**	291,976	107,705	0
Held to maturity securities	0	111,820	0	0	**111,820**	**116,041**	0	0	0
Investments in associated undertakings	0	0	9	0	**9**	**9**	0	0	9
Investments in unlisted securities	45	0	0	0	**45**	**45**	0	0	45
Total financial assets	**399,726**	**1,555,637**	**13,852**	**43,996**	**2,013,211**	**2,028,393**	**304,638**	**152,882**	**54**
FINANCIAL LIABILITIES									
Deposits from banks	0	243,145	0	0	**243,145**	**242,426**	0	0	0
Deposits from non-banks	0	1,431,886	4,666	0	**1,436,552**	**1,436,826**	0	4,666	0
Debt securities issued	0	57,881	84,761	0	**142,642**	**142,463**	0	84,761	0
Subordinated liabilities	0	55,518	0	0	**55,518**	**55,519**	0	0	0
Financial liabilities at fair value through profit or loss	0	0	24,140	30,584	**54,724**	**54,724**	44	54,680	0
Total financial liabilities	**0**	**1,788,430**	**113,567**	**30,584**	**1,932,581**	**1,931,958**	**44**	**144,107**	**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 40.

(40) 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 39), 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. Fair value of individually impaired loans and loans where the remaining maturity or the fixed-interest period of the loan is less than 1 year is the book value. According to IFRS 13 standard we valuate the risk of the possible losses from the default of our customers through provisioning system and we subtract individual loan loss provision from discounted present value.

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, price of OTC market is used, otherwise the fair value is the discounted present value of the contractual cash-flows at the revaluation date.

The fair value of municipal bonds is calculated with discounted cash-flow method. The yield curves used for discounting purposes are shifted using the Basis Swap spreads representing the country risk. The embedded repayment option is valued as well, using the Black-Scholes option pricing formula based approach.

iv) Derivatives

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

The fair value of single 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.

Cross currency swaps are valued based on discounted cash-flow method (calculated by front-office system). Revaluation yield curves are shifted using the Basis Swap spreads characteristic for the cross currency swap markets and representing the country risk.

The fair value of forward exchange transactions is computed on the basis of current forward rates. Mark-to-market value of plain vanilla and exotic options is claculated with modified Black-Scholes model. In case of exotic options, which do not have closed-form for revaluation iteration technics are used.

For hedging the exposures to changes in fair value of some loans, the Group has entered into interest rate swap transactions. 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 fair value in the statement of financial position.

CVA/DVA calculation according to IFRS 13: The goal of the calculation is to valuate the risk of the possible losses from the default of our counterparties who has derivative deals with us. The varying parameter in the model is the future change in the default rate of the current counterparty and not the changes in the market prices. In the calculation process we have got the expected Marked-to-market exposure and the default risk at several date until the maturity and the products of these are summarized. Finally we corrected the result with the recovery rate of the counterparty.

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.
According to IFRS 13 standard we valuate own credit risk as follows: we discount future CFs of the deposits using shifted yield curves. Shift is liquidity premium by currency and cash flow 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,

End of Cosolidated Financial Statements

or by reference to quoted market prices for similar instruments. Fair value of subordinated liabilities is calculated by discounting the future cash flows.
According to IFRS 13 standard we valuate own credit risk: Depending on the currency we discount the future cash flows of the bond using shifted zero coupon swap yield curve. The shift is the liquidity premium.

(41) 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:

2013 (HUF million)			
Related parties	Parent company and its group	Associates	Key Management Personnel
Assets	**90,043**	**3,724**	**10**
Placements with banks	32,901	0	0
Loans and advances to customers	37,247	3,724	10
Financial assets at fair value through profit or loss	19,875	0	0
Other assets	20	0	0
Liabilities	**111,375**	**97**	**94**
Financial liabilities at fair value through profit or loss	34,546	0	0
Deposits from banks	18,415	0	0
Deposits from non-banks	1,396	97	90
Subordinated liabilities	56,560	0	0
Other liabilities	458	0	4
Income statement	**3,949**	**148**	**1**
Interest income	30,044	149	1
Interest expense	(21,249)	(1)	(2)
Net fee and commission income	(1,692)	0	1
Net trading income	(3,241)	0	1
Net income from derivatives held for risk management	2,333	0	0
Other operating income	(88)	0	0
Impairment losses	(56)	0	0
Other operating expenses	(2,102)	0	0
Contingencies and commitments	**9,301**	**0**	**0**
Undrawn commitments to extend credit	4,610	0	0
Guarantees	4,691	0	0

	2012 (HUF million)		
Related parties	Parent company and its group	Associates	Key Management Personnel
Assets	**81,663**	**3,302**	**9**
Placements with banks	33,825	0	0
Loans and advances to customers	34,976	3,302	9
Financial assets at fair value through profit or loss	12,849	0	0
Other assets	13	0	0
Liabilities	**110,090**	**0**	**126**
Financial liabilities at fair value through profit or loss	34,759	0	0
Deposits from banks	12,590	0	0
Deposits from non-banks	7,101	0	126
Subordinated liabilities	55,460	0	0
Other liabilities	180	0	0
Income statement	**33,704**	**167**	**(2)**
Interest income	47,192	171	1
Interest expense	(21,872)	(4)	(4)
Net fee and commission income	(633)	0	0
Net trading income	4,171	0	1
Net income from derivatives held for risk management	7,221	0	0
Other operating income	53	0	0
Impairment losses	(463)	0	0
Other operating expenses	(1,965)	0	0
Contingencies and commitments	**7,820**	**0**	**8**
Undrawn commitments to extend credit	1,915	0	8
Guarantees	5,905	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.

(42) Group entities

The subsidiaries and associates of the Bank and their activities are as follows:

Company	Ownership ratio 2013	Ownership ratio 2012	Residence of the Company	Brief description of activities
Subsidiaries				
AFFOREST Agrárenergetikai Kft.	a.)	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
DAV Holding Kft.	b.)	100,00%	1054 Bp., Akadémia u. 6.	Activities of holding companies
EURO GREEN ENERGY Fejlesztő és Szolgáltató Kft.	50,00%	42,86%	1139 Bp., Váci út 81-85.	Electricity production
Global Thermal Szolgáltató Kft.	b.)	74,67%	1054 Bp., Akadémia u. 6.	Buying and selling of own real estate
Győri-Kert Agrárenergetikai Kft.	b.)	25,00%	8051 Sárkeresztes, József A. u. 24.	Sylviculture production
Kawa Energetika Kft.	b.)	30,50%	1139 Bp., Váci út 81-85.	Steam and air conditioning supply
Raiffeisen Autó Lízing Kft.	50,00%	50,00%	1054 Bp., Akadémia u. 6.	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.	100,00%	100,00%	1054 Bp., Akadémia u. 6.	Activities of insurance agents and brokers
Raiffeisen Energiaszolgáltató Kft.	50,00%	50,00%	1139 Bp., Váci út 81-85.	Activities of holding companies
Raiffeisen Gazdasági Szolgáltató Zrt.	100,00%	100,00%	1054 Bp., Akadémia u. 6.	Other professional, scientific and technical activities n.e.c.
Raiffeisen Ingatlan Üzemeltető és Szolgáltató Kft.	100,00%	100,00%	1054 Bp., Akadémia u. 6.	Development of building projects
Raiffeisen Lízing Zrt.	50,00%	50,00%	1054 Bp., Akadémia u. 6.	Financial leasing
Raiffeisen Property Lízing Zrt.	100,00%	100,00%	1054 Bp., Akadémia u. 6.	Financial leasing
RB Kereskedőház Kereskedelmi Kft.	100,00%	100,00%	1054 Bp., Akadémia u. 6.	Wholesale of metals and metal ores
RB Szolgáltató Központ Kft.	100,00%	100,00%	4400 Nyíregyháza, Sóstói út 31/b	Other financial auxiliary activities
SCT Beruházás Ingatlanfejlesztő és Ingatlanhasznosító Kft.	87,32%	78,64%	1052 Bp., Vérmező út 4.	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 Tündérkert Kft.	100,00%	100,00%	1054 Bp., Akadémia u. 6.	Buying and selling of own real estate
SCTAI Angol iskola Ingatlanfejlesztő és Ingatlanhasznosító Kft.	90,33%	81,00%	1052 Bp., Vérmező út 4.	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
SCTS Ingatlanfejlesztő és Ingatlanhasznosító Kft.	100,00%	100,00%	1052 Bp., Vérmező út 4.	Development of building projects
SZELET Energiatermelő és Szolgáltató Kft.	50,00%	50,00%	1139 Bp., Váci út 81-85.	Electricity production
T+T 2003 Ingatlanhasznosító Kft.	c.)	100,00%	1054 Bp., Akadémia u. 6.	Development of building projects
VINAGRIUM Borászati és Kereskedelmi Kft.	100,00%	100,00%	3300 Eger, Verőszala u. 1-3.	Wine production

Company	Ownership ratio 2013	Ownership ratio 2012	Residence of the Company	Brief description of activities
Associates				
NOC Kft.	50,00%	50,00%	1054 Bp., Kálmán Imre u. 1.	Buying and selling of own real estate

a.) Loss of control.
b.) Győri-Kert Agrárenergetikai Kft., DAV Holding Kft., Kawa Energetika Kft. and Global Thermal Szolgáltató Kft were sold.
c.) T+T 2003 Ingatlanhasznosító Kft. merged into SCT Tündérkert Kft.

The management is committed to sell the Group's share in Euro Green Energy Fejlesztő és Szolgáltató Kft.

(43) Funds management

The Group manages 0 close-ended (2012: 1) and 21 open-ended (2012: 23) 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 2013 and 2012, transactions with the funds themselves were as follows:

(HUF million)	2013	2012
Managed funds	**204,984**	**156,952**
Open-ended funds	204,984	114,272
Close-ended funds	0	42,680
Net fee and commission income from funds	2,109	2,016
Deposits from funds	57,604	67,040
Interest expense on deposits from funds	4,863	5,203

Among Open-ended funds the funds that has been managed by fix term funds is HUF 2,694 million.
Deposit from funds contains only term deposit, sight deposit has't shown in that row.

(44) 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.

2013 (HUF million)	*Corporate*	*Retail/ Private*	*Bank/ treasury*	*Other*	*Total*
ASSETS					
Cash and cash equivalents	*0*	*0*	*116,004*	*0*	***116,004***
Placements with banks	*0*	*0*	*27,733*	*0*	***27,733***
Loans	*843,777*	*495,307*	*0*	*169,778*	***1,508,862***
Less: loss value on loans	*168,552*	*114,206*	*0*	*1,850*	***284,608***
Net loans	*675,225*	*381,101*	*0*	*167,928*	***1,224,254***
Financial assets at fair value through profit or loss	*5,510*	*658*	*35,596*	*13,700*	***55,464***
Available for sale securities	*177*	*0*	*144,205*	*99,514*	***243,896***
Held to maturity securities	*1,427*	*0*	*0*	*106,339*	***107,766***
Investments in associated undertakings	*9*	*0*	*0*	*0*	***9***
Investments in unlisted securities	*45*	*0*	*0*	*0*	***45***
Property, plant and equipment	*1,172*	*0*	*0*	*10,033*	***11,205***
Investment property	*7*	*0*	*0*	*195*	***202***
Intangible assets	*142*	*0*	*0*	*15,643*	***15,785***
Goodwill	*0*	*0*	*0*	*1,155*	***1,155***
Current tax assets	*0*	*0*	*0*	*1,562*	***1,562***
Deferred tax assets	*0*	*0*	*0*	*3,677*	***3,677***
Other assets	*8,348*	*1,102*	*2,485*	*20,227*	***32,162***
Assets classified as held for sale	*9,291*	*0*	*0*	*1,278*	***10,569***
Total assets	***701,374***	***382,841***	***326,023***	***441,250***	***1,851,488***

2013 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
LIABILITIES AND EQUITY					
Deposits from banks	0	0	182,836	43,124	**225,960**
Deposits from non-banks	721,718	392,190	3,561	111,312	**1,228,781**
Debt securities issued	0	133,973	0	0	**133,973**
Subordinated liabilities	27	0	56,559	0	**56,586**
Financial liabilities at fair value through profit or loss	1,648	0	48,754	0	**50,402**
Current tax liabilities	0	0	0	123	**123**
Deferred tax liabilities	0	0	0	126	**126**
Provisions	5,951	2,889	104	894	**9,838**
Other liabilities	10,975	11,269	1,207	7,738	**31,189**
Liabilities classified as held for sale	61	0	0	47	**108**
Total liabilities	**740,380**	**540,321**	**293,021**	**163,364**	**1,737,086**
Equity attributable to equity holders of the parent	**0**	**0**	**0**	**113,558**	**113,558**
Ordinary shares	0	0	0	50,000	**50,000**
Issued capital	0	0	0	50,000	**50,000**
Retained earnings	0	0	0	(84,042)	**(84,042)**
Capital reserve	0	0	0	152,604	**152,604**
Non-distributable reserve	0	0	0	0	**0**
Fair value reserve	0	0	0	(5,004)	**(5,004)**
Non controlling interest	0	0	0	844	**844**
Total equity	**0**	**0**	**0**	**114,402**	**114,402**
Total liabilities, non controlling interest and shareholder's equity	**0**	**0**	**0**	**277,766**	**1,851,488**
INCOME STATEMENT					
Interest income	47,489	31,876	9,307	17,447	**106,119**
Interest expense	20,748	15,558	20,733	4,228	**61,267**
Net interest income	**26,741**	**16,318**	**(11,426)**	**13,219**	**44,852**
Fee and commission income	12,144	21,682	405	4,163	**38,394**
Fee and commission expenses	4,070	2,644	806	641	**8,161**
Net fee and commission income	**8,074**	**19,038**	**(401)**	**3,522**	**30,233**
Dividend income	133	0	0	0	**133**
Net trading income	(354)	0	11,053	39	**10,738**
Net income from derivatives held for risk management	0	0	0	8,567	**8,567**
Other operating income	293	12	0	582	**887**
Operating income	**72**	**12**	**11,053**	**9,188**	**20,325**
Impairment losses	**26,069**	**13,822**	**0**	**263**	**40,154**
Operating expenses without depreciation	13,655	26,245	23,882	23,070	**86,852**
Depreciation	1,340	2,717	239	2,666	**6,962**
Operating expenses	**14,995**	**28,962**	**24,121**	**25,736**	**93,814**
Profit/(loss) before tax	**(6,177)**	**(7,416)**	**(24,895)**	**(70)**	**(38,558)**
Income tax expense	0	0	0	98	**98**
Deferred tax	0	0	0	562	**562**
Profit/(loss) for the period	**(6,177)**	**(7,416)**	**(24,895)**	**(730)**	**(39,218)**
OTHER INFORMATION					
Capital exependitur	1,082	1,968	411	1,519	**4,980**

2012 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
ASSETS					
Cash and cash equivalents	0	0	129,153	0	**129,153**
Placements with banks	0	0	32,795	0	**32,795**
Loans	908,960	538,105	0	97,689	**1,544,754**
Less: loss value on loans	152,250	103,706	0	3,263	**259,219**
Net loans	756,710	434,399	0	94,426	**1,285,535**
Financial assets at fair value through profit or loss	10,682	2,014	30,850	10,627	**54,173**
Available for sale securities	160	0	288,941	110,580	**399,681**
Held to maturity securities	10,520	0	0	101,300	**111,820**
Investments in associated undertakings	9	0	0	0	**9**
Investments in unlisted securities	45	0	0	0	**45**
Property, plant and equipment	5,999	0	0	11,872	**17,871**
Investment property	197	0	0	0	**197**
Intangible assets	209	0	0	15,494	**15,703**
Goodwill	0	0	0	1,155	**1,155**
Current tax assets	(4)	0	0	109	**105**
Deferred tax assets	83	0	0	5,116	**5,199**
Other assets	8,779	1,718	3,131	22,872	**36,500**
Assets classified as held for sale	10,053	0	0	1,041	**11,094**
Total assets	**803,442**	**438,131**	**484,870**	**374,592**	**2,101,035**
LIABILITIES AND EQUITY					
Deposits from banks	0	0	183,462	59,683	**243,145**
Deposits from non-banks	778,094	533,300	581	124,577	**1,436,552**
Debt securities issued	0	142,642	0	0	**142,642**
Subordinated liabilities	57	0	55,461	0	**55,518**
Financial liabilities at fair value through profit or loss	2,043	0	52,681	0	**54,724**
Current tax liabilities	3	0	0	106	**109**
Deferred tax liabilities	100	0	0	15	**115**
Provisions	12,088	2,208	274	579	**15,149**
Other liabilities	18,449	8,678	3,929	6,311	**37,367**
Liabilities classified as held for sale	49	0	0	0	**49**
Total liabilities	**810,883**	**686,828**	**296,388**	**191,271**	**1,985,370**
Equity attributable to equity holders of the parent	**472**	**766**	**2,592**	**112,089**	**115,919**
Ordinary shares	(20)	0	0	165,043	**165,023**
Issued capital	(20)	0	0	165,043	**165,023**
Retained earnings	492	766	2,592	(48,549)	**(44,699)**
Capital reserve	0	0	0	0	**0**
Non-distributable reserve	0	0	0	0	**0**
Fair value reserve	0	0	0	(4,405)	**(4,405)**
Non controlling interest	0	0	0	(254)	**(254)**
Total equity	**472**	**766**	**2,592**	**111,835**	**115,665**
Total liabilities, non controlling interest and shareholder's equity	**811,355**	**687,594**	**298,980**	**303,106**	**2,101,035**

2012 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
INCOME STATEMENT					
Interest income	61,368	38,009	18,367	19,399	**137,143**
Interest expense	31,909	28,113	23,261	9,917	**93,200**
Net interest income	**29,459**	**9,896**	**(4,894)**	**9,482**	**43,943**
Fee and commission income	8,092	14,239	133	4,087	**26,551**
Fee and commission expenses	4,420	3,304	787	270	**8,781**
Net fee and commission income	**3,672**	**10,935**	**(654)**	**3,817**	**17,770**
Dividend income	44	0	0	0	**44**
Net trading income	1,423	0	4,829	(300)	**5,952**
Net income from derivatives held for risk management	0	0	0	8,761	**8,761**
Other operating income	4,853	0	0	42	**4,895**
Operating income	**6,320**	**0**	**4,829**	**8,503**	**19,652**
Impairment losses	**40,608**	**20,454**	**0**	**839**	**61,901**
Operating expenses without depreciation	21,019	42,483	2,786	510	**66,798**
Depreciation	1,740	3,174	267	3,561	**8,742**
Operating expenses	**22,759**	**45,657**	**3,053**	**4,071**	**75,540**
Share of profits of associates	**(12)**	**0**	**0**	**0**	**(12)**
Profit/(loss) before tax	**(23,928)**	**(45,280)**	**(3,772)**	**16,892**	**(56,088)**
Income tax expense	0	0	0	123	**123**
Deferred tax	0	0	0	738	**738**
Profit/(loss) for the period	**(23,928)**	**(45,280)**	**(3,772)**	**16,031**	**(56,949)**
OTHER INFORMATION					
Capital expenditure	883	3,014	228	1,412	**5,537**

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.

(45) Events after the balance sheet date

The Hungarian Government closed the Municipality debt consolidation in 2014. At the end of February the debt of formerly excluded large cities' was consolidated by the State.

Act CXII of 1996 on Credit Institutions and Financial Enterprises came into force on 1 January 2014.

The new Civil Code (Act V of 2013) came into force on 15 March 2014. The Bank implemented the related changes of terms of conditions, legal documents and processes successfully on time.

The Sole Shareholder decided to increase the Company's subscribed capital. The amount of the capital increase was HUF 10,000. In the same time with the capital increase the Sole Shareholder submitted to the Company the amount of HUF 16,465,285,000 as capital reserve. The Budapest Court as Court of registry registered it at 07/01/2014.

The National Bank of Hungary fined 35 banks, including the Bank for illegally raising client fees and costs. The fine levied for the Bank was HUF 98 million. The NBH also ordered the Bank to refund affected clients by April 30 and report to the central bank on their compliance by May 15.

Consolidated income statement in euro

(millió euró)	2013	2012
Interest and similar income	**356**	**476**
- cash and cash equivalents	7	14
- on placements with banks	1	2
- on loans to non-banks	273	351
- on securities	69	103
- from leases	6	6
Interest expenses and similar charges	**206**	**324**
- on borrowings from banks	23	42
- on deposits from non-banks	134	239
- on debt securities issued	31	37
- on subordinated liabilities	5	6
- other interest-like expenses	13	0
Net interest income	**150**	**152**
Fee and commission income	129	92
Fee and commission expense	27	30
Net fee and commission income	**102**	**62**
Dividend income	0	0
Net trading income	36	21
Net income from derivatives held for risk management	29	30
Other operating income	3	17
Operating income	**68**	**68**
Impairment losses	**135**	**215**
Salaries and staff benefits	86	88
Rental expenses	26	27
Equipment expenses	21	23
Other operating expenses	181	124
Operating expenses	**314**	**262**
Share of profits of associates	**0**	**0**
Profit/(loss) before tax	**(129)**	**(195)**
Income tax expense	0	0
Deferred tax	2	3
Profit/(loss) for the period	**(131)**	**(198)**
Attributable to :		
Equity holders of the parent	(131)	(198)
Non controlling interest	0	0

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2013 was 296,91 HUF/EUR in 2012 was 288,05 HUF/EUR.

Data above are not part of the consolidated report.

Consolidated statement of financial position in euro

(millió euró)	2013	2012
ASSETS		
Cash and cash equivalents	391	443
Placements with banks	93	113
Net loans	4,123	4,413
Financial assets at fair value through profit or loss	187	186
Available for sale securities	821	1,372
Held to maturity securities	363	384
Investments in associated undertakings	0	0
Investments in unlisted securities	0	0
Property, plant and equipment	38	61
Investment property	1	1
Intangible assets	53	54
Goodwill	4	4
Current tax assets	5	0
Deferred tax assets	12	18
Other assets	108	126
Assets classified as held for sale	36	38
Total assets	**6,235**	**7,213**
LIABILITIES AND EQUITY		
Deposits from banks	761	835
Deposits from non-banks	4,139	4,932
Debt securities issued	451	490
Subordinated liabilities	191	191
Financial liabilities at fair value through profit or loss	170	188
Current tax liabilities	0	0
Deferred tax liabilities	0	0
Provisions	33	52
Other liabilities	105	127
Liabilities classified as held for sale	0	0
Total liabilities	**5,850**	**6,815**
Equity attributable to equity holders of the parent	**382**	**399**
Ordinary shares	168	567
Preference shares	0	0
Share capital	**168**	**567**
Retained earnings	(283)	(153)
Statutory reserves	514	0
Non-distributable reserve	0	0
Fair value reserve	(17)	(15)
Non controlling interest	**3**	**(1)**
Total equity	**385**	**398**
Total liabilities, non controlling interest and shareholder's equity	**6,235**	**7,213**

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2013 was 296,91 HUF/EUR in 2012 was 288,05 HUF/EUR.

Data above are not part of the consolidated report.

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