Annual Report 2014

Raiffeisen
BANK
Hungary

Consolidated key data of Raiffeisen Bank Zrt.

Monetary values in euro mn	2014	Change	2013
Income statement			
Net interest income	144	(4.00%)	150
Net fee and commission income	108	5.88%	102
Trading profit (loss)	44	22.22%	36
Operating expenses	121	(9.02%)	133
Profit before tax	(368)	185.27%	(129)
Profit after tax	(380)	190.08%	(131)
Balance sheet			
Loans and advances to banks	100	7.53%	93
Loans and advances to customers	3,569	(13.44%)	4,123
Deposits from banks	999	31.27%	761
Deposits from customers	4,208	1.67%	4,139
Equity (incl. minorities and profit)	319	(17.14%)	385
Balance sheet total	6,629	6.32%	6,235
Resources			
Average statistical number of staff	2,738	0.96%	2,712
Banking outlets on balance-sheet day	114	(6.56%)	122

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2014 was 314,89 HUF/EUR in 2013 was 296,91 HUF/EUR.

Contents

Report of the Supervisory Board

Ladies and Gentlemen,

At the beginning of 2014, Raiffeisen Bank International carried out a capital increase with gross proceeds of € 2.78 billion. RZB participated in the capital increase, in addition to numerous institutional and private investors, and remained the majority shareholder of RBI. The capital increase enabled RBI to fully repay the participation capital held by the Republic of Austria and private investors and significantly improve its common equity tier 1 ratio (on a Basel III fully-loaded basis). The rest of the year was mainly impacted by the geopolitical and financial situation in Ukraine and Russia, which led to higher loan loss provisions, as did defaults of individual large customers in Asia. Significant one-off charges were also booked during the year, the largest item thereof being goodwill impairments. Further one-off effects included the write-down of deferred tax assets and costs resulting from legislation changes in Hungary. These factors contributed to the € 493 million consolidated loss incurred in 2014, which was the first negative result in RBI's history. However, these one-offs had no impact on fully-loaded tier 1 common equity, and without them RBI would have reported a significantly positive net profit.

In February 2015, RBI resolved to take a number of steps to increase its capital buffer. The measures are intended to facilitate an improvement in the common equity tier 1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps include the sale or rescaling of units as well as reductions in total risk-weighted assets (RWA) in select markets, in particular in those which generate low returns, have high capital consumption or are of limited strategic fit. The implementation of these measures will result in an aggregate gross RWA reduction of approximately € 16 billion by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). This reduction is expected to be partially offset by growth in other business areas.

I would like to take this opportunity to thank all employees of Raiffeisen Bank Hungary for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,

Dr. Johann Strobl
Chairman of the Supervisory Board

Foreword by the Chief Executive Officer

The Hungarian economic performance in 2014 was strong, and GDP grew by 3.5 per cent. Unfortunately the banking sector did not do so well, primarily due to the so-called settlement act which forced banks to refund unilateral interest rate changes and the applied foreign exchange margins for foreign currency loans to private individuals. Mainly as a result of this act, Raiffeisen Bank showed a significant loss also in 2014, amounting to HUF 117.7 billion. Nevertheless, there were also many positive developments in the bank.

The total volume of non performing loans further decreased from its peak in 2012. Provisions for credit risks were still high, but also here we can see that the coverage ratio has improved from 60 per cent to 72 per cent, and the worst should be behind us.

Due to capital injections by our owner, the capital ratio (Tier1+Tier2) under IFRS improved to 19.3 per cent, and the bank is therefore well capitalized and comfortably meets all the regulatory requirements. Our liquidity situation is also very good. All main ratios are met at a comfortable level.

In Corporate Banking, we were able to maintain our good position with large local and international companies, with a market share of 12 per cent. Raiffeisen Bank also kept its leading position in both trade and export financing and in the Hungarian FX and derivative market. Raiffeisen Bank financed more than 400 companies in the frame of the second phase of the MNB Funding for Growth Scheme and increased its market share by 5 percentage points to 40 per cent in the EximBank refinancing program.

We have maintained a stable TOP3 position in the market regarding new SME acquisitions, and we continue to participate in the next phase of the MNB Funding for Growth Scheme+ aimed specifically at such companies.

On the retail side, primary relationship customers remained in our focus, and our success is evidenced by more than 15,000 additional customers. Our goal is to become the best relationship bank in Hungary. The segments Affluent Customers and Private Banking also showed excellent results, as evidenced by new affluent client' acquisitions and 10% growth in Asset-under-Management in case of Private Banking.

The outlook for 2015 is more positive than in previous years. The economy is expected to grow again, offering opportunities primarily in the corporate and SME segments.

Kind regards,

Heinz Wiedner

Overview of the 2014 business year

Macroeconomic Environment in 2014

1. Global economic environment

Global economic trends presented a mixed picture in 2014. In the US, there was accelerating economic growth, an improving labour market and a general return to normality. As a result, the quantitative easing (QE) programmes, which had been carried out in several waves, were phased out for good. The extremely low interest rate environment should return to normal in the coming years. In the emerging markets, signs of slowdown and uncertainty strengthened: China's growth is definitely slowing, and the structure of growth is undergoing a steady transformation. Price falls on the back of declining demand for raw materials is posing difficulties primarily for commodity-exporting countries. The collapse in crude oil prices (in the second half of 2014, the world market price roughly halved) represents benefits for advanced economies, while causing sustained low – and in some places even a negative – inflationary environment.

The Russia-Ukraine conflict grew more serious over the course of 2014, and the economic situation in the affected countries deteriorated significantly. Ukraine has only the increase in foreign financial aid to fall back on, while its economy went into a tailspin, and as for Russia, besides having to contend with international trade embargoes, no other country has been as badly hit by the drop in oil prices.

The economic recovery in the European Union shows little strength. Although the southern periphery countries have mostly come off their lows and growth has returned in many places, several major economies are performing weakly (e.g. Italy, France); Germany's economic performance remains the strongest. In terms of managing the problem, the (actual or ostensible) efforts of the national governments are supported by interest rate cuts on the part of the European Central Bank and, from 2015, by the extension of its asset purchase programme.

The countries of Central and Eastern Europe produced growth above the EU average (except for Croatia, where the crisis is proving to be particularly stubborn), but the pace of convergence remains far behind that of the pre-crisis years.

2. The Hungarian economy

The Hungarian economy produced growth that was considerably above projections in 2014, with GDP growth coming in at 3.5%. Previous growth spurts had been driven by one or two high-performing sectors, while the rest of the economy had been marked by stagnation or even contraction. The current growth pattern differs favourably from this, with growth being recorded in nearly all sectors of the economy. This is certainly a positive development, even though certain one-off factors (in relation to car manufacturing, agriculture and EU funds) clearly contributed significantly to last year's performance. The unemployment rate fell considerably, nudging at the 7% mark by late 2014, down from levels of 10-11% in previous years. Although the government's "workfare" programmes had a lot to do with this, new jobs were also created in the private sector. The Funding for Growth Scheme (FGS) of the National Bank of Hungary (MNB) contributed to pickup in capital spending in the corporate sector. Inflation was extremely subdued: the Central Statistical Office recorded a negative average of -0.2% for 2014, which has not occurred at any other time in the past four decades.

The budget deficit is consistently below 3% of GDP, and as a ratio to GDP, it did not increase in 2014. The external balance (foreign trade and balance of payments) continues to show a considerable surplus. The credit rating agencies raised their outlook last year for Hungarian sovereign debt (from negative to stable), and the upgrades are expected to be confirmed in 2015.

3. Interest rates and money markets

The Monetary Council of the National Bank of Hungary continued its interest rate cutting cycle launched in August 2012, up to July 2014. In this nearly two-year period, at every single interest setting meeting (i.e. every month) the council decided to cut the rate – and the central bank base rate dropped by a total of 490 basis points from 7% to 2.1%. Yields on government securities decreased considerably during the year (roughly by 200-250 basis points) as a result of the favourable external environment and improving Hungarian macroeconomic developments. The forint exchange rate fluctuated widely, though overall the currency continued to weaken, falling by an average of 4% for the year against the euro, compared to 2013.

4. The banking sector

In 2014 the banking sector recorded a loss of HUF 447 billion, according to preliminary data. The main reason for the loss was the repayment liability associated with the settlement of consumer loans and conversion to forint, which – according to an estimate that appeared in the MNB's September inflation report – could amount to HUF 942 billion. Also associated with the settlement of consumer loans is the operational burden arising from the related deal-level calculations, customer notices and – in 2015 – the arrangement of transactions.

The combined balance sheet total of the banking sector – partly due to the effect of the exchange rate change on foreign currency loans – grew by 3% in 2014. The volume of loans extended to customers fell by 1.4%, while the volume of deposits increased by 1.7% last year. In respect of customer loans, a difference was evident in the development of corporate and retail loan volumes: while corporate loans increased by 1.2% in 2014, retail loans dropped by 1.7% in the same period. The municipality loan portfolio fell considerably, by 86%, as a result of the loan consolidation process implemented in February.

The volume of new retail loans grew significantly in 2014, primarily as a result of new placements of home loans; however, despite the growing demand for credit, the volume of retail loans continued to fall. The real estate market grew strongly in 2014, and this trend is expected to continue in 2015.

Bank sector income fell slightly. Declining interest income was partly offset by rising fee and commission income (before taking into account effect of the transaction tax).

In 2014 there were some significant changes in the ownership structures of the large banks. In September the Hungarian State bought MNB Bank, and in 2014 it also announced its purchase of Budapest Bank. At the start of 2015, the Hungarian State and the EBRD, in a joint statement, announced a reduction in the bank tax from 2016, as well as certain other measures stemming from changes in government economic policy that are of particular significance in respect of the operation of the banking sector over the medium term.

Expert staff

Raiffeisen Bank's staff numbers continued to decline over the course of the year, to 2,303 on 31 December. In line with this, personnel costs also decreased significantly, while the Bank gave priority to retaining key staff with essential expertise and experience. The performance management process run by the Bank continues to extent to all employees, and in 2014 this provided an even clearer framework for the vertical and horizontal harmonisation of objectives, the setting of clear targets and the giving of constructive feedback. 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 impart the skills necessary for successfully performing the given role, while others facilitate employees' development in alignment with succession planning within the company, and with their individual career goals. Besides programmes designed to help integrate new employees, classroom and online training courses for the development of various competencies are also available. In 2014 opportunities were created for training that promotes employees' well-being, as well as for job rotation schemes both in Hungary and abroad. Management training is carried out along the lines of an integrated concept, the primary objective of which is to successfully manage changes, motivate staff and promote their well-being and effective working. The Bank implements some of the training courses with the use of external consultants and trainers. Besides this, the development of internal knowledge sharing and skills development also functions within an effective framework. In 2014, employees spent a total of 10,000 working days attending various professional and skills development training programmes, team-building events and conferences.

Corporate social responsibility

Raiffeisen 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 – have been coordinated under the Raiffeisen Közösen (Raiffeisen Together) programme since 2008. We aim for corporate social responsibility to be a philosophy that permeates the institution as a whole, and is integrated organically into the corporate culture. For this reason, every year we run initiatives that are 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 programmes concerned.

We develop and implement our programmes in true partnership with organisations that are closely linked to the Bank's CSR strategy:

The "Lunch for All" programme – Together for Children's Meals

Twice in 2014 – at the start of summer and during the winter – we made donations of groceries, through the Children's Meals Foundation (GYEA), to children participating in the "Lunch for All" programme. The programme enables needy nursery and primary school children to have access to good-quality regular meals even at weekends and during the school holidays.

In the early summer we contributed HUF 19.5 million to the provision of meals for children, followed by more than HUF 21.5 million in the winter, out of donations set aside on the basis of customers' card use. Together with its donations made in 2014, Raiffeisen Bank has given a total of HUF 200 million in assistance for children's meals over the past six years, ensuring many months of regular quality meals for more than 9,180 children around the country.

Voluntary work for children

Traditionally every year we announce a Bank Corporate Volunteers programme for our employees, with professional support from the Volunteer Centre Foundation (ÖKA). As a part of this programme, in 2014 we provided opportunities for the departments to perform voluntary work in various towns and villages around the country, on a total of 13 occasions. During the year 252 of our colleagues spent a total of 2,016 hours doing voluntary work, primarily in child protection institutions, where some of the activities they performed included painting fences, restoring toys, painting products, making playgrounds more attractive, sowing lawns and planting flowers.

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. In 2014 two of our colleagues made use of this opportunity and received support.

"Good Start House" – Bódvalenke

It was through our support for the Herbert Stepic Foundation that we came into contact with the Hungarian Reformed Church Aid Foundation, through which the Bank also supported the renovation of the "Good Start House" in Bódvalenke.

"Springboard School" – SOS children's village

We provided the SOS Children's Village Foundation in Hungary with HUF 3 million for the launch of their "Springboard School" project. The aim of the project is to improve the job prospects of the recipients of care who are of adult age in order to boost their independence, and to set up social cooperative.

Shareholder

Raiffeisen-RBHU Holding GmbH 100%

Board of Directors

Chairman

Dr. Johann Strobl
Raiffeisen Bank International AG

Members

Berszán Ferenc
Raiffeisen Bank International AG

Nicolaus Hagleitner
Raiffeisen Bank International AG

Klemens Haller
(from 28th April 2014)
Raiffeisen Bank International AG

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

Dr. Karl Sevelda
Raiffeisen Bank International AG

Dr. Herbert Stepic
Raiffeisen Bank International AG

Mag. Heinz Wiedner
Raiffeisen Bank Zrt.

Audit Comittee

Chairman

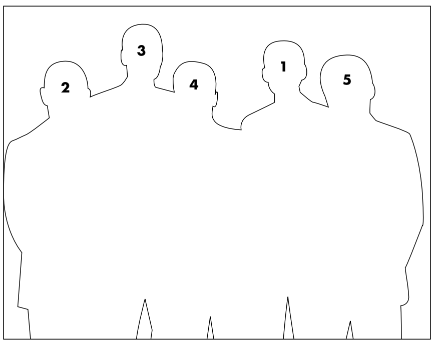
Georg Feldscher
Raiffeisen Bank International AG

Members

Ursula Wirsching
Raiffeisen Bank International AG

dr. Tóthné dr. Szabó Mercedes
Raiffeisen Bank Zrt.

Management of Raiffeisen Bank Zrt.



1 Heinz Wiedner
Chief Executive Officer

2 Kementzey Ferenc
Member of the Management Board

3 Radovan Dunajsky
Member of the Management Board

4 Ralf Cymanek
Member of the Management Board

5 Kaliszky András
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 the MNB 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 CCXXXVII of 2013 on Credit Institutions and Financial Enterprises 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 2014 the Board of Directors held four meetings and passed resolutions by means of a written ballot on nine 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 following matters, among others, fall within the competence of the Board of Directors:

- determining the company's operating and business policy guidelines,
- approval of the annual business plan,
- approval of the bank's organisational structure and the job descriptions of the individual members of the management,
- authorisation for the establishment and dissolution of subsidiaries and project companies controlled by the bank Group, for the foundation of joint ventures, and for the acquisition of business interests,
- appointment and removal of the bank's CEO and chief officers (deputy CEOs), and
- approval of the elected management and supervisory boards of the subsidiaries in the bank's ownership.

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.

The most important secondary decision-making bodies are the following:

- 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 the statutory and regulatory requirements, as well as 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. 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 MNB, the bank has established an independent organisational unit – as part of the internal lines of defense – 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 CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.), Act CXX of 2001 on the Capital Market (Tpt.) and Act CXXXVIII of 2007 on Investment Enterprises and Commodity Exchange Service Providers and the Rules Governing the Activities they May Perform – via its own website and the capital market disclosures website operated by the MNB.

VIII. Use of financial instruments

In accordance with the provisions of the Accounting Act, the bank has classified financial assets into the following categories:

- Financial asset held for trading: a financial asset acquired for the purpose of achieving a gain from short-term price and exchange rate movements.

- Derivatives held for hedging: The bank concludes interest rate swap transactions for fair value hedging purposes in order to offset changes in the fair value of the underlying fixed-interest transaction (fixed-interest loan or fixed-interest issued bond) or structured-interest transaction (structured-interest issued bonds). For risk hedging purposes the bank applies portfolio-based cash-flow hedging two-currency interest-rate swap transactions, where the hedged portfolio is a group of foreign-currency loans and forint deposits, and the purpose of hedging is to eliminate fluctuations in interest income and interest expense that would otherwise result from changes in reference rates and fluctuations in the forint exchange rate.

- Originated loans and other receivables are financial instruments involving fixed or specifiable payments and created by the bank through the making available of financial assets, goods or services, unless the bank has created them for the purpose of short-term sale.

- Financial assets held to maturity, which the bank intends to hold, and is capable of holding, until maturity.

- Financial assets available for sale are financial assets that are not classed as a financial asset held for trading, credit facilities or loans originated by the bank, or a financial asset held to maturity. This category primarily includes ownership interests held for investment purposes, and debt securities stated among long-term assets but not held to maturity.

At the time of their acquisition, financial assets must be stated at their acquisition value. The acquisition value of interest-bearing debt securities does not include the amount of interest accrued.

In order to determine fair value, the bank has developed the following methodology:

a) derivative transactions:
- The fair value of foreign currency forward and futures transactions is the discounted value of the difference between the futures price valid on the valuation date – and applied to the maturity date of the transaction – and the strike price, in the period between the maturity date and the valuation date.
- The fair value of currency swap transactions is the discounted value of the difference between the futures rate of the futures price valid on the valuation date – and applied to the maturity date of the transaction – and the strike price, in the period between the maturity date and the valuation date. In the valuation yield curve, the latest market interest spread is taken into account.

- The fair value of interest rate swap transactions and forward rate agreements (FRA) is the net present value of the expected future cash flow of the transactions, discounted to the valuation date.
- The fair value of plain vanilla and exotic FX options is determined on the basis of the modified Black-Scholes model. With respect to exotic options for which no closed formula exists, the values are determined using an iterative procedure.
- The fair value of two-currency interest rate swap transactions and forward rate agreements (FRA) is the net present value of the expected future cash flow of the transactions, discounted to the valuation date, where the interest margin (basis swap spread) characteristic of the market for these transactions (and that also reflects the sovereign risk premium) is incorporated into the yield curve used for valuation.
- The fair value of stock-market equity and index futures is determined on the basis of the difference between the stock exchange price and the strike price.

b) securities:

The fair value of Hungarian government bonds classified among financial assets held for trading and available for sale is the reference rate published by the Government Debt Management Agency. The fair value of other securities is, in the case of securities for which this is available, the closing stock exchange price. In respect of securities for which this is not available, the fair value is the net present value of the expected future cash flow of the security, discounted to the valuation date.

c) loans

In order to hedge changes in the fair value of certain fixed-interest loan transactions, the bank concluded interest rate swap transactions. The fair value of loans hedged by such IRS transactions is the net present value of the expected future cash flows, discounted to the balance sheet date. These loans are stated in the balance sheet at fair value.

d) deposits

In order to hedge changes in the fair value of certain structured-interest deposits, the bank concluded interest rate swap transactions. The fair value of hedged structured-interest deposits is the market price quoted by Raiffeisen Bank International. These hedged transactions are included in the balance sheet at fair value.

e) issued bonds

In order to hedge changes in the fair value of certain fixed- or structured-interest issued bonds, the bank concluded interest rate swap transactions. The fair value of fixed-interest issued bonds hedged by such IRS transactions is the net present value of the expected future cash flows, discounted to the balance-sheet cut-off date. The fair value of hedged structured-interest deposits is the market price quoted by Raiffeisen Bank International. These hedged transactions are included in the balance sheet at fair value.

Hedge accounting

For risk management purposes the bank applies both fair value hedging transactions and cash flow hedging transactions.

The bank determines the market value of hedging and hedges transactions and analyses hedging efficiency on a monthly basis. In the course of analysing hedging analysis, the bank uses the dollar offset method: it compares cumulated valuation difference between the hedging transaction and the hedged transaction. The bank considers a hedging transaction efficient if the main conditions of the hedged and the hedging transactions are close to identical, and the term of the hedging transaction is the same as, or at most as long as, the term of the hedged transaction, and if the ratio of the changes in the fair values or cash flows of the hedged and the hedging transactions remains between 80 and 125% during the hedging relationship.

IX. 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 III 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 micro-company lending, automated, scorecard-based rating is used.

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 III 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.

The bank group widely uses the outcomes of risk models in the course of pricing, making credit decisions and determining strategic directions, in order to ensure the bank Group's long-term capital adequacy, the development of a stable, profitable portfolio also in terms of risks, and the efficient use of available capital.

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, risk indicators and scenario analyses, as well as 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.

In order to further strengthen its operational risk management activity, the bank has made preparations for implementing various standards that meet the requirements of the advanced measurement approach.

Fraud risk is one of the key operational risks. In order to improve the effectiveness of risk management, in the course of 2014 the bank centralised its credit fraud management activities at the Integrated Risk Management Department, under the fraud and operational risk controlling group; it also assigned the HFRM (Head of Fraud Risk Management) function to this group, which coordinates the bank Group's entire fraud risk management activity.

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 management of risks and the setting aside of provisions is performed 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.

X. Environmental protection

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

XI. Employment policy

Raiffeisen Bank is one of the leading employers in the financial sector: at the end of 2014, the combined number of internal and external employees approached 2,700. 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 now, allows employees to choose the fringe benefits that are best suited to their personal requirements.

The performance management process operated at the bank applies to all employees, and provides a framework for clear target-setting, constructive feedback, and well-founded performance appraisals.

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. The bank's employees spend 5 days on average each year at training and development events and on various programmes. The bank supports its employees through various welfare services that help them overcome daily performance challenges and stress situations as efficiently and successfully as possible.

The bank runs talent and career management programmes with the aim of consciously nurturing and developing internal succession candidates in management and key specialist positions.

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

XII. Research and development

Our Company conducted no research and development projects in 2014.

The Annual Report contains an extract of the Corporate Governance Statement.

General remarks on the bank's operations in the 2014 business year

1.1. Corporate and Investment Banking Division

Raiffeisen Bank's "Corporate and Investment Banking Division" maintained its predominant position in the commercial banks market, maintaining its share in respect of on both the loans and the liabilities side. With a 12% share, we are one of the predominant banks in the medium-sized and large corporate segment, while in export financing and in treasury services we have achieved a leading position.

On the loans side, the second phase of the MNB's Funding for Growth Scheme continued in 2014, and in the framework of this, more than 400 of our customers were provided with financing under preferential terms. Of the disbursed facilities, 97% may be classed as new loans. In terms of sectoral distribution, the share of trade, agriculture and manufacturing is particularly high, as nearly three quarters of the loans went to these three sectors. The preferential financing opportunity is available for our customers until the end of 2015, and will be supplemented by the Funding for Growth Scheme Plus, expected to be introduced in the first quarter of the year, which, through the assumption of part of the bank's lending loss, will provide an opportunity to finance medium-risk SMEs at a preferential interest rate.

With regard to the provision of financing to apartment blocks, thanks to our cooperation agreement with the European Investment Bank (Green Energy Lending Programme), the volume of investments related to energy efficiency increased substantially. We managed to fully utilise the credit limit available for this purpose.

In 2014 the bank's annual contracted portfolio related to project financing and syndicated loans amounted to HUF 69 billion, of which sum of newly contracted transactions exceeded HUF 31 billion. A significant part of the new loans were corporate syndicated loans, but we also concluded several new transactions in the real estate and automotive sectors.

The trade and agriculture financing section had an excellent year in 2014, and the loan portfolio managed by this section increased by nearly 40% in comparison to the end of the previous year. In respect of facilities refinanced by Eximbank, we not only maintained our market leading position but increased our market share by more than 5%, to 40.2%. The most outstanding achievement in agriculture financing was: the disbursement of a medium-term working capital loan in the amount of USD 150 million to one of the key grain trading companies in the Hungarian market, which represented the largest individual loan transaction in the bank's history.

As one of the leading players in the area of documentary credits, we acquired nearly 140 new customers, and our bank's live guarantee and letter-of-credit portfolio comprises nearly 6000 transactions.

Last year we redoubled our efforts to acquire international customers, opening new accounts for 90 new international corporate clients, and a total of 500 international clients overall. The volume of outgoing transfers made by our customers increased by 13%, which is a reflection of the success of our Cash Management services.

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 Markets Department – based on statistics published by the MNB – once more executed the highest volume of foreign exchange transactions in the country in 2014, and was 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 2014 brought a number of positive changes for the bank's SME customers. Our strategic objective is to forge close, collaborative partnerships with our SME clients, earning the position of a trusted adviser to them, and, building on such foundations, to find optimal financial solutions for their businesses that are right for both parties. Accordingly, we developed our capabilities that are centred on maintaining a personal relationship with our clients, whereby our experienced advisers are able to offer effective assistance, whether in terms of choosing the right bank account, the use of our more complex transaction-related services, or choosing between available financing solutions. We are pleased to report that over the course of last year the number of our SME customers rose rapidly again, and the number of newly opened bank accounts also increased significantly. We regularly measure the satisfaction (NPS) of our customers, and last year we consistently achieved a satisfaction rate of above 60%. Last year we acquired nearly 10,000 new customers.

In 2014 we further developed our Raiffeisen Business Partner Club, in the context of which we organise conferences, special events and business breakfasts all over the country. 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.

In the course of the year, the macroeconomic environment also moved in a favourable direction: the increase in GDP and the recovery of the credit market strengthened the business activity of SMEs. This in turn led to a discernible increase in demand for competitive overdraft facilities to ensure day-to-day liquidity. In comparison to the previous three years, in 2014 a record volume of new loans was placed, in a value of nearly HUF 24 billion. In the framework of the MNB's FGS programme, more than HUF 6 billion in credit was disbursed.

Our FX Spot Rate Conversion service, which enables our customers to quickly convert currencies via our DirektNet 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, remained popular.

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, continues to offer a competitive solution in respect of the acceptance of bank cards and "SZÉP" cards.

Positive trends are apparent in both the income statement and the balance sheet for this business line. Alongside an increase in customer numbers, growth in the bank's liability portfolios and in transaction volume, among other factors, brought about an improvement in financial profitability. As a result of these factors, revenues further increased on the previous year, while operating costs fell slightly and risk costs fell considerably; in 2014, we significantly reduced the volume of non-performing loans, and thus for 2015 a single-digit NPL rate has come within reach.

1.3. Retail customers

Although at a decelerating pace, the restructuring of Retail Savings portfolios continued in the market in 2014. In the first half of the year, total fixed-term deposits continued to decline, but in the last quarter of the year the trend reversed. The market for investment products showed growth throughout the year, although in the second half of the year the growth rate slowed. The bank's deposit volumes developed broadly in line with the market trend. A fall in the total of fixed-term deposits occurred in the first half of the year, while in the second half, we succeeded in maintaining the volume. At the same time, total current-account balances showed a considerable increase (38%) in the course of the year, more than offsetting the fall in the fixed-term deposit total. Total assets held in investment funds and government securities also increased significantly on a year-on-year basis.

In 2014, total assets held by our customers in investment funds rose from HUF 152 billion to HUF 172 billion, which represents a volume growth of 13%. Similarly to 2013, the bulk of the growth came from money-market, liquidity and absolute return funds.

Assets held in government securities grew by 33% over 2014, and thus the share of this asset class within total managed assets increased further. There were more than 60,000 customers with securities accounts at the end of 2014.

Overall, retail savings – together with bonds and investment funds – amounted to HUF 627 billion in managed assets in 2014.

In 2014 the bank continued to assign special priority to one of its key strategic objectives, that of encouraging customers to use us as their primary account manager, and as a result, the number of primary-account customers increased by more than 15,000 in the course of the year. To encourage our customers to use us as their primary bank, in 2013 the bank elaborated a complex customer management process, and in 2014, extended this process to the entire branch network. The bank also supported the objective of increasing the number of primary customers through several national marketing campaigns during the year. Thanks to the attractiveness of our special offers, our attention-catching marketing campaigns, and to an effective sales conversion rate, the bank acquired 26.7% more new customers during the year than the target figure had projected.

In order to maintain the profitability of the account packages, in April 2014 the bank made some enhancements to its account packages, while maintaining the overall structure of the previous range that had addressed the needs of all customers.

In terms of retail lending, one of the most important objectives for 2014 was to increase lending activity. With regard to new volume, the focus remained on the sale of unsecured lending products, through the deployment of competitive facilities and processes. Thus the sale of the personal loan facility, which has justifiably been popular for years now, was supported through innovative and continuous online marketing activities, during which new product packages were also introduced, in the third quarter. Thanks to the new Fast Loan, our customers can have cash in their hand, if necessary, within 48 hours, while the Top Loan offers a significant price discount to those applying for higher loan amounts. In the second half of the year the focus was on providing a high standard of service to customers with long, active account histories, and as a part of this effort, we ensured that these customers could use our credit facilities under simplified rating procedures and favourable terms. The services of the OneCard Credit Card, introduced in 2013, were further expanded, to include, among other things, a new insurance policy and a transfer function, while the rate of cash rebates on card spending was capped. Sales figures continued to show an improving trend in 2014, and part of this was down to the fact that we now sell using not one, but two, partners via various alternative sales channels, including at Liszt Ferenc International Airport. The success of the OneCard Credit Card can be seen in the fact that the turnover of the portfolio grew by 160%, while the instant-interest cash withdrawal turnover yielded nearly three times the 2013 figure.

The end of 2014 was marked by intense preparations for the implementation of various government measures (compulsory settlement, fair banking, conversion of foreign currency loans to forint, etc), which required a very significant share of the bank's resources in order to ensure that we would be able to fully comply with the statutory changes by the prescribed deadlines.

Overall the bank retained its market share in terms of retail loan volumes, which was 6.3% at the end of 2014.

1.4. Private Banking Customers

Friedrich Wilhelm Raiffeisen Private Banking closed the most successful years in its history in 2014. Thanks to the confidence that our customers have in us, and which we value highly, the assets entrusted to our care amounted to HUF 316 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. 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 part of the continuous drive to enhance our branches, in 2014 our Friedrich Wilhelm Raiffeisen unit in Szeged moved to a new branch exclusively dedicated to Private Banking customers. Our new website and high-quality events also helped improve the satisfaction level of our customers.

However, ultimately it is the expertise of our investment advisers that provides the basis for our customers' trust. The complex aspects of financial transactions that are aimed at preserving or expanding wealth – aspects that require time and constant attention – can only be effectively grasped by expert professionals. 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. The first year that followed the introduction the new products yielded results that surpassed all our expectations: the individual asset-management portfolios yielded a return of between 5.79% and 8.51%, and the assets managed in the context of the service reached HUF 10 billion by the end of the year.

Stability Savings Account

Friedrich Wilhelm Raiffeisen introduced its SSA service in April 2014 on the basis of Act CXCIV 2011 on the Economic Stability of Hungary as amended several times. The Stability Savings Account provides an opportunity, afforded in the law, to avoid, either in whole or in part, the tax and contributions that would otherwise be levied on savings deposited on the account, provided that the customer complies with the conditions set out in the law. The amount deposited on the account can exclusively be used for purchasing government securities issued for financing Hungary's debt. The success of the service is reflected in the fact that through the SSA service our customers had contributed to the financing of the country's debt to the tune of some HUF 10 billion by the end of 2014.

1.5. Financial institutions

For Raiffeisen Bank, financial institution customers are of key strategic importance. This segment represents a source of income for the bank under conditions of limited lending risk, minimal capital requirement, and with a high proportion of commission revenues, while also assuring a secure source of deposits and stable, long-term customer relationships. Risk costs are virtually zero in this segment, and our other costs also continue to be low.

Our key target customer groups include insurance companies, investment fund managers, voluntary and private pension funds and health funds, as well as investment service providers.

Over the course of the year we achieved major results in terms of securities and investment services, as well as in the custody field. Drawing on increasing strong support from the bank group's Viennese centre, we offer solutions that are unique in the market with regard to the management, safekeeping and settlement of our customers' investments in Eastern and Central Europe. In this area, we managed to add several new, international customer relationships in 2014.

In the falling interest rate environment there is strong demand from our institutional investor clients for individually structured investment instruments, as well as for the products offered by our Markets Department. Thanks to our attractive products associated with a wide range of investment and portfolio management services, we were also able to increase our commission revenues in 2014.

Our bank assumed a leading role in a number of internal projects and other projects affecting the entire Hungarian capital market. Positive feedback from both customers and industry professionals prove that we are well on our way to making the bank one of the strongest brands in the money and capital markets.

Raiffeisen Bank International at a glance

A leading bank in CEE as well as Austria

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and major multinational clients operating in CEE. All in all, RBI employs about 55,000 staff and has total assets of approximately € 122 billion.

Long-term success story

Raiffeisen Zentralbank Österreich AG (RZB) was founded in 1927 as "Genossenschaftliche Zentralbank". RZB founded its first subsidiary bank in Central and Eastern Europe already back in 1987. Since then, further subsidiaries have been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined into a holding company that operated under the name Raiffeisen International from 2003. 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 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. As at year-end 2014, RZB held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.

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

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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

With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, its role as market leader among Austria's banks. RBG's strong market position was achieved through healthy organic growth. 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 2014, the consolidated statement 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 the 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.

KPMG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014 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 the EU.

Budapest, 24 April 2015

KPMG Hungária Kft.

Robert Stöllinger
Partner

Consolidated income statement

(HUF million)	Note	2014	2013
Interest and similar income	(5)	**83,273**	**106,119**
- cash and cash equivalents		3,523	2,125
- on placements with banks		267	308
- on loans to non-banks		63,450	81,282
- on securities		14,269	20,535
- from leases		1,764	1,869
Interest expenses and similar charges	(6)	**39,101**	**61,267**
- on borrowings from banks		5,242	6,870
- on deposits from non-banks		17,164	39,937
- on debt securities issued		6,333	9,142
- on subordinated liabilities		5,888	1,472
- other interest-like expenses		4,474	3,846
Net interest income		**44,172**	**44,852**
Fee and commission income		40,887	38,394
Fee and commission expense		7,501	8,161
Net fee and commission income	(7)	**33,386**	**30,233**
Dividend income		59	133
Net trading income	(8)	13,525	10,738
Net income from derivatives held for risk management	(9)	3,546	8,567
Other operating income	(10)	3,948	887
Operating income		**21,078**	**20,325**
Impairment losses	(11)	**115,112**	**40,154**
hereof loss of Settlement Act	(11)	77,651	0
Personnel expenses	(12)	23,742	25,769
Rental expenses		7,901	7,747
Equipment expenses		5,482	6,370
Other operating expenses	(10)	60,349	53,928
Operating expenses		**97,474**	**93,814**
Profit/(loss) before tax		**(113,950)**	**(38,558)**
Income tax expense	(13)	113	98
Deferred tax	(13)	3,625	562
Profit/(loss) for the period		**(117,688)**	**(39,218)**
Attributable to:			
Equity holders of the parent		(112,188)	(39,077)
Non controlling interest		(5,500)	(141)

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

Consolidated statement of comprehensive income

(HUF million)	2014	2013
Profit/(loss) for the period	**(117,688)**	**(39,218)**
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	98	1,911
Amount transferred to profit or loss	120	3,202
Cash flow hedges:		
Effective portion of changes in fair value	594	(4,741)
Amount transferred to profit or loss	581	0
Income tax on other comprehensive income/(loss)	**(46)**	**(971)**
Other comprehensive income/(loss) for the period, net of income tax	**1,347**	**(599)**
Total comprehensive income/(loss) for the period	**(116,341)**	**(39,817)**
Total comprehensive income/(loss) attributable to:		
Equity holders of the Bank	(110,841)	(39,676)
Non-controlling interest	(5,500)	(141)
Total comprehensive income/(loss) for the period	**(116,341)**	**(39,817)**

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

Consolidated statement of financial position

(millió forint)	Note	2014	2013
Assets			
Cash and cash equivalents	(15)	518,386	116,004
Placements with banks	(16)	31,531	27,733
Net loans	(17)	1,123,829	1,224,254
Financial assets at fair value through profit or loss	(18)	191,742	55,464
Available for sale securities	(19)	2,694	243,896
Held to maturity securities	(19)	125,678	107,766
Investments in associated undertakings		9	9
Investments in unlisted securities		31	45
Property, plant and equipment	(21)	9,758	11,205
Investment property	(21)	192	202
Intangible assets	(22)	15,339	15,785
Goodwill	(23)	1,048	1,155
Current tax assets		142	1,562
Deferred tax assets	(37)	0	3,677
Other assets	(25)	57,165	32,162
Assets classified as held for sale	(33)	9,984	10,569
Total assets		**2,087,528**	**1,851,488**
LIABILITIES AND EQUITY			
Deposits from banks	(27)	314,479	225,960
Deposits from non-banks	(28)	1,324,951	1,228,781
Debt securities issued	(29)	104,564	133,973
Subordinated liabilities	(30)	104,694	56,586
Financial liabilities at fair value through profit or loss	(26)	63,489	50,402
Current tax liabilities		1	123
Deferred tax liabilities	(37)	120	126
Provisions	(32)	38,173	9,838
Other liabilities	(31)	36,656	31,189
Liabilities classified as held for sale	(33)	67	108
Total liabilities		**1,987,194**	**1,737,086**
Equity attributable to equity holders of the parent		**99,695**	**113,558**
Ordinary shares		50,000	50,000
Preference shares		0	0
Share capital	**(34)**	**50,000**	**50,00 0**
Retained earnings		(196,214)	(84,042)
Capital reserve	(34)	249,481	152,604
Non-distributable reserve		0	0
Fair value reserve	(35)	(3,572)	(5,004)
Non controlling interest		**639**	**844**
Total equity		**100,334**	**114,402**
Total liabilities, non controlling interest and shareholder's equity		**2,087,528**	**1,851,488**

Consolidated statement of changes in equity

(HUF million)	Ordinary shares	Share capital	Capital reserve	Non-distri-butable reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Note	(34)		(34)							
Balance 1 January 2014	**50,000**	**50,000**	**152,604**	**0**	**(5,004)**	**147,600**	**(84,042)**	**113,558**	**844**	**114,402**
Total comprehensive income/(loss) for the period										
Profit or loss	0	**0**	0	0	0	**0**	(112,188)	**(112,188)**	(5,500)	**(117,688)**
Other comprehensive income/(loss)										
Net change in fair value of available-for-sale financial assets, net of tax	0	**0**	0	0	77	**77**	0	**77**	0	**77**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	0	**0**	0	0	95	**95**	0	**95**	0	**95**
Effective portion of changes in fair value of cash flow hedge items, net of tax	0	**0**	0	0	594	**594**	0	**594**	0	**594**
Net amount transferred to profit or loss (cash flow hedge items), net of tax	0	**0**	0	0	581	**581**	0	**581**	0	**581**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**1,347**	**1,347**	**0**	**1,347**	**0**	**1,347**
Total comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**1,347**	**1,347**	**(112,188)**	**(110,841)**	**(5,500)**	**(116,341)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Issue of share capital and share premium	0	**0**	96,877	0	0	**96,877**	0	**96,877**	0	**96,877**
Conversion of preference shares	0	**0**	0	0	0	**0**	0	**0**	0	**0**
Dividends paid	0	**0**	0	0	0	**0**	0	**0**	0	**0**
Transfer to reserves, net of tax	0	**0**	0	0	85	**85**	(85)	**0**	0	**0**
Non-distributable reserve	0	**0**	0	0	0	**0**	0	**0**	0	**0**
Total contributions by and distributions to owners	**0**	**0**	**96,877**	**0**	**85**	**96,962**	**(85)**	**96,877**	**0**	**96,877**
Changes in ownership interests	0	**0**	0	0	0	**0**	101	**101**	(154)	**(53)**
Change in non-controlling interest during the period	0	**0**	0	0	0	**0**	0	**0**	5,449	**5,449**
Non controlling interest arising on acquisition	0	**0**	0	0	0	**0**	0	**0**	5,449	**5,449**
Decrease in non controlling interest during the period	0	**0**	0	0	0	**0**	0	**0**	0	**0**
Total changes in ownership interests	**0**	**0**	**0**	**0**	**0**	**0**	**101**	**101**	**5,295**	**5,396**
Total transactions with owners, recorded directly in equity	**0**	**0**	**96,877**	**0**	**85**	**96,962**	**16**	**96,978**	**5,295**	**102,273**
Balance 31 December 2014	**50,000**	**50,000**	**249,481**	**0**	**(3,572)**	**245,909**	**(196,214)**	**99,695**	**639**	**100,334**

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

Consolidated statement of changes in equity

(HUF million)	Ordinary shares	Share capital	Capital reserve	Non-distri-butable reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Note	(34)		(34)							
Balance 1 January 2013	**165,023**	**165,023**	**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**	(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	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	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	(4,741)	**(4,741)**	0	**(4,741)**	0	**(4,741)**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**0**	**(599)**	**(599)**	**0**	**(599)**	**0**	**(599)**
Total comprehensive income/(loss) for the period	**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**	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**
Dividends paid	0	**0**	0	0	0	**0**	0	**0**	0	**0**
Transfer to reserves, net of tax	(115,023)	**(115,023)**	115,023	0	0	**115,023**	0	**0**	0	**0**
Non-distributable reserve	0	**0**	0	0	0	**0**	0	**0**	0	**0**
Total contributions by and distributions to owners	**(115,023)**	**(115,023)**	**152,604**	**0**	**0**	**152,604**	**0**	**37,581**	**0**	**37,581**
Changes in ownership interests	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**	371	**371**
Non controlling interest arising on c apital-increase	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**
Total changes in ownership interests	**0**	**0**	**0**	**0**	**0**	**0**	**(266)**	**(266)**	**1,239**	**973**
Total transactions with owners, recorded directly in equity	**(115,023)**	**(115,023)**	**152,604**	**0**	**0**	**152,604**	**(266)**	**37,315**	**1,239**	**38,554**
Balance 31 December 2013	**50,000**	**50,000**	**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 cash flows

(HUF million)	Note	2014	2013
Profit/(loss) for the period		**(117,688)**	**(39,218)**
Cash flows from operating activites			
Adjustments for:			
Depreciation and amortisation	(21,22)	6,607	6,385
Net impairment loss on non-financial assets	(11)	(758)	583
Net impairment losses and write-offs on financial assets	(17)	70,825	25,389
Net interest income	(5)	(44,172)	(44,852)
Disposal of assets		66	103
Other		(1,204)	556
Income tax expense	(13)	3,738	660
		35,102	**(11,176)**
Change in placements with banks	(16)	(3,798)	5,062
Change in loans and advances to customers	(17)	29,600	35,892
Change in derivative financial instruments	(18,26)	(7,333)	(7,221)
Change in AFS securities (without revaluation)	(19)	242,429	160,194
Change in other assets and asset held for sale	(25,33)	(23,658)	4,015
Change in deposits from banks	(27)	88,518	(17,185)
Change in deposits from non-banks	(28)	96,171	(207,771)
Change in other liabilities, provisions and liabilities held for sale	(31,32,33)	33,759	(11,430)
		455,688	**(38,444)**
Interest and dividends received		83,332	106,252
Interest paid		(39,101)	(61,267)
Income tax paid		1,184	(570)
Net cash from / (used in) operating activities		**418,517**	**(44,423)**
Cash flows from investing activities			
Purchase of securities	(19)	(159,152)	(23,765)
Disposals of securities	(19)	25,547	24,686
Purchase of investment in associates		0	0
Disposal of investment in associates		0	0
Purchase of equity investments		0	0
Disposal of equity investments		14	0
Purchase of property, plant and equipment	(21)	(1,161)	(1,769)
Disposals of property, plant and equipment	(21)	26	5,819
Purchase of intangible assets	(22,23)	(3,772)	(3,993)
Disposals of intangible assets	(22,23)	244	32
Net cash used in investing activities		**(138,254)**	**1,010**

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

Consolidated statement of cash flows

(HUF million)	Note	2014	2013
Cash flows from financing activities			
Increase in issued debt securities	(29)	23,195	38,189
Repayment of debt securities	(29)	(52,604)	(46,859)
Increase in subordinated liabilities	(30)	48,108	1,069
Issuance of new shares and proceeds from share premium	(34)	102,277	37,952
Dividend paid		0	0
Net cash from financing activities		**120,976**	**30,351**
Net increase/decrease of cash and cash equivalents		**401,239**	**(13,062)**
Cash and cash equivalents at 1 January		**116,004**	**129,153**
Net effect of exchange rate		1,143	(87)
Cash and cash equivalents at December 31		**518,386**	**116,004**

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 National Bank 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 2014 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 24 April 2015.

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 10 were implemented in 2014. The effect of IFRS 10 on Group's financial positions was not material.

(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. Control

There is only one basis for consolidation, namely control. 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. Definition of control was implemented in IFRS 10. The Bank adopted the new definition of control and involves entities with relevant impacts.

V. 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.

VI. Loss of control

The Group applies consistently the fair value accounting method to all similar common control transactions when recognising the assets aquired and liabilities assumed in the consolidated financial statements. In applying fair 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 according to IFRS 10 which it does not control.

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 Group uses the exchanges rates published by National Hungarian Bank.

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 municipal bonds.

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 variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, the portion 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.
At the end of 2014, a new impairment calculation methodology was introduced for the part of non-performing mortgage portfolio which are to be sold by the Group in the near future. The basic principle of this new methodology is that the location of the real estate designated as a cover determines the expected cash-flow, and via this, the level of the impairment. Overall, the new methodology has a one-off effect of HUF 14.6 billion during the year of 2014.

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.

In line with the RBI Group Accounting regulations 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 2014, and have not been applied in preparing these consolidated financial statements:

IAS 19 Employee contributions
(Entry into force February 1, 2015)

The amendments will clarify the provisions that relate to the allocation of employee or third-party contributions linked to service to periods of service. In addition, a solution that simplifies accounting practice is permitted if the amount of the contributions is independent on the number of years of service performed. These amendments have no material impact on the Bank's consolidated financial statements.

Annual Improvements to IFRS – 2010–2012 cycle
(Entry into force February 1, 2015)

The Annual Improvements to IFRS – 2010–2012 cycle include numerous amendments to various IFRS. The amendments are effective for annual periods beginning on or after February 1, 2015. These amendments have no material impact on the Bank's consolidated financial statements.

Annual Improvements to IFRS – 2011 – 2013 cycle
(Entry into force January 1, 2015)

The Annual Improvements to IFRS 2011–2013 cycle include numerous amendments to various IFRS. The amendments are effective for annual periods beginning on or after January 1, 2015. These amendments have no impact on the Bank's consolidated financial statements.

IFRIC 21 Levies
(Entry into force on June 17, 2014)

IFRIC 21 contains guidance as to when a liability is to be recognized for a levy imposed by a government (e.g. bank levies). The obligating event for the recognition of a liability is identified as the activity that triggers payment according to the relevant legislation. Levies do not have to be recognized until the obligating event has occurred. The obligating event may also occur gradually over a period of time and the liability is therefore recognized progressively.

(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.

Portfolio based provisioning method was introduced for the mortgage loan portfolio in the Group. 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:

2014 (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	2	0	0	0	0	0	4
Excellent credit standing	0	1,017	0	0	0	0	0	53
Very good credit standing	0	5	0	0	0	0	0	80
Good credit standing	0	12	10	0	0	0	0	136
Average credit standing	0	183	7	0	0	0	0	464
Acceptable credit standing	0	5	77	1	0	0	0	314
Weak credit standing	0	1,328	211	0	0	0	165	236
Very weak credit standing	0	1,446	687	3,012	0	0	0	783
Doubtful / high default risk	0	9,815	1,596	0	0	0	225	198
Default	0	243,581	144,306	73	0	0	0	16,418
Unrated	0	477	3,517	3	0	0	0	2,320
Total gross amount of individually impaired financial assets	**0**	**257,871**	**150,411**	**3,089**	**0**	**0**	**390**	**21,006**
Total individually impaired allowance for impairment	0	172,140	110,273	774	0	0	250	1,981
Total carrying amount of individually impaired financial assets	**0**	**85,731**	**40,138**	**2,315**	**0**	**0**	**140**	**19,025**
Collectively impaired								
Minimal risk	0	868	12,075	0	0	0	0	993
Excellent credit standing	0	0	20,229	0	0	0	0	3,432
Very good credit standing	0	17,090	41,738	0	0	0	0	3,428
Good credit standing	0	14,521	49,116	0	0	0	0	62,617
Average credit standing	160	152,634	47,835	0	0	0	0	59,382
Acceptable credit standing	14	106,857	37,358	36	0	0	0	29,064
Weak credit standing	11,580	56,876	25,355	395	0	0	0	14,951
Very weak credit standing	465	34,079	18,766	0	0	0	0	13,755
Doubtful / high default risk	0	59,169	21,903	0	0	0	0	2,970
Default	0	81	20,729	0	0	0	0	13
Unrated	0	2,651	7,297	297	0	0	0	19
Total gross amount of collectively impaired financial assets	**12,219**	**444,826**	**302,401**	**728**	**0**	**0**	**0**	**190,624**
Total collectively impaired allowance for impairment	1	4,689	12,283	11	0	0	0	656
Total carrying amount of collectively impaired financial assets	**12,218**	**440,137**	**290,118**	**717**	**0**	**0**	**0**	**189,968**

2014 (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	1	0	0	0	0	0
Good credit standing	0	0	0	0	0	0	0	0
Average credit standing	0	0	100	0	0	0	0	0
Acceptable credit standing	0	0	33	0	0	0	0	0
Weak credit standing	0	0	56	0	0	0	0	0
Very weak credit standing	0	1	89	0	0	0	0	0
Doubtful / high default risk	0	175	208	0	0	0	0	0
Default	0	0	177	0	0	0	0	0
Unrated	0	1	217	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**177**	**881**	**0**	**0**	**0**	**0**	**0**
Past due comprises:								
up to 30 days	0	170	597	0	0	0	0	0
31 to 90 days	0	0	121	0	0	0	0	0
91 to 180 days	0	2	53	0	0	0	0	0
181 days to 1 year	0	3	12	0	0	0	0	0
more than 1 year	0	2	98	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**177**	**881**	**0**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Minimal risk	0	180	0	0	0	0	0	3,377
Excellent credit standing	0	1,050	24	0	2	7	465	9,298
Very good credit standing	8,665	82,773	290	0	0	30,428	39,584	42,962
Good credit standing	0	5,530	467	0	1,556	7	6,155	28,592
Average credit standing	0	6,520	827	0	0	3,846	2,655	50,556
Acceptable credit standing	0	6,565	527	0	1,818	17	640	58,967
Weak credit standing	10,421	15,134	281	166,304	253,749	3,225	9,500	46,441
Very weak credit standing	224	14,006	162	167	0	5,689	363	22,001
Doubtful / high default risk	0	12,673	1,020	0	0	1,923	367	5,381
Default	0	0	74	0	0	11	0	60
Unrated	3	85	4,218	1	0	277	282	660
Total carrying amount of neither past due nor impaired financial assets	**19,313**	**144,516**	**7,890**	**166,472**	**257,125**	**45,430**	**60,011**	**268,295**
Total gross amount	**31,532**	**847,390**	**461,583**	**170,289**	**257,125**	**45,430**	**60,401**	**479,925**
Impairment for Settlement Packagekage	**0**	**0**	**55,263**	**0**	**0**	**0**	**0**	**0**
Total allowance for impairment	**1**	**176,829**	**177,819**	**785**	**0**	**0**	**250**	**2,637**
Total carrying amount	**31,531**	**670,561**	**283,764**	**169,504**	**257,125**	**45,430**	**60,151**	**477,288**

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	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 financial 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**
Impairment for Settlement Packagekage	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
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**

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 (No 575/2013/EU Regulation Article 150), thus do not have internal rating per definition (e.g. pending legal issues in amount of HUF 2.3 billion 2014, and HUF 1.4 billion in 2013).
  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 4.2 billion in 2014 and HUF 5.3 billion in 2013).
  Unrated exposure in the retail sector are that loans which are provided by subsidiaries (HUF 9,9 billion in 2014 and HUF 16.1 billion in 2013).

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 concerned in 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.

Settlement 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.
As of the Act LXXVII of 2014 („the FX mortgage conversion Act") comes into effect on 1st of Feb, 2015, the fixed FX-rate program is going to be discontinued. For more information, please see section of the special regulations on Loan portfolio.

The definition of EBA's forbearance for marking the restructured loans was introduced in 2014. The methodological change caused a significant impact on the retail portfolio due to the fact that the non-problematical customers in the FX -protection programs are not be marked: so the balance of the restructured retail loans did decrease significantly.

Special provisions relative to credit portfolio

Residential Loan Agreements
Next the resolutions for the uniformity of Law (2014) regarding the residential Loan agreements, the supreme court of Hungary adopted the act XXXVIII. of 2014 ("Supreme Court Act"), the act XL. of 2014 (" the Settlement Act", the acts are summary "Settlement Package") and the act LXXVII. of 2014 ("the FX mortgage conversion Act"), its execution impacted the Bank's and Leasing group's profitability remarkably.

The Supreme Court of Hungary quashed its legal provisions of the application of the currency spread in residential Loan agreements and considered dishonest the clauses of unilaterally amendments of foreign currency based residential loan agreements.

The Bank and Leasing group could not prove its honesty of unilaterally amended agreements in adversary proceeding.

According to the "Settlement Act", the Bank and the Leasing group are liable to determine overpayment retroactively in consequence of currency spread and unilateral amendments and have to consider as prepayment which was fulfilled in the moment of overpayment. The method of settlement is determined by the National Bank of Hungary (NBH) which was applied to creating the settlement and impairment and provision. The impairment and provision, reported at the end of

2014, will be applied to the losses derived from the Settlement Act. A provision of HUF 24,506 million was made against the cash backs which are part of the paybacks based on the Settlement Act, and the reducing items of the current loan exposure was shown as an impairment of HUF 55,263 million on the reduction of the claims on customers. Balances shown on the balance sheet encompass FX-rate difference of HUF 2,118 million.

The "FX mortgage conversion Act" is applicable for those residential loan agreements (and the Bank and the Leasing group responsible for accountability) which was not closed on 1st of February 2015 and also applicable for the defaulters. The act disposes about fixed exchange-rates for the conversion of foreign currency based mortgage loan agreements (1 CHF: 256,47 HUF; 1 EUR: 308,97 HUF; 100 JPY: 216,30 HUF; 1 USD: 236,56 HUF) and determine also the method of calculation of applicable interests. According to the applicable rules of accounting of interest, the expected loss due to the Act LXXVIII of 2014 ("Fair Bank" Act) on interests was found to be insignificant by the Group.

The conversion of mortgage loans (to HUF) is accomplished on 31st of March 2015. The provision of foreign currency is provided and exchange rate risk is not resulted.

Due to the Settlement Act the Group has an opportunity to recalculate the previous year tax balances, the Group will recalculate these tax balances.

Hungarian National Bank's „Funding for Growth" Program:
As part of its monetary policy instruments, on 1st of June 2013 the National Bank of Hungary (NBH) 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 2014 the FGS refinancing loan was HUF 74,151 million (in 2013 was HUF 61,226 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:

2014 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
Individually impaired								
Gross amount	0	60,577	74,755	0	0	0	0	232
Allowance for impairment	0	38,249	52,620	0	0	0	0	135
Carrying amount of individually impaired restructured loans	**0**	**22,328**	**22,135**	**0**	**0**	**0**	**0**	**97**
Fair value of collaterals	**0**	**11,308**	**33,994**	**0**	**0**	**0**	**0**	**158**
Collectively impaired								
Gross amount	197	39,805	58,154	0	0	0	0	254
Allowance for impairment	0	1,834	3,825	0	0	0	0	1
Carrying amount of collectively impaired restructured loans	**197**	**37,971**	**54,329**	**0**	**0**	**0**	**0**	**253**
Fair value of collaterals	**0**	**11,854**	**26,842**	**0**	**0**	**0**	**0**	**150**
Past due but not impaired								
Past due comprises:								
up to 30 days	0	162	336	0	0	0	0	0
31 to 90 days	0	0	38	0	0	0	0	0
91 to 180 days	0	0	32	0	0	0	0	0
181 days to 1 year	0	0	11	0	0	0	0	0
more than 1 year	0	0	74	0	0	0	0	0
Carrying amount of past due but not impaired restructured loans	**0**	**162**	**491**	**0**	**0**	**0**	**0**	**0**
Fair value of collaterals	**0**	**164**	**234**	**0**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Carrying amount of neither past due nor impaired restructured loans	**0**	**3,540**	**697**	**0**	**0**	**0**	**0**	**846**
Fair value of collaterals	**0**	**3,757**	**411**	**0**	**0**	**0**	**0**	**565**
Total gross amount	197	104,084	134,097	0	0	0	0	1,332
Total allowance for impairment	0	40,083	56,445	0	0	0	0	136
Total carrying amount of restructured loans	**197**	**64,001**	**77,652**	**0**	**0**	**0**	**0**	**1,196**
Total fair value of collaterals	**0**	**27,083**	**61,481**	**0**	**0**	**0**	**0**	**873**

2013 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government	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 restructured loans	**0**	**19,545**	**32,870**	**3,847**	**0**	**0**	**0**	**0**
Fair value of collaterals	**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 restructured loans	**0**	**31,112**	**157,582**	**0**	**0**	**0**	**0**	**0**
Fair value of collaterals	**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 restructured loans	**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**

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.

Sum of the after deducting discount&prior ranking liens calculated collateral values, which are limited by the contractually pledged exposure and applying a discount for currency mismatch.

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:

2014 (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	Other receivables	Derivative assets	Guarantees and undrawn credit facilities	Total Collateral
Cash deposit	**0**	**17,976**	**3,506**	**3**	**7,049**	**898**	**15,403**	**44,835**
Debt securities issued by	**0**	**12,363**	**2,693**	**0**	**2,424**	**18**	**1,290**	**18,788**
Central governments	0	769	1,303	0	2,424	11	367	**4,874**
Companies	0	1,246	512	0	0	0	352	**2,110**
Others	0	10,348	878	0	0	7	571	**11,804**
Shares	**0**	**3,341**	**9**	**0**	**0**	**0**	**302**	**3,652**
Mortgage on	**0**	**135,775**	**230,701**	**508**	**0**	**0**	**24,376**	**391,360**
Residential real estate	0	22,621	224,037	0	0	0	1,799	**248,457**
Commercial real estate	0	113,152	6,613	508	0	0	22,577	**142,850**
Other	0	2	51	0	0	0	0	**53**
Guarantees from	**11,556**	**6,394**	**5,483**	**320**	**0**	**0**	**31,696**	**55,449**
Central governments	11,556	3,208	5,481	0	0	0	9,852	**30,097**
Other banks	0	3,186	2	320	0	0	21,844	**25,352**
Other	**0**	**47,277**	**3,028**	**293**	**0**	**0**	**15,170**	**65,768**
Total collateral	**11,556**	**223,126**	**245,420**	**1,124**	**9,473**	**916**	**88,237**	**579,852**

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

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

2014 (HUF million)	Placements with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Government	Other receivables	Derivative assets	Guarantees and undrawn credit facilities	Total Collateral
Individually impaired	0	79,222	74,628	3	0	79	477	154,409
Collectively impaired	11,556	126,579	164,432	0	0	0	9,311	311,878
Past due but not impaired	0	259	839	0	0	0	0	1,098
Neither past due nor impaired	0	17,066	5,521	1,121	9,473	837	78,449	112,467
Total collateral	**11,556**	**223,126**	**245,420**	**1,124**	**9,473**	**916**	**88,237**	**579,852**

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

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)	2014	2013
Real estate	996	487
Inventories	0	358
Other	14	14
Total assets obtained	**1,010**	**859**

Concentrations by sector

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

2014 (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	201,343	0	161	724	11,004
Domestic trade	0	151,247	0	209	343	88,192
Other, mainly service industries	0	148,020	0	621	287	28,018
Finance	21,542	99,593	2	41,037	53,913	59,823
Central Bank	9,990	0	0	0	4,231	0
Public administration	0	166,545	255,567	3,142	0	5,061
Chemicals and pharmaceuticals	0	43,349	1,556	0	185	71,707
Food processing	0	64,592	0	0	209	12,717
Agriculture	0	38,510	0	0	3	3,990
Transportation, communication	0	47,751	0	1	8	35,231
Construction	0	35,007	0	155	3	101,423
Heavy industry	0	22,900	0	0	204	13,764
Light industry	0	13,984	0	0	135	10,126
Energy	0	17,410	0	2	0	8,421
Infrastructure	0	1,342	0	2	2	1,576
Private households	0	427,669	0	100	154	28,872
Total gross exposure	**31,532**	**1,479,262**	**257,125**	**45,430**	**60,401**	**479,925**

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**

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.

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, volatility risk and Group's FX open position risk. Credit spread risk is indicated as an individual risk factor in the reports as well.

During the past couple of years 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 separated 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 2014***	
Financial assets	*468,131*	
Financial liabilities	*516,202*	
Total fixed rate instruments	***(48,071)***	

	As at 31 December 2014	
Variable rate instruments	**Financial assets**	**Financial liabilities**
HUF	788,013	848,808
CHF	188,339	39,642
EUR	449,447	380,526
USD	6,198	52,210
Other currencies	2,073	11,487
Total variable rate financial instruments	**1,434,070**	**1,332,673**

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**

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)	2014	2013
Valuation gain/(loss) on hedged instruments	(1,457)	(481)
Valuation gain/(loss) on hedging interest rate swaps	1,189	492

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	5,880	35,035	17,217
Outflows	777	30,133	17,728

During 2014 net losses of HUF 643 million relating to the effective portion of cash flow hedges were recognised in other comprehensive income (2013: HUF 4,740 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:

2014 (HUF million)	HUF	CHF	EUR	USD	Other	Total
Cash and cash equivalents	440,509	705	71,551	3,095	2,526	**518,386**
Placements with banks	10,147	0	21,381	3	0	**31,531**
Loans and advances to customers	432,977	190,953	454,700	44,444	755	**1,123,829**
Financial assets at fair value through profit or loss – except for derivatives	111,468	0	8,069	7,659	4,145	**131,341**
Available for sale securities	763	1,819	112	0	0	**2,694**
Held to maturity securities	112,343	0	9,794	1,361	2,180	**125,678**
Financial assets except for derivatives	**1,108,207**	**193,477**	**565,607**	**56,562**	**9,606**	**1,933,459**
Deposits from banks	131, 968	33,200	108,679	40,632	0	**314,479**
Deposits from non-banks	964,891	3,992	278,745	62,811	14,512	**1,324,951**
Debt securities issued	90,817	0	13,747	0	0	**104,564**
Subordinated liabilities	0	0	104,694	0	0	**104,694**
Financial liabilities except for derivatives	**1,187,676**	**37,192**	**505,865**	**103,443**	**14,512**	**1,848,688**
Net open position on balance sheet	**(79,469)**	**156,285**	**59,742**	**(46,881)**	**(4,906)**	**84,771**
Net derivative and spot instruments (short) / long position	245,078	(161,559)	(95,610)	47,568	2,936	**38,413**
Total net currency positions	**165,609**	**(5,274)**	**(35,868)**	**687**	**(1,970)**	**123,184**

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**

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

	2014 (HUF million)			
Trading Book	***VaR at year end***	***Average VaR***	***Minimum VaR***	***Maximum VaR***
Foreign Currency Risk	*96*	*111*	*6*	*859*
Interest Rate Risk	*166*	*143*	*61*	*286*
Price Risk	*5*	*2*	*0*	*27*
Total Risk	*222*	*185*	*73*	*925*
Diversification Effect	*44*	*71*	*8*	*207*
Banking Book	***VaR at year end***	***Average VaR***	***Minimum VaR***	***Maximum VaR***
Foreign Currency Risk	*0*	*0*	*0*	*0*
Interest Rate Risk	*724*	*548*	*426*	*1,287*
Total Risk	*724*	*548*	*426*	*1,287*
Diversification Effect	*0*	*0*	*0*	*0*

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

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 2014 and 2013, respectively:

Gap report

	2014 (HUF million)			
Trading book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	(504)	(516)	(169)	(19)
3 months to 1 year	(2,224)	(3,519)	4,206	(558)
1 year to 5 years	(54,472)	(1,684)	4,607	0
over 5 years	78,902	(39,037)	0	0
Banking book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	188,694	(76)	(158,194)	(17,326)
3 months to 1 year	(9,344)	(8,089)	37,095	1,507
1 year to 5 years	(11,328)	(3,636)	(23,455)	(2,791)
over 5 years	13,910	0	2,063	0

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

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 daily 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,
- 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	2014 (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	314,479	**328,488**	56,512	44,130	165,374	62,472
Deposits from non-banks	1,324,951	**1,328,285**	1,183,141	127,571	12,393	5,180
Debt securities issued	104,564	**110,654**	14,898	25,476	62,452	7,828
Subordinated liabilities	104,694	**141,784**	1,577	4,623	24,780	110,804
Financial liabilities at fair value through profit or loss – except for derivatives	0	**0**	0	0	0	0
Other liabilities	36,656	**36,656**	35,815	781	22	38
Liabilities held for sale	0	**0**	0	0	0	0
Total liabilities	**1,885,344**	**1,945,867**	**1,291,943**	**202,581**	**265,021**	**186,322**
Derivative instruments						
Interest rate swaps	0	**734**	(125)	(739)	1,567	31
Forward exchange contracts:	**0**	**102,125**	**44,772**	**58,880**	**(1,541)**	**14**
- Outflow	0	**2,071,375**	1,102,823	445,551	489,226	33,775
- Inflow	0	**1,969,250**	1,058,051	386,671	490,767	33,761
Contingent liabilities	**178,185**	**178,185**	**47,550**	**72,978**	**55,499**	**2,158**
Other commitments and contingencies	178,185	**178,185**	47,550	72,978	55,499	2,158
Commitments	**301,740**	**301,740**	**36,943**	**107,765**	**80,426**	**76,606**
Unutilised loan facilities	120,027	**120,027**	8,663	28,396	43,759	39,209
Unutilised overdraft facilities	117,604	**117,604**	26,301	67,427	4,251	19,625
Unutilised guarantee frames	64,109	**64,109**	1,979	11,942	32,416	17,772

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 guarantee frames	41,398	**41,398**	2,148	8,483	24,280	6,487

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 2014	
Date	Million HUF
31/01/2014	34
28/02/2014	16
31/03/2014	16
30/04/2014	39
30/05/2014	19
30/06/2014	48
31/07/2014	53
29/08/2014	68
30/09/2014	88
31/10/2014	86
28/11/2014	90
31/12/2014	90

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

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 Fraud and Operational Risk Controlling Group and approximately 90 Dedicated Operational Risk Specialists 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 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 dedicated operational risk specialists 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 and Fraud Committee materials, and the CRO of RBI through the CRO meetings. 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 and Fraud Committee where the Chief Risk Officer, the Chief Operations Officer and the Members of the Operational Risk and Fraud Committee (mainly heads of departments) decide on the priority of risk mitigation plans.

f) Capital management

The Group's local regulator (National Bank of Hungary (NBH)) 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 same stands for the Basel III requirements with effect from 30 June 2014.

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/III 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 two tiers:

- **tier 1** capital (T1)
  - **common tier 1 capital** (CET1), which includes capital instruments (paid up capital , share premium, retain earnings, accumulated other comprehensive income, other reserves) and the connected deductions as intangible assets, goodwill, deferred tax assets, IRB shortfall of credit risk adjustment to expected loss, deduction of securitization position, and other deduction of limits exceeding
  - **additional tier 1 capital** (AT1): which includes capital instruments eligible as additional tier1 capital
- **tier 2** capital (T2), which includes subordinated loans and IRB excess of provision over expected losses

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 ha been defined according to the Banking Act **(2013. CCXXXVII. decree)** 97.§.)-, and the consolidation group is approved by NBH 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.
RB Szolgáltató Központ Kft.
SCTB Ingatlanfejlesztő és Ingatlanhasznosító Kft.
SCT Kárász utca Ingatlankezelő Kft.
SCT Tündérkert 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)	*2014*	*2013*
Paid up capital instruments	*50,000*	*50,000*
Capital reserve	*249,481*	*152,604*
Retained earnings	*(194,983)*	*(85,689)*
Accumulated other comprehensive income	*(3,572)*	*0*
Non controlling interest	*0*	*31*
Adjustments to CET1 due to prudential filters	*3,138*	*0*
(-) Goodwill	*(1,035)*	*0*
(-) Other intangible assets	*(15,322)*	*(15,821)*
(-) IRB shortfall of credit risk adjustments to expected losses	*(4,951)*	*0*
(-) Securitisation positions	*(961)*	*0*
Transitional adjustments to CET1 Capital	*1,917*	*0*
Common Equity Tier 1 Capital	***83,712***	***101,125***
Fair value reserve for available-for-sale equity securities	*0*	*558*
Equity consolidation differences according to HAS	*0*	*359*
IRB Excess of provisions over expected losses eligible	*0*	*6,344*
Subordinated loans	*103,914*	*45,130*
Transitional adjustments to T2 Capital	*(1,981)*	*0*
Tier 2 Capital	***101,933***	***52,391***
Total consolidated regulatory capital	***185,645***	***153,516***
Capital requirement	***76,866***	***109,189***
Consolidated solvency ratio (%)	***19.32%***	***11.25%***

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)	*2014*	*2013*
Cash and cash equivalents	***3,523***	***2,125***
Placements with banks	***267***	***308***
Loans and advances to customers	***63,450***	***81,282***
Securities at fair value through profit or loss	***3,763***	***647***
Government bonds	*2,779*	*259*
Treasury bills issued by the Government	*884*	*256*
Treasury bills issued by the Central Bank	*99*	*129*
Investment certificate	*1*	*3*
Available for sale securities	***3,226***	***12,099***
Government bonds	*299*	*1,927*
Treasury bills issued by the Central Bank	*2,804*	*8,972*
Other securities issued by the public sector	*123*	*1,200*
Investment certificates	*0*	*0*
Held to maturity securities	***7,280***	***7,789***
Government bonds	*7,167*	*7,605*
Corporate bonds	*113*	*184*
From leases	***1,764***	***1,869***
Interest income	***83,273***	***106,119***

Total interest income calculated using the effective interest method reported above that related to financial assets not carried at fair value through profit or loss is HUF 79,510 million (2013: HUF 105,472 million).

(6) Interest expense

(HUF million)	*2014*	*2013*
Deposits from banks	*5,242*	*6,870*
Deposits from non-banks	*17,164*	*39,937*
Debt securities issued	*6,333*	*9,142*
Subordinated liabilities	*5,888*	*1,472*
Other interest-like expenses	*4,474*	*3,846*
Interest expense	***39,101***	***61,267***

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 34,627 million (2013: HUF 57,421 million).

Other interest-like expenses row shows Mezzanine fees. There is a contract between the Bank and Raiffeisen 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)	2014	2013
Account management, turnover and cash handling fees	25,698	22,701
Guarantees and documentary credits	2,028	2,401
Fees from leases	72	205
Fees from investment services	6,253	6,350
Bankcard fees	4,102	4,588
Other commission and fee income	2,734	2,149
Total fee and commission income	**40,887**	**38,394**

Fee and commission expense

(HUF million)	2014	2013
Payments transfer business	3,009	3,181
Loan administration and guarantee business	641	1,076
Securities business	564	484
Agency fees	804	925
Bankcard fees	1,404	1,321
Other banking services	1,079	1,174
Total fee and commission expense	**7,501**	**8,161**
Net income from commissions and fees	**33,386**	**30,233**

Most of the net increase of the fee income in 2014 was due to the review of the fees of current accounts and commissions.

(8) Net trading income

(HUF million)	2014	2013
Realised net gains/(losses) from securities at fair value through profit or loss	376	631
Unrealised net gains/(losses) from securities at fair value through profit or loss	566	19
Realised net gains/(losses) on FX positions and derivative instruments	17,792	18,575
Unrealised net gains/(losses) on FX positions and derivative instruments	(5,209)	(8,487)
Net trading income	**13,525**	**10,738**

(9) Net income from derivatives held for risk management

(HUF million)	2014	2013
Derivatives held for risk management without hedge accounting	**4,651**	**7,714**
Realized and unrealised net gains/(losses) on cross currency interest rate swaps	3,730	7,173
Realized and unrealised net gains/(losses) on other derivatives	921	541
Hedge accounting	**855**	**280**
Realised net gains/(losses) on hedging derivatives	817	227
Unrealised net gains/(losses) on hedging derivatives	1,370	492
Unrealised net gains/(losses) on hedged items	(1,332)	(439)
Cash-flow hedge accounting	**(1,960)**	**573**
Other	**0**	**0**
Net income from derivatives held for risk management	**3,546**	**8,567**

The unrealised revaluation result of cross currency interest rate swaps (CCIRS) was HUF 3,298 million (2013: HUF (2,844) million).

The most significant input variable which has a profit and loss impact on the revaluation of CCIRS portfolio is the volatility of the EURHUF basis swap spreads. In 2013, a significant spread decrease could be observed (average spread decrease was around 100 basis points), which caused a significant loss in the revaluation. In 2014, the spread decreased further and went down by approximately 80 basis points, which had a significant negative effect on the profit and loss. However, this negative effect was balanced by the pull-to-par effect and CCIRS deals, which had better conditions than the market, dealt by National Bank of Hungary (NBH). The portfolio sensitivity decreased in 2014 by the CCIRS deals dealt by NBH and the CCIRS that have matured during the year.

The Group started to apply cash flow hedge accounting in December 2012. During 2014 net ineffectiveness recognized on cash flow hedges was HUF 2.068 million (2013: HUF 932 million).

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)	2014		2013	
Instrument type	Asset	Liability	Asset	Liability
IRS	0	0	32	50
CIRS	0	2,970	0	5,277
Total	**0**	**2,970**	**32**	**5,327**

(10) Other operating income and other operating expenses

(HUF million)	2014	2013
Other operating income		
Realised net gains/(losses) from available-for-sale securities	1,017	146
Unrealised net gains/(losses) from available-for-sale securities	0	267
Net gains/(losses) from held-to-maturity securities	389	0
Operational fees	203	347
Property development fees	0	28
Gains/(losses) on sale on receivables	14	47
Gains/(losses) on disposal of inventory	(214)	178

(HUF million)	2014	2013
Gains/(losses) on disposal of investments	(31)	(3,305)
Gains/(losses) on disposal of intangibles, property, plant and equipment	67	103
Energy trading margin	1,812	1,989
Revenues related to damages	66	4
Other	625	1,083
Other operating income	**3,948**	**887**

(HUF million)	2014	2013
Other operating expenses		
Other taxes	36,357	32,072
Telecommunication and information systems expenses	1,206	1,426
Business travel cost	573	581
Professional fees	3,374	3,424
Cash processing and delivery	207	235
Manpower services	284	595
External bankcard services	107	94
Advisory fees	2,175	1,830
Other	601	670
Office supplies	205	295
Depreciation	7,184	6,962
Impairment and write-offs	4,332	2,593
Energy	0	16
Fees to public authorities	1,760	1,303
Other	5,358	5,256
Other operating expenses	**60,349**	**53,928**

Other taxes mainly contains the amount of HUF 18,714 million Special Tax on Financial Institutions (2013: HUF 12,057 million), the amount of HUF 2,738 million local corporation tax in 2014 (2013: HUF 2,664 million) and the amount of HUF 14,101 million Financial transaction duty (2013: HUF 16,411 million). The increase of Special Tax on Financial Institutions in 2014 is due to a provision for an ongoing investigation.

(11) Impairment and provision for losses

(HUF million)	2014	2013
Impairment loss on	**94,524**	**46,003**
Cash and cash equivalents	27	0
Placements with banks	(7)	7
Loans and advances to customers	93,746	45,146
Investments in associates	2	719
Other assets	756	131
Provision on	**20,588**	**(5,849)**
Guarantees and contingencies	20,588	(5,849)
Impairment and provision for losses	**115,112**	**40,154**
Hereof loss of Settlement Act	77 651	0

For detailed information on losses due to the Settlement Act, see the section of special regulations on Loan portfolio, on page 33.

(12) Personnel expenses

(HUF million)	2014	2013
Salaries	16,450	17,819
Social security contributions	5,366	5,821
Other personnel benefits	1,926	2,129
	23,742	**25,769**

(HUF million)	2014		2013	
	Staff (person)	**Salary expense**	**Staff (person)**	**Salary expense**
Full time	2,637	15,930	2,583	17,795
Part time	91	511	118	23
Pensioners	3	8	4	0
Other	7	1	7	1
	2,738	**16,450**	**2,712**	**17,819**

(13) Income tax

Income tax expense recognised in the consolidated income statement

(HUF million)	2014	2013
Current tax expense	113	98
Deferred tax expense/(income)	3,625	562
Income tax	**3,738**	**660**

No deferred tax assets were recognized in 2014, in case of the Bank and the related subsidiaries the opening balances (HUF 3,548 million) have been written down this year because of the recognition rules of deferred tax assets.

Income tax recognised in other comprehensive income

(HUF million)	2014	2013
Balance at 1 January	**46**	**1,017**
Increase in financial year	0	0
Decrease in financial year	(46)	(971)
Balance at 31 December	**0**	**46**

In 2014, the Group accounted HUF 46 million deferred tax expense (2013: HUF 971 million deferred tax expense) in other comprehensive income.

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

(HUF million)	2014	2013
Loans and receivables	**(25,491)**	**40,300**
Net interest income	69,004	85,584
Impairment losses	(94,495)	(45,284)
Financial assets and liabilities measured at fair value through profit or loss	**20,834**	**19,952**
Trading securities	4,705	1,297
Net interest income	3,763	647
Unrealised net gains/(losses)	566	19
Realised net gains/(losses)	376	631
Trading derivative instruments	12,583	10,088
Derivatives held for risk management	3,546	8,567
Held-to-maturity investments	**7,669**	**7,789**
Net interest income	7,280	7,789
Realised net gains/(losses)	389	0
Available-for-sale financial assets	**4,461**	**17,625**
Net interest income	3,226	12,099
Unrealised net gains/(losses)	218	5,380
Realised net gains/(losses)	1,017	146
Financial liabilities measured at amortised cost	**(39,101)**	**(61,267)**
Net interest expense	(39,101)	(61,267)
Net gains/losses on financial instruments	**(31,628)**	**24,399**

(15) Cash and cash equivalents

2014 (HUF million)	HUF	FCY	Total
Cash and cheques	20,339	6,870	**27,209**
Balances with National Bank of Hungary (NBH)	410,260	0	**410,260**
Balances with other banks	9,910	71,007	**80,917**
Cash and cash equivalents	**440,509**	**77,877**	**518,386**

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**

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% (2013: 3%) of certain deposits. The required average reserve balance amounted to HUF 35,168 million (2013: HUF 38,363 million). The compulsory reserve requirement may also be met by the Group's holding of government securities (see Note 18 and 19). During 2014 Placements for NHB under one year increased by HUF 328,498 million because increased Placements of Treasury under one month.

(16) Placements with banks

2014 (HUF million)	Up to 1 year		Over 1 year		Total
	HUF	FCY	HUF	FCY	
National Bank of Hungary	9,990	0	0	0	**9,990**
Other Banks	157	13,627	0	7,758	**21,542**
Impairment losses	0	0	0	1	**1**
Placements with banks	**10,147**	**13,627**	**0**	**7.757**	**31,531**

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**

The claim on Hungarian National Bank runs to the margin call of the derivative deals.

Specific allowances for impairment (HUF Million)

Balance at 1 January 2014	**7**
Impairment loss for the year:	
Charge for the year	3
Recoveries	-10
Effect of foreign currency movements	1
Unwinding of discount	0
Write-offs	0
Balance at 31 December 2014	**1**

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**

(17) Loans and advances to customers

Loans and advances to customers

2014 (HUF million)	Gross amount	Of which: Non-performing loans	Specific allowances for impairment	Collective allowances for impairment	Carrying amount
Corporate					
Trading and industrial	336,153	70,433	57,894	1,449	276,810
Commercial real estate	211,674	93,221	62,452	2,482	146,740
Other	299,563	88,552	51,794	758	247,011
Total corporate	**847,390**	**252,206**	**172,140**	**4,689**	**670,561**
Retail	461,583	161,655	165,536	12,283	283,764
Government and public sector	170,289	3,184	774	11	169,504
Loans and advances to customers	**1,479,262**	**417,045**	**338,450**	**16,983**	**1,123,829**

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**

Allowances for impairment

The following table shows a reconciliation of movements on the allowance account in 2013 and 2014, respectively:

Specific allowances for impairment on loans and advances to customers (HUF million)	2014	2013
Balance at 1 January	**268,521**	**239,857**
Impairment loss for the year:		
Charge for the year*	109,926	67,032
Recoveries	(16,896)	(18,755)
Effect of foreign currency movements	10,761	1,291
Write-offs	(33,862)	(23,631)
Change in consolidation group	0	2,727
Balance at 31 December	**338,450**	**268,521**

* For detailed information on losses due to the Settlement Act, see the section of special regulations on Loan portfolio, on page 33 and furthermore Note (11).

Collective allowances for impairment on loans and advances to customers (HUF million)	2014	2013
Balance at 1 January	**16,087**	**19,362**
Impairment loss for the year:		
Charge for the year	8,080	11,855
Recoveries	(7,364)	(14,986)
Effect of foreign currency movements	505	(103)
Write-offs	(325)	(41)
Change in consolidation group	0	0
Balance at 31 December	**16,983**	**16,087**

As at 31 December 2014 accumulated impairment losses amounted to HUF 355,433 million (2013: HUF 284,608 million), equal to 24.03 % (2013: 18.86 %) 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, 2013 and 2014, 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:

2014 (HUF million)	Up to 1 year	1 year to 5 years	Over 5 years	Total
Gross investment leases	8,141	20,253	11,251	**39,645**
Unearned finance income	1,379	3,255	1,541	**6,175**
Net present value of minimum lease payments	**6,762**	**16,998**	**9,710**	**33,470**
Accumulated allowance for uncollectible minimum lease payments	266	2,136	517	**2,919**
Finance leases per balance sheet	**6,496**	**14,862**	**9,193**	**30,551**

The impairment for Settlement Package in leasing group for leasing companies is HUF 4,411 million in 2014.

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**

In Leasing Group in 2014, nil contingent rent was recognized in finance income (2013: nil), and unguaranteed residual value amounted to HUF 6,217 million (2013: HUF 7,803 million). At 31 December 2014, the accumulated allowance for uncollectible minimum lease payments amounted HUF 4,542 million (2013: HUF 5,134 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)	2014				2013			
	Cost	Accrued interest	Unre-alised gain/ loss	Book value	Cost	Accrued interest	Unre-alised gain/ loss	Book value
Debt and equity instruments:								
Government bonds	114,456	1,346	567	116,369	6,603	0	200	6,803
Treasury bills	12,991	223	44	13,258	6,878	6	5	6,889
Corporate bonds and other bonds	2	0	0	2	30	1	0	31
Investment fund units	0	0	0	0	906	0	103	1,009
Shares	1,729	0	(17)	1,712	1,906	0	19	1,925
Debt and equity instruments	**129,178**	**1,569**	**594**	**131,341**	**16,323**	**7**	**327**	**16,657**
Derivative financial instruments:								
Derivatives held for trading								
FX swaps	307	(8)	9,145	9,444	(37)	(5)	2,840	2,798
FX forwards	0	0	2,841	2,841	0	0	729	729
Security forwards	0	0	0	0	0	0	93	93
FX futures	0	0	1,664	1,664	0	0	819	819
FX options	0	0	2,122	2,122	0	0	2,989	2,989
Interest rate derivatives	0	4,705	13,210	17,915	0	3,966	13,382	17,348
Derivatives held for trading	**307**	**4,697**	**28,982**	**33,986**	**(37)**	**3,961**	**20,852**	**24,776**
Derivatives held for risk management:								
FX swaps	9,195	(112)	1,625	10,708	2,078	113	1,343	3,534
Hereof cross currency interest rate swaps in cash flow hedges	0	0	0	0	0	0	0	0
Interest rate derivatives	0	7,507	8,200	15,707	0	6,030	4,467	10,497
Hereof interest rate swaps in cash flow hedges	0	0	0	0	0	140	32	172
Hereof interest rate swaps in fair value hedges	0	750	1,791	2,541	0	554	983	1 537
Derivatives held for risk management	**9,195**	**7,395**	**9,825**	**26,415**	**2,078**	**6,143**	**5,810**	**14,031**
Total derivative financial instruments	**9,502**	**12,092**	**38,807**	**60,401**	**2,041**	**10,104**	**26,662**	**38,807**
Total financial asset at fair value through profit or loss	**138,680**	**13,661**	**39,401**	**191,742**	**18,364**	**10,111**	**26,989**	**55,464**

We show the new stock of Government bonds and treasury bills under Financial assets at fair value through profit or loss in year 2014.

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 2014, HUF 44,129 million (2013: HUF 85,159 million) from the total amount of Investment in securities were pledged as collateral for liabilities.

During 2014, in connection with available-for-sale investment securities an amount of HUF 98 million (2013: HUF 1,911 million) was recognised in other comprehensive income and an amount of HUF (12) million (2013: HUF (3,202) million) was reclassified from other comprehensive income to profit or loss.

Available-for-sale investment decreased because most of municipal debt was consolidated by the Government and we show the new stock of Government bonds and treasury bills under Financial assets at fair value through profit or loss in year 2014.

During 2014 the Bank sold securities from Held-to-maturity two times. Due to the close maturity (appr. 3 months remaining till maturity) the Bank can be expected to be indifferent whether to hold or sell these bonds, because movements in interest rates till the maturity will not have a significant impact on its fair value.

(HUF million)	2014					2013				
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	1,844	0	(26)	0	1,818	41,416	107	(303)	0	41,220
Investment fund units	768	0	108	0	876	229	0	(52)	0	177
Government bonds	0	0	0	0	0	57,311	870	113	0	58,294
Treasury bills	0	0	0	0	0	144,125	77	3	0	144,205
	2,612	**0**	**82**	**0**	**2,694**	**243,081**	**1,054**	**(239)**	**0**	**243,896**

Held-to-maturity securites	Cost	Accrued interest	Discount/ Premium	Impairment	Book value	Cost	Accrued interest	Discount/ Premium	Impairment	Book value
Corporate bonds and other	1,318	15	223	0	1,556	1,243	14	170	0	1,427
Government bonds	119,467	3,850	805	0	124,122	101,154	4,112	1,073	0	106,339
	120,785	**3,865**	**1,028**	**0**	**125,678**	**102,397**	**4,126**	**1,243**	**0**	**107,766**

(20) Investment in associates

General and financial data of the associates for the years ended 31 December 2014 and 2013 is as follows:

2014 (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%	30	0	**30**	808	0	(778)	**30**	4,171	3,749	**422**
		30	**0**	**30**	**808**	**0**	**(778)**	**30**	**4,171**	**3,749**	**422**

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)**

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 2014 and 2013 is the following:

2014 (millió Ft)	Gross carrying amount	Accumulated impairment	Net carrying amount
NOC Kft.	193	193	0

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

(21) Property, plant and equipment

Owner occupied property

2014 (HUF million)	Gross carrying amount as at 1 January 2014	Additions	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2014
Properties	**15,515**	**213**	**495**	**424**	**0**	**15,233**
Freehold	7,142	6	4	0	0	7,144
Leasehold	8,373	207	491	424	0	8,089
Tangible assets	**779**	**307**	**0**	**0**	**0**	**1,086**
Equipment	**16,689**	**640**	**1,316**	**239**	**0**	**16,013**
	32,983	**1,160**	**1,811**	**663**	**0**	**32,332**

2014 (HUF million)	Accumulated depreciaton as at 1 January 2014	Depreciation for the year	Disposals	Thereof extraordinary disposal	Acquired/ (sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2014	Carrying amount as at 31 December 2014
Properties	**7,502**	**1,222**	**208**	**199**	**0**	**8,516**	**8,013**	**6,717**
Freehold	1,375	65	4	0	0	1,436	5,767	5,708
Leasehold	6,127	1,157	204	199	0	7,080	2,246	1,009
Tangible assets	**72**	**133**	**0**	**0**	**0**	**205**	**707**	**881**
Equipment	**14,204**	**1,166**	**1,517**	**225**	**0**	**13,853**	**2,485**	**2,160**
	21,778	**2,521**	**1,725**	**424**	**0**	**22,574**	**11,205**	**9,758**

2013 (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	**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
Tangible assets	**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
Tangible assets	**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**

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

2014 (HUF million)	Gross carrying amount as at 1 January 2014	Additions	Disposals	Acquired/ (sold) through business combinations	Gross carrying amount as at 31 December 2014
Properties	1,243	0	9	0	1,234

2014 (HUF million)	Accumulated depreciaton as at 1 January 2014	Depreciation for the year	Disposals	Acquired/ (sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2014	Carrying amount as at 31 December 2014
Properties	1,041	4	3	0	1,042	202	192

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 combintions	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

The fair value of investment property is HUF 192 million (2013: HUF 202 million) based on quarterly valuation made by an independent appraiser.

(22) Intangible assets

2014 (HUF million)	Gross carrying amount as at 1 January 2014	Additions	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2014
Softwares	44,013	3,722	2,050	1,316	0	45,685
Other intangible assets	317	51	0	0	0	368
	44,330	**3,773**	**2,050**	**1,316**	**0**	**46,053**

2014 (HUF million)	Accumulated depreciaton as at 1 January 2014	Depreciation for the year	Disposals	Thereof extraordinary disposal	Acquired/(sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2014	Carrying amount as at 31 December 2014
Softwares	28,303	4,055	1,911	1,174	0	30,447	15,710	15,238
Other intangible assets	242	27	2	0	0	267	75	101
	28,545	**4,082**	**1,913**	**1,174**	**0**	**30,714**	**15,785**	**15,339**

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**

*Due to rationalization of portfolio there were extraordinary disposals in the Group in year 2014.

(23) Goodwill

(HUF million)	2014	2013
Cost		
Balance at 1 January	**1,155**	**1,155**
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	(107)	0
Balance at 31 December	**1,048**	**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**	**1,155**
At 31 December	**1,048**	**1,155**

The Group has goodwill in connection with Raiffeisen Befektetési Alapkezelő Zrt. (HUF 1,023 milion), Raiffeisen Autó Lízing Kft. (HUF 13 million) and SCT Kárász utca Kft. (HUF 12 million). No impairment losses on goodwill were recognised during 2014 (2013: nil). Raiffeisen Befektetési Alapkezelő Zrt. is a profitable company.

Goodwill on SZELET Energiatermelő és Szolgáltató Kft. (HUF 107 million) was decreased in 2014 because of sale of the subsidiary.

(24) Operating leases

Leases as a lessee

Non-cancellable operating lease rentals are payable as follows:

(HUF million)	2014	2013
Less than 1 year	4,567	5,037
Between 1 and 5 years	18,268	19,253
More than 5 years	1,322	3,537
	24,157	**27,827**

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 2014 an amount of HUF 4,834 million was recognised as an expense in profit or loss in respect of operating leases (2013: HUF 5,088 million).

(25) Other assets

(HUF million)	2014	2013
Other tax receivables	233	516
Cash at money exchange agents	7,721	7,522
Receivables from investment activities	37,709	7,719
Accruals	1,412	2,316
Inventory	2,593	4,078
Other	7,497	10,011
Other assets	**57,165**	**32,162**
Hereof: specific impairment	1,953	382
Specific impairment		
Balance at 1 January	**1,811**	**338**
Impairment loss for the year:		
Charge for the year	778	136
Recoveries	(22)	(5)
Effect of foreign currency movements	0	0
Write-offs	(614)	(72)
Change in consolidation group	0	(15)
Balance at 31 December	**1,953**	**382**

Inventory contains mainly real estate developments in progress HUF 1,760 million in 2014 (2013: HUF 2,657 million) of Raiffeisen Property Lízing Zrt. Cars repossessed from customers amount to HUF 27 million in 2014 (2013: HUF 67 million) of Raiffeisen Lízing Zrt. repossessed properties amount to HUF 578 million in Raiffeisen Property Lízing Zrt. (2013: 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)	2014				2013			
	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	307	0	9,280	9,587	0	0	2,126	2,126
FX forwards	0	0	2,907	2,907	0	0	1,410	1,410
Security forwards	0	0	0	0	0	0	65	65
Foreign exchange futures	0	0	1,037	1,037	0	0	511	511
Foreign exchange options	0	0	2,294	2,294	0	0	2,723	2,723
Interest rate derivatives	0	4,591	13,432	18,023	0	3,800	13,277	17,077
Total derivative instruments held for trading	**307**	**4,591**	**28,950**	**33,848**	**0**	**3,800**	**20,112**	**23,912**
Derivative instruments held for risk management purposes								
FX swaps	8,098	117	9,531	17,746	6,630	(530)	13,944	20,044
Hereof cross currency interest rate swaps in cash flow hedges	498	16	2,970	3,484	165	(112)	5,277	5,330
Interest rate derivatives	0	3,448	5,166	8,614	0	2,928	3,518	6,446
Hereof interest rate swaps in cash flow hedges	0	0	0	0	0	147	50	197
Hereof interest rate swaps in fair value hedges	0	3	31	34	0	5	380	385
Total derivative instruments held for risk management purposes	**8,098**	**3,565**	**17,978**	**29,641**	**6,630**	**2,398**	**17,462**	**26,490**
Total financial liabilities at fair value through profit or loss	**8,405**	**8,156**	**46,928**	**63,489**	**6,630**	**6,198**	**37,574**	**50,402**

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.

(27) Deposits from banks

2014	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	23,405	30,801	66,761	100,420	**221,387**
Non resident	41,653	4,597	149	46,693	**93,092**
	65,058	**35,398**	**66,910**	**147,113**	**314,479**

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**

(28) Deposits from non-banks

2014	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	929,792	319,684	14,213	1,998	**1,265,687**
Non resident	20,617	38,261	17	369	**59,264**
	950,409	**357,945**	**14,230**	**2,367**	**1,324,951**

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**

(29) Debt securities issued

2014 (HUF million)	3 month or less		3-12 months		1-5 years		more than 5 years	
Type of interest	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount
autocallable	0	0	0	0	0	0	2,500	2,500
fix	6,381	6,755	11,924	14,015	29,690	33,472	6,130	5,904
indexed	2,000	2,189	2,000	2,114	32,324	33,510	0	0
floating	5,000	5,044	0	10,041	945	950	0	0
Debt securities issued	**13,381**	**13,988**	**13,924**	**26,170**	**62,959**	**67,932**	**8,630**	**8,404**

2014 (HUF million)	3 month or less		3-12 months		1-5 years		more than 5 years	
Type of interest	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount
autocallable	0	0	0	0	0	0	1,142	1,179
fix	0	0	435	562	1,434	1,633	0	525
indexed	2	2	10	11	6,584	6,779	0	0
floating	64	64	952	953	221	222	1,595	0
Repurchased own debt securities	**66**	**66**	**1,397**	**1,526**	**8,239**	**8,634**	**2,737**	**1,704**

Net debt securities issued	**13,315**	**13,922**	**12,527**	**24,644**	**54,720**	**59,298**	**5,893**	**6,700**

2013 (HUF million)	3 month or less		3-12 months		1-5 years		more than 5 years	
Type of interest	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount
autocallable	0	0	0	0	0	0	2,500	2,500
fix	25,557	27,350	13,939	14,160	34,402	39,183	7,680	6,442
indexed	0	0	16,000	16,259	27,000	28,421	0	0
floating	0	0	0	0	8,000	8,078	0	0
Debt securities issued	**25,557**	**27,350**	**29,939**	**30,419**	**69,402**	**75,682**	**10,180**	**8,942**

2013 (HUF million)	3 month or less		3-12 months		1-5 years		more than 5 years	
Type of interest	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount
autocallable	0	0	0	0	0	0	750	750
fix	151	163	6	6	800	931	200	209
indexed	0	0	2,911	2,776	1,931	1,994	0	0
floating	0	0	0	0	1,586	1,591	0	0
Repurchased own debt securities	**151**	**163**	**2,917**	**2,782**	**4,317**	**4,516**	**950**	**959**
Net debt securities issued	**25,406**	**27,187**	**27,022**	**27,637**	**65,085**	**71,166**	**9,230**	**7,983**

30) Subordinated liabilities

	2014					
Lender	Borrowed on	Amount in original currency (million)	Original currency	Interest	Due date	Carrying amount (HUF million)
Raiffeisen Bank International AG	27.06.2008	30	EUR	3.35%	06.30.2020	9,449
Raiffeisen Bank International AG	23.12.2013	20	EUR	6.19%	05.03.2021	6,404
Raiffeisen Bank International AG	30.01.2014	40	EUR	6.20%	07.30.2021	12,732
Raiffeisen Bank International AG	30.01.2014	20	EUR	6.20%	07.30.2021	6,366
Raiffeisen Bank International AG	31.01.2014	141	EUR	6.07%	09.01.2020	44,315
Raiffeisen Bank International AG	07.02.2014	25	EUR	6.16%	02.08.2021	7,946
Raiffeisen Bank International AG	07.02.2014	25	EUR	6.16%	02.08.2021	7,946
Raiffeisen Bank International AG	07.02.2014	20	EUR	6.16%	02.08.2021	6,357
Raiffeisen Bank International AG	07.02.2014	10	EUR	6.16%	02.08.2021	3,179
Subordinated liabilities						**104,694**

	2013					
Lender	Borrowed on	Amount in original currency (million)	Original currency	Interest	Due date	Carrying amount (HUF million)
Raiffeisen Bank International AG	27.06.2008	30	EUR	3.57%	30.06.2020	8,909
Raiffeisen Bank International AG	30.06.2008	10	EUR	1.14%	31.12.2018	2,969
Raiffeisen Bank International AG	27.02.2009	20	EUR	7.14%	27.02.2019	5,979
Raiffeisen Bank International AG	25.09.2012	20	EUR	2.04%	25.09.2017	5,971
Raiffeisen Bank International AG	30.09.2012	20	EUR	2.09%	29.09.2017	5,939
Raiffeisen Bank International AG	30.09.2012	20	EUR	2.09%	29.09.2017	5,939
Raiffeisen Bank International AG	28.03.2013	20	EUR	2.04%	30.03.2018	5,970
Raiffeisen Bank International AG	28.06.2013	25	EUR	2.09%	29.06.2018	7,424
Raiffeisen Bank International AG	30.09.2013	25	EUR	1.94%	28.09.2018	7,460
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						**56,586**

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)	2014	2013
Other taxes payable	3,299	3,446
Giro, postal clearing accounts, cash in transit	329	674
Suppliers	2,195	2,937
Payables relating to investment activities	22,741	14,310
Accruals	4,414	5,652
Other	3,678	4,170
Other liabilities	**36,656**	**31,189**

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 2014 and 2013 respectively:

(millió Ft)	2014	2013
At beginning of year	**9,838**	**15,149**
Provisions made during the year	**34,914**	**5,510**
Hereof: contingent liability	0	1,324
provision for pending legal issues	1,500	351
provision for ongoing audit	7,631	584
provision for salaries	554	436
provision for retail loan-programme	0	1,500
provision for collateral	0	555
provision for Settlement Act cash-out	24,506	0
other	723	760
Release in provisions	**(6,700)**	**(10,849)**
Provisions used during the year	0	0
Provisions reversed during the year	(6,700)	(10,849)
Hereof: contingent liability	(3,335)	(3.296)
FX-linked swap	(367)	(1,858)
provision for pending legal issues	(396)	(658)
provision for collateral	(555)	(4,325)
provision for salaries	(436)	0
provision for fine	(584)	0
provision for retail loan-programme	(400)	0
other	(627)	(712)
Effect of revaluation	121	28
At end of year	**38,173**	**9,838**

For detailed information on payoffs according to the Settlement Package, see the section of special regulations on Loan Portfolio (on page 33).

(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 2014. 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 2014 and 31 December 2013.

(HUF million)	2014	2013
Assets classified as held for sale		
Property, plant and equipment	8,714	9,291
Goodwill	1,042	1,042
Current tax assets	0	5
Other assets	228	231
	9,984	**10,569**
Liabilities classified as held for sale		
Current tax liabilities	0	47
Other liabilities	67	61
	67	**108**

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 2014.

(34) Share capital

As at 31 December 2014 and 2013, the equity structure of the Group consisted of the following classes of shares:

2014 (HUF million)				
Shareholder	Type of share	Number of shares	%	HUF million
Raiffeisen-RBHU Holding GmbH	Ordinary	5,000,008	100.00	50,000
Raiffeisen-RBHU Holding GmbH	Preference	0	0.00	0
Total				**50.000**

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**

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

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

- Firstly, at 28/03/2014, 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 6,215.99 million as capital reserve. The Budapest Court as Court of registry registered it at 22/04/2014.

- Secondly, at 28/07/2014, 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 7,671.615 million as capital reserve. The Budapest Court as Court of registry registered it at 11/08/2014.
- Thirdly, at 10/09/2014, 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 18,815.99 million as capital reserve. The Budapest Court as Court of registry registered it at 15/09/2014.
- Finally, at 09/12/2014 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 64,173.89 million as capital reserve. The Budapest Court as Court of registry registered it at 05/01/2015.

As at 31 December 2014 and 2013, the Group held no treasury shares in its portfolio.

During 2014 and 2013 there were no dividend payments.

(35) Other reserves

General reserve

In accordance with section 83 chapter 38 of the No. CCXXXVII Hungarian Act of 2013, 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 2014 (2013: 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 2014 non controlling interest without profit for the period increased by HUF 5,295 million mainly because of the capital increase in Raiffeisen Lízing Zrt. (HUF 5,452 million).

In 2013 non controlling interest without profit for the period increased by HUF 1,239 million. Main changes were the capital increase 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).

(37) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(HUF million)	2014	2013
Deferred tax assets	0	3,677
Deferred tax liabilities	120	126
Net deferred taxes	**(120)**	**3,551**

	2014			2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Cash and cash equivalents	5	0	5	0	0	0
Placements with banks	0	0	0	1	0	1
Loans	680	102	578	814	226	588
Impairment losses	0	232	(232)	3,012	0	3,012
Financial assets at fair value through profit or loss	100	0	100	0	18	(18)
Available for sale securities	2	18	(16)	0	21	(21)
Investments in associated undertakings	0	90	(90)	1,002	0	1,002
Investments in unlisted securities	3	0	3	3	0	3
Property, plant and equipment	0	0	0	171	521	(350)
Investment property	0	0	0	23	0	23
Intangible assets	0	0	0	0	8	(8)
Goodwill	0	0	0	0	145	(145)
Deposits from banks	0	1,898	(1,898)	0	2,160	(2,160)
Deposits from non-banks	5	0	5	0	0	0
Debt securities issued	0	4	(4)	0	0	0
Financial liabilities at fair value through profit or loss	0	67	(67)	6	0	6
Provisions	123	0	123	351	0	351
Other items	111	0	111	13	1	12
Probably useable tax loss carry-forwards	1,262	0	1,262	1,255	0	1,255
Net tax assets (liabilities)	**2,291**	**2,411**	**(120)**	**6,651**	**3,100**	**3,551**

In 2014 the Bank has probably not usable tax loss carry-forwards in amount of HUF 190,690 million (2013: HUF 163,475 million) and there is no deferred tax asset recognized 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)	*2014*	*2013*
	Nominal value	*Nominal value*
Contingencies		
Import letters of credit	*6,395*	*11,088*
Export letters of credit	*0*	*0*
Guarantees issued	*152,185*	*155,726*
Other contingencies (including litigation)	*19,605*	*8,018*
Total contingencies	***178,185***	***174,832***
Commitments		
Unutilized loan facilities	*120,027*	*125,288*
Unutilized overdraft facilities	*117,604*	*98,157*
Unutilized guarantee frames	*64,109*	*41,398*
Total commitments	***301,740***	***264,843***

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 1,256 million in 2014 for 2015 (in 2013 rental commitment for 2014 amounted to HUF 1,415 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 table below analyses financial instruments carried at fair value, by valuation method:

2014 (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	518,386	0	0	**518,386**	**518,386**	518,386	0	0
Placements with banks	0	31,531	0	0	**31,531**	**31,531**	0	31,531	0
Net loans	0	1,123,829	0	0	**1,123,829**	**1,136,715**	0	1,008,531	128,184
Financial assets at fair value through profit or loss	0	0	157,755	33,987	**191,742**	**191,742**	137,694	54,048	0
Available for sale securities	2,694	0	0	0	**2,694**	**2,694**	875	1,819	0
Held to maturity securities	0	125,678	0	0	**125,678**	**133,474**	133,474	0	0
Investments in associated undertakings	0	0	9	0	**9**	**9**	0	0	9
Investments in unlisted securities	31	0	0	0	**31**	**31**	0	0	31
Total financial assets	**2,725**	**1,799,424**	**157,764**	**33,987**	**1,993,900**	**2,014,582**	**790,429**	**1,095,929**	**128,224**
FINANCIAL LIABILITIES									
Deposits from banks	0	314,479	0	0	**314,479**	**316,316**	0	316,316	0
Deposits from non-banks	0	1,324,951	0	0	**1,324,951**	**1,324,951**	0	1,324,951	0
Debt securities issued	0	104,564	0	0	**104,564**	**104,487**	0	104,487	0
Subordinated liabilities	0	104,694	0	0	**104,694**	**104,694**	0	104,694	0
Financial liabilities at fair value through profit or loss	0	0	29,641	33,848	**63,489**	**63,489**	0	63,489	0
Total financial liabilities	**0**	**1,848,688**	**29,641**	**33,848**	**1,912,177**	**1,913,937**	**0**	**1,913,937**	**0**

2013 (HUF million)	Fair value through equity	Amor-tized 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**

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 calculated with modified Black-Scholes model. In case of exotic options, which do not have closed-form for revaluation iteration techniques 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 the bank. 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 expected Marked-to-market exposure, the default risk at several date until the maturity are taken into consideration and the products of these factors are summarized. Finally the result is adjusted 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, 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:

2014 (HUF million)			
Related parties	Parent company and its group	Associates	Key Management Personnel
Assets	**144,394**	**0**	**9**
Placements with banks	77,806	0	0
Loans and advances to customers	6,279	0	9
Financial assets at fair value through profit or loss	30,829	0	0
Other assets	29,480	0	0
Liabilities	**158,968**	**12**	**166**
Financial liabilities at fair value through profit or loss	44,319	0	0
Deposits from banks	6,007	0	0
Deposits from non-banks	3,611	12	157
Subordinated liabilities	104,694	0	0
Other liabilities	337	0	9
Income statement	**(5,501)**	**80**	**1**
Interest income	231	80	0
Interest expense	(6,130)	0	(1)
Net fee and commission income	(82)	0	1
Net trading income	1,213	0	1
Net income from derivatives held for risk management	1,214	0	0
Other operating income	31	0	0
Impairment losses	(80)	0	0
Other operating expenses	(1,898)	0	0
Contingencies and commitments	**18,820**	**0**	**0**
Undrawn commitments to extend credit	11,639	0	0
Guarantees	7,181	0	0

Related parties	2013 (HUF million) 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

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 2014	Ownership ratio 2013	Residence of the Company	Brief description of activities
Subsidiaries				
BUTÁR Gazdasági Szolgáltató Kft.	100.00%	100.00%	2030 Érd, Budai út 22.	Activities of collection agencies and credit bureaus
EURO GREEN ENERGY Fejlesztő és Szolgáltató Kft.	50.00%	50.00%	1158 Bp., Késmárk u. 11-13	Electricity production
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%	1158 Bp., Késmárk u. 11-13	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.	90.33%	87.32%	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%	90.33%	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.	a.)	50.00%	1158 Bp., Késmárk u. 11-13	Electricity production
VINAGRIUM Borászati és Kereskedelmi Kft.	a.)	100.00%	3300 Eger, Verőszala u. 1-3.	Wine production

Company	Ownership ratio 2014	Ownership ratio 2013	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.) SZELET Energiatermelő és Szolgáltató Kft. and VINAGRIUM Borászati és Kereskedelmi Kft. were sold.

(43) Funds management

The Group manages 0 close-ended (2013: 0) and 19 open-ended (2013: 21) investment funds via Raiffeisen Befektetési Alapkezelő Zrt., a fully owned and consolidated subsidiary. However, as the funds themselves are not controlled by the Group, they are not consolidated. For funds management services provided by the Group, funds should pay certain fees and commission that is presented as „Net fee and commission income" (see Note 7). In 2014 and 2013, transactions with the funds themselves were as follows:

(HUF million)	2014	2013
Managed funds	**190,071**	**204,984**
Open-ended funds	190,071	204,984
Close-ended funds	0	0
Net fee and commission income from funds	1,995	2,109
Deposits from funds	50,143	57,604
Interest expense on deposits from funds	1,453	4,863

Among Open-ended funds the funds that has been managed by fix term funds is HUF 2,456 million (Raiffeisen Hozamrögzítő Tőkevédett Alap, Raiffeisen 2016 Kötvény Alap). 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.

2014 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
ASSETS					
Cash and cash equivalents	0	0	518,386	0	**518,386**
Placements with banks	0	0	31,531	0	**31,531**
Loans	862,283	441,049	872	175,058	**1,479,262**
Less: loss value on loans	179,278	174,902	0	1,253	**355,433**
Net loans	683,005	266,147	872	173,805	**1,123,829**
Financial assets at fair value through profit or loss	4,069	154	57,886	129,633	**191,742**
Available for sale securities	1,844	0	0	850	**2,694**
Held to maturity securities	1,557	0	0	124,121	**125,678**
Investments in associated undertakings	9	0	0	0	**9**
Investments in unlisted securities	31	0	0	0	**31**
Property, plant and equipment	1,285	0	0	8,473	**9,758**
Investment property	0	0	0	192	**192**
Intangible assets	250	0	0	15,089	**15,339**
Goodwill	0	0	0	1,048	**1,048**
Current tax assets	0	0	0	142	**142**
Deferred tax assets	0	0	0	0	**0**
Other assets	9,256	532	33,314	14,063	**57,165**
Assets classified as held for sale	8,714	0	0	1,270	**9,984**
Total assets	**710,020**	**266,833**	**641,989**	**468,686**	**2,087,528**
LIABILITIES AND EQUITY					
Deposits from banks	483	0	267,909	46,087	**314,479**
Deposits from non-banks	825,681	391,490	360	107,420	**1,324,951**
Debt securities issued	0	104,564	0	0	**104,564**
Subordinated liabilities	0	0	104,694	0	**104,694**
Financial liabilities at fair value through profit or loss	3,175	533	59,781	0	**63,489**
Current tax liabilities	0	0	0	1	**1**
Deferred tax liabilities	0	0	0	120	**120**
Provisions	2,879	22,822	195	12,277	**38,173**
Other liabilities	7,501	20,023	2,038	7,094	**36,656**
Liabilities classified as held for sale	67	0	0	0	**67**
Total liabilities	**839,786**	**539,432**	**434,977**	**172,999**	**1,987,194**
Equity attributable to equity holders of the parent	**0**	**0**	**0**	**99,695**	**99,695**
Ordinary shares	0	0	0	50,000	**50,000**
Issued capital	0	0	0	50,000	**50,000**
Retained earnings	0	0	0	(196,214)	**(196,214)**
Capital reserve	0	0	0	249,481	**249,481**
Non-distributable reserve	0	0	0	0	**0**
Fair value reserve	0	0	0	(3,572)	**(3,572)**
Non controlling interest	0	0	0	639	**639**
Total equity	**0**	**0**	**0**	**100,334**	**100,334**
Total liabilities, non controlling interest and shareholder's equity	**839,786**	**539,432**	**434,977**	**273,333**	**2,087,528**
INCOME STATEMENT					
Interest income	35,317	26,341	5,335	16,280	**83,273**
Interest expense	10,365	5,168	21,694	1,874	**39,101**
Net interest income	**24,952**	**21,173**	**(16,359)**	**14,406**	**44,172**

2014 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
Fee and commission income	12,004	24,009	225	4,649	**40,887**
Fee and commission expenses	3,616	2,713	428	744	**7,501**
Net fee and commission income	**8,388**	**21,296**	**(203)**	**3,905**	**33,386**
Dividend income	59	0	0	0	**59**
Net trading income	(450)	0	13,967	8	**13,525**
Net income from derivatives held for risk management	0	0	0	3,546	**3,546**
Other operating income	2,340	4	0	1,604	**3,948**
Operating income	**1,949**	**4**	**13,967**	**5,158**	**21,078**
Impairment losses	**26,662**	**88,391**	**0**	**59**	**115,112**
Operating expenses without depreciation	10,980	46,305	10,901	22,104	**90,290**
Depreciation	1,619	3,469	162	1,934	**7,184**
Operating expenses	**12,599**	**49,774**	**11,063**	**24,038**	**97,474**
Profit/(loss) before tax	**(3,972)**	**(95,692)**	**(13,658)**	**(628)**	**(113,950)**
Income tax expense	0	0	0	113	**113**
Deferred tax	0	0	0	3,625	**3,625**
Profit/(loss) for the period	**(3,972)**	**(95,692)**	**(13,658)**	**(4,366)**	**(117,688)**
OTHER INFORMATION					
Capital expenditure	1,069	1,866	348	1,342	**4,625**

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**
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**

2013 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
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 expenditure	1,082	1,968	411	1,519	**4,980**

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 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 64,173,890,000 as capital reserve. The Budapest Court as Court of registry registered it at 05/01/2015.

As of 1st of February, 2015 the Act LXXVIII of 2014 "Fair Bank" on the modification of the Act CLXII of 2009 on the loans to costumers and other side regulations came into effect. The Bank has met all the new regulations by the deadline.

During the time of the elaboration of the annual report, the fulfillment of the regulations takes place according to the Act XL of 2014 ("the Settlement Act") and to Act LXXVII of 2014 ("the FX mortgage conversion Act").

Consolidated income statement in euro

(million euro)	2014	2013
Interest and similar income	**269**	**356**
- cash and cash equivalents	11	7
- on placements with banks	1	1
- on loans to non-banks	205	273
- on securities	46	69
- from leases	6	6
Interest expenses and similar charges	**125**	**206**
- on borrowings from banks	17	23
- on deposits from non-banks	55	134
- on debt securities issued	20	31
- on subordinated liabilities	19	5
- other interest-like expenses	14	13
Net interest income	**144**	**150**
Fee and commission income	132	129
Fee and commission expense	24	27
Net fee and commission income	**108**	**102**
Dividend income	0	0
Net trading income	44	36
Net income from derivatives held for risk management	11	29
Other operating income	13	3
Operating income	**68**	**68**
Impairment losses	**372**	**135**
hereof loss of Settlement Act	251	0
Salaries and staff benefits	77	86
Rental expenses	26	26
Equipment expenses	18	21
Other operating expenses	195	181
Operating expenses	**316**	**314**
Share of profits of associates	**0**	**0**
Profit/(loss) before tax	**(368)**	**(129)**
Income tax expense	0	0
Deferred tax	12	2
Profit/(loss) for the period	**(380)**	**(131)**
Attributable to:		
Equity holders of the parent	(362)	(131)
Non controlling interest	(18)	0

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2014 was 314,89 HUF/EUR in 2013 was 296,91 HUF/EUR.

Data above are not part of the consolidated report.

Consolidated statement of financial position in euro

(million euro)	2014	2013
ASSETS		
Cash and cash equivalents	1,646	391
Placements with banks	100	93
Net loans	3,569	4,123
Financial assets at fair value through profit or loss	609	187
Available for sale securities	9	821
Held to maturity securities	399	363
Investments in associated undertakings	0	0
Investments in unlisted securities	0	0
Property, plant and equipment	31	38
Investment property	1	1
Intangible assets	49	53
Goodwill	3	4
Current tax assets	0	5
Deferred tax assets	0	12
Other assets	182	108
Assets classified as held for sale	31	36
Total assets	**6,629**	**6,235**
LIABILITIES AND EQUITY		
Deposits from banks	999	761
Deposits from non-banks	4,208	4,139
Debt securities issued	332	451
Subordinated liabilities	332	191
Financial liabilities at fair value through profit or loss	202	170
Current tax liabilities	0	0
Deferred tax liabilities	0	0
Provisions	121	33
Other liabilities	116	105
Liabilities classified as held for sale	0	0
Total liabilities	**6,310**	**5,850**
Equity attributable to equity holders of the parent	**317**	**382**
Ordinary shares	159	168
Preference shares	0	0
Share capital	**159**	**168**
Retained earnings	(623)	(283)
Statutory reserves	792	514
Non-distributable reserve	0	0
Fair value reserve	(11)	(17)
Non controlling interest	**2**	**3**
Total equity	**319**	**385**
Total liabilities, non controlling interest and shareholder's equity	**6,629**	**6,235**

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2014 was 314,89 HUF/EUR in 2013 was 296,91 HUF/EUR.

Data above are not part of the consolidated report.

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