Annual Report 2015

Raiffeisen BANK
Hungary

Consolidated key data of Raiffeisen Bank Zrt.

Monetary values in euro mn	2015	Change	2014
Income statement			
Net interest income	124	-13.89%	144
Net fee and commission income	107	-0.93%	108
Trading profit (loss)	31	-29.55%	44
Operating expenses	123	1.65%	121
Profit before tax	34	-109.24%	-368
Profit after tax	33	-108.68%	-380
Balance sheet			
Loans and advances to banks	189	89.00%	100
Loans and advances to customers	2,920	-18.18%	3,569
Deposits from banks	877	-12.21%	999
Deposits from customers	4,132	-1.81%	4,208
Equity (incl. minorities and profit)	499	56.43%	319
Balance sheet total	6,278	-5.29%	6,629
Resources			
Average statistical number of staff	2,474	-9.64%	2,738
Banking outlets on balance-sheet day	71	-37.72%	114

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2015 was 313,12 HUF/EUR in 2014 was 314,89 HUF/EUR.

Contents

Report of the Board of Directors

Ladies and Gentlemen,

At the beginning of 2015, Raiffeisen Bank International announced a review of the corporate strategy which the market received very positively. An emphasis on markets in which RBI can generate sustainable returns due to a strong position is also being welcomed, as is the action taken so far to achieve these goals. The plan to become a more focused universal bank with strong customer relationships by reducing complexity and risk as well as through bolstering the capital buffer is well on track and valued by market participants.

More than ever before, a bank today needs a focus – and RBI's is on CEE and Austria. RBI, therefore, needed to look at all operations unrelated to that focus, even when, in some cases, they have been highly successful in the past. The footprint in CEE was also reviewed at this time. All of this took place against the backdrop of higher regulatory capital ratio requirements, which were taken into account while determining the target CET1 and total capital ratios.

In 2015, RBI significantly strengthened its capital base, with the fully loaded CET1 ratio standing at 11.5 per cent at year-end, and also achieved a consolidated profit of € 379 million. The primary reason for the result being so positive was lower net provisioning for impairment losses. Furthermore, general administrative expenses were reduced by 4 per cent compared to 2014, in line with RBI's cost cutting initiative.

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 Board of Directors,

Dr. Johann Strobl
Chairman of the Board of Directors

Foreword by the Chief Executive Officer

The Hungarian economy performed very well in 2015: GDP grew by 2.9 per cent, public deficit further declined to minus 2.0 per cent of GDP, household consumption increased by 2.6 per cent, unemployment rate decreased further to 6.9 per cent, while the inflation stuck around zero. The Hungarian Central Bank started the second rate cut cycle and reduced the base rate from 2.1 per cent to 1.35 per cent between March and July 2015 and further to 0.90 per cent in May 2016.

Raiffeisen Bank reached a turning point in 2015 and returned to black figures by achieving a profit after tax of HUF 8 billion. This significantly improved result was primary due to lower risk costs, no more negative impacts from the settlement process and some positive one-off effects. At the same time, interest income declined as a result of both lower interest rates and margins and lower lending volumes, partially due to the Settlement Act. In order to compensate for reduced gross income and to achieve sustainable profitability going forward, Raffeisen Bank adjusted its business strategy.

The main elements of the new strategy are as follows:

– Focus on Core Customer segments, namely Large Corporates, Small and Medium-sized Enterprises, Private Banking and Affluent Banking, where Raiffeisen Bank already holds a strong position. Our aim is to become the Best Relationship Bank in the country;
– Become more cost efficient by taking measures to significantly reduce the cost base and, among others, closing several branches. The rightsizing was completed during 2015, and Raiffeisen Bank now operates 72 branches across Hungary, with a focus on the bigger cities;
– Making a special effort to further improve our capabilities in Digital Banking by putting aside a dedicated investment budget for this purpose.

Our risk costs declined substantially in 2015 compared to previous years, demonstrating that new lending in the past several years was of high quality and performing well, and non-performing loans have already been well provisioned.

At the same time, we reduced our non-performing loan volume by 43 per cent. This reduction, plus the ÁKK (Government Debt Management Agency) repayment of previous municipality loans which had been taken over by the state treasury, contributed to a visible decline in our customer loan volume.

Due to capital increases of HUF 107.8 billion, the Pillar 1 (Tier1+Tier2) capital adequacy ratio under HAS improved further to 22.7 per cent, and the bank is very well capitalized and comfortably meets all the regulatory requirements. Our liquidity situation is also very solid. All main ratios are met comfortably.

Regarding the HUF conversion and the settlement, Raiffeisen Bank completed these tasks. About 250,000 contracts of the bank were affected in the settlement, and some 39,000 FX and same currency FX loans to private individuals were converted to HUF.

We have a strong market position in Premium Banking with a continuous increase in the number of customers and a growth of Assets under Management of more than 13 per cent.

Friedrich Wilhelm Raiffeisen Private Banking kept its strong market position and showed 16 per cent growth in Assets under Management. Furthermore, the customer satisfaction measurement showed excellent results.

The customer base in the SME segment increased by about 5 per cent. Raiffeisen Bank ranked third among the players in new customer acquisition with more than 8,500 SME acquisitions in 2015.

In Corporate Banking, Raiffeisen Bank continued to be one of the top players in Hungary, maintaining a market share of more than 11 per cent. Also, we managed to keep our leading position regarding loans refinanced by Eximbank and participated in Phase I and II of the NBH Funding for Growth Scheme with a total contracted volume of HUF 137 billion. As part of the focus on digital banking, a new corporate electronic banking channel (Electra) was launched at the end of 2015. Overall, our strong customer orientation was confirmed by surveys, showing a high level of satisfaction among our customers.

Last but not least, Raiffeisen Bank was awarded the "Derivative Trading House of the Year 2015" title by the Budapest Stock Exchange. Since 2007, when the Stock Exchange launched its annual Awards Ceremony, Raiffeisen Bank has won this title six times.

Our general outlook for 2016 is positive, bearing in mind that Hungary's overall economic development is good and macroeconomic growth forecasts are favorable. A further decline in non-performing loans is expected, and risk costs should further go down from an already comparatively low level. Furthermore, the rate of the banking levy was reduced at the beginning of 2016, which is a good sign even though it is still high in absolute terms compared to other countries. Revenues will be under pressure due to the low interest rate environment, however, we are focusing on ways to compensate for this.

Finally, I would like to thank all of my colleagues for their commitment, hard-work and great contribution which was necessary to bring the bank back into black figures.

Kind regards,

Heinz Wiedner

Overview of the 2015 business year

Macroeconomic Environment in 2015

1. Global economic environment

Global economic trends presented a mixed picture in 2015. In the US, there was stable economic growth, a sound labour market and a general return to normality. Given this backdrop, the US central bank (the Fed) raised interest rates for the first time in nine years. After a long period of uncertainty, the monetary policy committee decided it was time to tighten market conditions and prevent overheating. 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 (the world market price had plunged to below USD 35 by the end of 2015) represents benefits for the developed economies, while making the low – and in some places, negative – inflationary environment more protracted.

The Russia-Ukraine conflict did not deepen last year, but at the same time 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 Serbia, where the crisis is proving to be particularly stubborn), but the pace of convergence remains far behind that of the pre-crisis years.

1.1. The Hungarian economy

The Hungarian economy produced growth that was considerably above expectations in 2015: growth for the year was 2.9 percent, which was the second highest growth figure since 2007, after the 3.7 percent of 2014. 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. The unemployment rate fell considerably, to close to 6% by the end of 2015, from levels of more than 10% seen 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 -0.1% for 2015, with lower levels that this seen just once in the past four decades, in 2014.

The budget deficit is consistently below 3% of GDP, and as a ratio to GDP, it did not increase in 2015. 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, and the upgrades are expected to be confirmed in 2016.

1.2. Interest rates and money markets

In March 2015, the Monetary Council of the National Bank of Hungary (MNB) resumed the two-year interest cutting cycle that it had begun in 2012, closing it in July and thus sending the reference rate down to a new historical low of 1.35 percent. This mean that the policy rate had dropped by 565 basis points over the course of the interest rate cutting cycle, since August 2012. Yields on government securities sank further, by a considerable extent, over the year (roughly by 60-75 basis points) as a result of the favourable external environment and improving Hungarian macroeconomic trends. In the first half of the year, the forint fluctuated widely against the euro and the dollar, and the weakening trend continued, overall, in the second half of the year. Compared to 2014, the forint weakened roughly by half a percentage point on average against the euro.

1.3. The banking sector

In 2015 the banking sector recorded earnings before taxes of HUF 39 billion, according to preliminary data. Interest income fell by 16%, while fee and commission income grew by 3%. Operating expenses were 3% higher compared to the previous year.

The combined balance sheet total of the sector stagnated in 2015. The overall volume of customer loans fell, while customer deposits showed an increase as of the end of 2015.

Loans to companies fell by 10% overall, and loans to consumers fell by 13%. The proportion of delinquent loans fell both in the retail and the corporate sectors. The fall in retail loans and the improvement in the quality of the portfolio were the result primarily of the compulsory settlement and the conversion of foreign currency-based loans to forint. The volume of household foreign currency loans remained below 1% as of the end of 2015.

Total customer deposits grew by 6% last year, primarily due to the increase in the volume of corporate deposits.

The volume of new retail loans grew further in 2015, primarily thanks to new placements of home loans; however, the overall volume of loans held by consumers continued to fall. The real estate market grew strongly in 2014, and this trend continued in 2015.

Expert staff

Raiffeisen Bank's staff headcount was 2,064 as of 31 December 2015, and the total number of staff employed by the Raiffeisen Bank Group was 2,446. In line with falling staff numbers, personnel costs also decreased significantly, contributing to the Bank's profitable operation, while the Bank paid particular attention to retaining and rewarding key staff with essential expertise and experience.

The Bank places considerable emphasis on ensuring that its employees receive a fair and competitive income by the standards of the Hungarian labour market, with business, employee and labour-market considerations also being important criteria in the developing of its remuneration and reward system. 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 training and development programmes are geared to business strategy, organisational and personal objectives, and prevailing market conditions. The performance management system operated by the Bank provides a framework for the vertical and horizontal harmonisation of objectives and continuous two-way communication, which facilitates the development of staff, the achievement of personal ambitions, and effective work. Financial rewards and non-financial recognition based on performance, and individual as well as collective contribution to organisational goals, provide incentives for staff to excel.

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. 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 2015, employees spent more than 5,000 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 have for years focused 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. Since 2008, the programme has been known as Raiffeisen Közösen (Raiffeisen Together).

The Bank's aim is that corporate social responsibility should be a philosophy that permeates the institution as a whole, and that is integrated organically into the corporate culture. Therefore, 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.

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

Twice in 2015 we made donations of groceries, through the Children's Meals Foundation (GYEA), to children living in towns 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.

We contributed HUF 20,428,030 in the first half-year and HUF 20,000,000 in the second half-year to the provision of meals for children. From donations set aside by the Bank we supported meals for 930 children in a total of 31 towns. Including its donations made in 2015, Raiffeisen Bank has given a total of HUF 240 million in support for children's meals over the past seven years, ensuring many months of regular quality meals for more than 10,100 children around the country.

Voluntary work for children

In 2015 we again announced the Bank's Corporate Volunteers programme for our employees, with professional support from the Volunteer Centre Foundation (ÖKA).

In the course of the year, we provided opportunities for the departments to perform voluntary work in various towns and villages around the country, on a total of 12 occasions. 207 of our colleagues spent a total of 1,656 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 2015 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 supported the Children's Day trip and Christmas programme for children living in the "Good Start House" in Bódvalenke.

Shareholder

Raiffeisen-RBHU Holding GmbH 100%

Board of Directors

Chairman

Dr. Johann Strobl
Raiffeisen Bank International AG

Members

Berszán Ferenc
Raiffeisen Bank International AG

Andreas Gschwenter
Raiffeisen Bank International AG

Nicolaus Hagleitner
Raiffeisen Bank International AG

Klemens Haller
Raiffeisen Bank International AG

Kementzey Ferenc
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

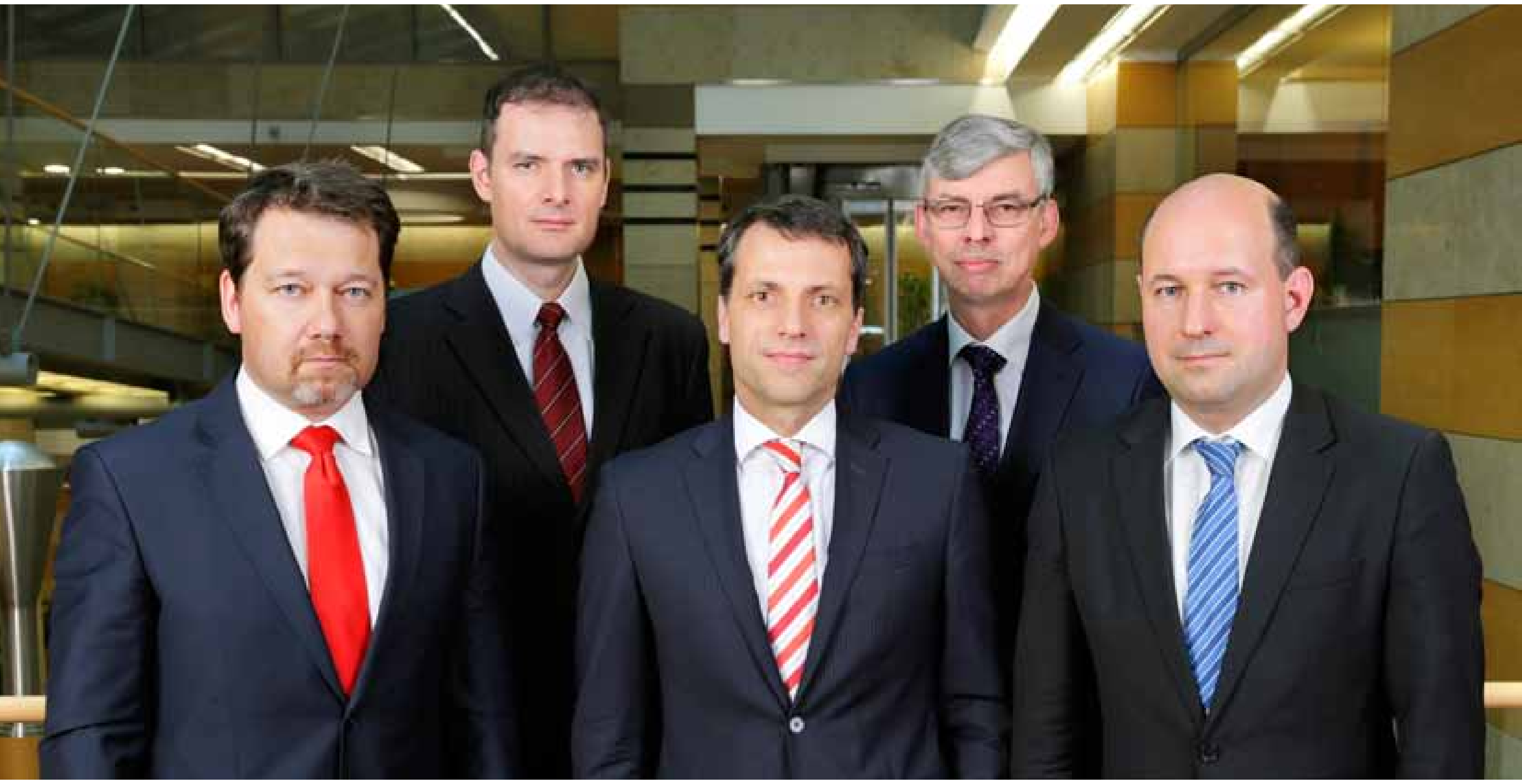
Georg Feldscher
Raiffeisen Bank International AG

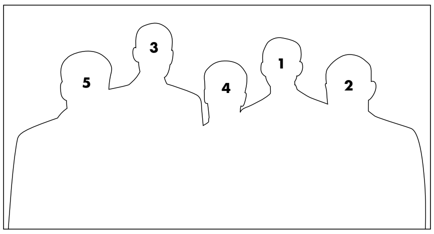
Members

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 nine 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 principle that the supreme executive body should have a majority of external (non-executive) members is reflected in the Board's composition. The makeup of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes.

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 2015 the Board of Directors held four meetings and passed resolutions by means of a written ballot on 10 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 – is one of the most important duties of the Board of Directors. The Board of Directors' other responsibilities include determining the company's operating and business policy guidelines, accepting the annual business plan, approving the Bank's corporate structure and the job descriptions of individual members of the management, establishing and winding-up subsidiaries and project companies in the Bank Group, authorising the establishment of joint ventures and the acquisition of business interests, appointing and dismissing the Bank's CEO and deputy CEO(s) and approving the selection of members of the management and supervisory boards of the Bank's subsidiaries.

Determining the remuneration of the members of the Board of Directors is the prerogative of the Bank's Sole Shareholder, 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.

Committees established by the Board of Directors

- *Remuneration Committee*
  The Remuneration Committee is a committee established by the Board of Directors that assists in the development of principles relating to the remuneration of the CEO and the deputy CEOs, and the members of the Board of Directors and of the Supervisory Board; it makes recommendations with regard to the system of remuneration, and monitors it.
- *Nomination Committee*
  The Nomination Committee is a committee established by the Board of Directors that develops principles related to the selection of members of the Bank's management bodies, and accordingly, it nominates candidates, and makes recommendations with regard to the members of the Bank's and the Bank Group's management bodies, as well as with regard to the principles of, and the framework for, assessing compliance with the requirements prescribed for their executives and employees in key positions.
- *Risk Committee*
  The Risk Committee is a committee established by the Board of Directors that performs a decision-support function, expresses opinions on the Bank's risk strategy and risk propensity, and supports the supervising of the implementation of the risk strategy.

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
  The purpose of the Asset-Liability Committee (ALCO) is to ensure that the Bank's asset-liability structure is in line with its stated profitability and market-share objectives, and at the same time to ensure compliance with RBI's and the Bank's internal liquidity, financing and interest rate limits.
- 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 and Audit Committee

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 principle that a bank's supervisory body should have a majority of independent members is fully reflected in the composition of the Supervisory Board. The Supervisory Board meets in accordance with a predetermined schedule, discusses the annual report on the Company's position, as well as the regular and extraordinary internal audit and compliance reports, and may include on its agenda any plan or report of the Company that it deems important, and – in line with 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 Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. 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.

The Supervisory Board consists of three members, each with a five-year mandate. The regulations pertaining to the nomination and recall of the employees' representative on the Supervisory Board are determined by the Workplace Council that operates within the Bank.

Members of the Supervisory Board:
- Georg Feldscher (chairman)
- Ursula Wirsching (member)
- Dr. Mercedes Szabó Tóth (member) – representative of the employees' union

The Supervisory Board / Audit Committee convenes as many times as is necessary, but at least twice a year. Minutes are taken of the meetings, and the resolutions are documented. The Supervisory Board / Audit Committee may also pass resolutions without holding a meeting, by means of a written ballot. In 2015 the Board of Directors held two meetings and passed resolutions by means of a written ballot on eight occasions.

Determining the remuneration of the members of the Supervisory Board 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 Supervisory Board and makes a decision regarding the extent of their remuneration.

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

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

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 analyzes the full range of risks inherent in business processes and examines whether the system of internal controls that has been implemented, together with the applied procedures, are capable of effectively managing such risks. As a part of this, the Bank's Management provides the department with unrestricted access to all of the necessary information, documents and data, as well as to the persons involved in the activities and processes being audited. The Bank's Internal Audit Department is under the professional (methodological) supervision and control of the Sole Shareholder's Internal Audit 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.), Part Eight of Regulation (EU) No. 575/2013, Act CXX of 2001 on the Capital Market (Tpt.), Act CXXXVIII of 2007 on Investment Enterprises and Commodity Exchange Service Providers and the Rules Governing the Activities They May Perform, as well as Act C of 2000 on Accounting and Decree 24/2008 (VIII.15.) PM of the Minister of Finance on the Detailed Rules of Disclosure Obligations Relating to Publicly Traded Securities – 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.
- Derivative transactions for hedging purposes: The Bank concludes interest rate swap transactions for fair value hedging purposes in order to offset changes in the fair value of the derivative embedded in the underlying fixed-interest transaction (fixed-interest loan, deposit 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 determined according to market prices available in the Bloomberg information system. 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. Structured deposits contain an embedded derivative reported by the Bank separately from the deposit, at market price including the interest rate swap hedging it. These embedded derivatives and related interest rate swaps are reported on the balance sheet at fair value.
The Bank reports non-structured deposits, included in hedge accounting, on the balance sheet at fair value. The fair value is determined as the net present value of expected future cash flows, discounted to the balance sheet date.

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. Structured bonds contain an embedded derivative reported by the Bank separately from the bond, at market price including the interest rate swap hedging it. These embedded derivatives and related interest rate swaps are reported on the balance sheet at fair value.

Hedge accounting

For risk management purposes the Bank uses both fair value hedging transactions and cash-flow hedging transactions.

The Bank determines the market value of hedging and hedged transactions and analyses hedging efficiency on a monthly basis. The Bank uses the regression calculation method to evaluate hedging efficiency. This method analyses whether there is a strong correlation between variations in the past valuation differences of 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 coefficient of determination of the regression equation is at least 0.8, or if its beta value remains between 0.8 and 1.25 during the entire 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, operational and fraud 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. As a continuation of this integration drive, since the third quarter of 2015 the Integrated Risk Analysis Department has been in charge of non-credit related fraud management. The HFRM (Head of Fraud Risk Management), who is responsible for coordinating the entire fraud management activity at Bank Group level, was appointed by senior management in this department as well.

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 2015, its active employee headcount was 2,046, not including contractors and employees of subsidiaries. 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. Financial rewards and non-financial recognition based on performance provide incentives for staff to excel.

Raiffeisen Bank conducts complex training and development programmes, which, besides the enhancement of professional knowledge and skills, focus on personal, leadership, language and computer skills development. The Bank's employees spend 3 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 2015.

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

General remarks on the bank's operations in the 2015 business year

1.1. Corporate and Municipalities 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 11% 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 Funding for Growth Scheme announced by the MNB was closed in 2015. Since the launch of the Scheme until the end of 2015, our Bank concluded 1,454 corporate loan contracts in the framework of the Scheme, in a total amount of HUF 137 billion.

In the SME sector it was the refinanced loan schemes that were most popular, while among companies that did not meet the SME criteria, the loan facilities provided from our own funds were favoured.

The Bank's Structured Products Department had an excellent year in 2015. The trade and agricultural finance section increased its loan portfolio by nearly 30% over the previous year's end, reporting particular success in terms of export financing. With regard to loans refinanced by Exim, we launched 3 new products and disbursed new loans in a combined value of EUR 215 million, as a result of which the portfolio exceeded EUR 430 million. The most notable achievement of our agricultural finance section in 2015 was the acquiring of new clients, three of whom went on to be parties to the Bank's biggest corporate transactions of 2015, which involved the refinancing of their entire loans.

As one of the leading players in the Hungarian market in the area of documentary credits, we acquired nearly 130 new customers. Our bank's portfolio of guarantees and letters of credit exceeded HUF 180 billion over the course of the year, representing roughly 5,000 active transactions. In our Factoring division, the main focus was on implementing the new software and starting its testing, a process that will be completed in 2016.

In the Project Finance and Syndicated Loans division, we participated in the financing of a number of key projects, some independently, and others as a member of domestic or international consortia. A pleasing result compared to the previous years was the significant reduction in the cost of risk, which enhanced the section's efficiency considerably.

The volume of international transfers made by our customers increased both on the incoming (+11%) and outgoing (+7%) side, which is a reflection of the success of our Cash Management services.

In the Municipalities division, at the heart of our service model are larger municipalities and the companies they own, where we continue to provide comprehensive banking services.

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 2015, 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. The Bank did not participate as an advisor in any major corporate finance transaction in 2015.

1.2. Small and medium-sized enterprises

The year 2015 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 renewed our SME strategy in line with the new branch-network coverage, whereby our experienced advisers, now expanded in number, 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 alongside the restructuring of the branch network, the number of our corporate customers also increased last year; the close to 9,000 new accounts placed us among the three most successful banks in Hungary in terms of new client acquisition in the SME segment. We regularly measure the satisfaction (NPS) of our customers, which was again outstanding last year, at above 70 points on average.

In 2015, we continued with our Raiffeisen Business Partner Club activities. Our events continued to attract very favourable feedback and reviews from participants (an average 4.6/5). In the context of the Business Partner Club, 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. In comparison to the previous four years, in 2015 a record volume of new loans was placed, in a value of nearly HUF 25 billion.

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. We launched a new electronic banking system (ELECTRA), which offers many new functions to our customers. At the same time, we began to phase out our electronic banking system Raiffeisen Express, which was becoming increasingly less competitive in terms of its functionality.

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

1.3. Retail customers

In accordance with the Bank's long-term strategy,one of the most important tasks of 2015 was to develop an optimal branch network best able to serve our strategic target segments. As a result of the rationalisation of the branch network the Bank's sustainable cost base improved significantly, while service level and customer satisfaction metrics continued to be high, and the customer attrition rate was well below the forecast. In parallel with this, the Bank launched its 3-year Digital Programme, through which it aims to considerably strengthen its alternative sales channels.

In terms of retail deposits, the Bank's market share grew to 6.35% in 2015. In particular, in line with our key strategic priorities, by year-end the Bank's customers had 34% more funds on their current accounts than at the end of 2014, chiefly thanks to the continuously growing number of customers for whom we are the primary bank. The growth in total current-account balances did only offset the decline in the fixed-term deposit total, but exceeded it by 65%. In terms of current-account balances, the Bank's market share rose from 5.4% to 5.9%.

In 2015, total assets held by our customers in investment funds rose from HUF 288 billion to HUF 308 billion, which represents a volume growth of 7%. Assets held in government securities continued to grow in 2015 (40%), and thus the share of this asset class within total managed assets exceeded 20%.
Overall, retail savings – together with bonds and investment funds – amounted to HUF 647 billion in total managed assets at the end of 2015 (representing a 3.1% increase).

With regard to retail lending, the most important tasks for 2015, besides increasing lending volumes, were managing the conversion of foreign currency-based loans into forint plus the related settlement with customers, and introducing the debt brake rules and the Fair Banking regulations. These tied our resources down considerably, but also meant that the Bank succeeded in fully complying with the legislative changes by the prescribed deadline.

In terms of new volumes, we shifted our focus to the sale of unsecured lending products, where a roughly 10% volume increase was observable in disbursements of personal loans, while sales of credit-line facilities remained flat. The year 2015 did not bring any change in the volume of home loans.

A new loan product with more favourable interest was introduced, allowing customers to roll their existing annuity and credit-line debts into one product, the Debt Relief Loan. A slight decline was seen in applications for overdrafts, while their utilisation levels did not change. The volume of transactions made using credit cards grew considerably compared to 2014, by 68%, thanks to the attractive value proposition of the OneCard Credit Card, which we changed at the end of the first quarter of 2015. The product accounted for more than three quarters of all purchase transactions made using credit cards in 2015. We expanded our alternative sales channels as well as the number of our sales partners, as a result of which partner-driven sales grew by 240% compared to 2014, accounting for 42% of new credit-card sales in 2015.

Overall, the Bank's market share dropped slightly in respect of retail loans, to 5.9% at the end of 2015.

1.4. Private Banking Customers

Friedrich Wilhelm Raiffeisen Private Banking closed the most successful years in its history in 2015. Thanks to the confidence that our customers have in us, and which we value highly, the assets entrusted to our care amounted to HUF 365 billion by the end of the year, which represents a growth of 15% 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. In 2015 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, and our high-quality events also helped improve the level of satisfaction 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.

1.5. Financial institutions

Financial institution customers are of key strategic importance for the Bank. This segment represents a source of income for the Bank under conditions of moderate 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 insignificant in this segment, and our other costs are also low.

The key target group of the division includes domestic insurance companies, investment fund managers, pension funds and health funds, as well as domestic and international financial institutions and 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 increased support from group management at the head office in Vienna, we offer solutions that are unique in the market with regard to the custody and settlement of our customers' investments in Eastern and Central Europe. The market recognition bestowed on our revamped custody product was reflected in the fact that several new domestic and international clients chose the Raiffeisen solution in 2015.

In the falling interest rate environment, strong demand remains among 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, our commission revenues continued to grow in 2015.

Our Bank assumed a leading role in a number of internal projects and other projects affecting the entire Hungarian capital market. Clear, positive feedback from both customers and industry experts shows that Raiffeisen Bank is one of the strongest brands in the regional money and capital markets.

Raiffeisen Bank International at a glance

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. In CEE, at the end of 2015, around 48,000 RBI employees served some 14.9 million customers in around 2,700 business outlets. 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 51,000 employees and has total assets of approximately € 114 billion.

RZB was founded in 1927 as "Genossenschaftliche Zentralbank". The RZB founded its first subsidiary bank in CEE already back in 1987. Since then, further own 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 Vienna 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. At year-end 2015, RZB – which functions as the central institution of the Austrian Raiffeisen Banking Group – held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.

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Independent Auditors' Report

To the shareholder of Raiffeisen Bank Zrt.

We have audited the accompanying consolidated financial statements of Raiffeisen Bank Zrt. ("the Bank") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by 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 Bank and its subsidiarises as at 31 December 2015, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Budapest, 25 April 2016

KPMG Hungária Kft.

István Henye
Partner

Consolidated income statement

(HUF million)	Note	2015	2014
Interest and similar income	(5)	**67,177**	**83,273**
- cash and cash equivalents		5,474	3,523
- on placements with banks		1,402	267
- on loans to non-banks		47,386	63,450
- on securities		11,298	14,269
- from leases		1,617	1,764
Interest expenses and similar charges	(6)	**28,653**	**39,101**
- on borrowings from banks		5,173	5,242
- on deposits from non-banks		9,359	17,164
- on debt securities issued		4,220	6,333
- on subordinated liabilities		4,516	5,888
- other interest-like expenses		5,385	4,474
Net interest income		**38,524**	**44,172**
Fee and commission income		40,584	40,887
Fee and commission expense		7,412	7,501
Net fee and commission income	(7)	**33,172**	**33,386**
Dividend income		5	59
Net trading income	(8)	9,430	13,525
Net income from derivatives held for risk management	(9)	581	3,546
Other operating income	(10)	4,735	3,948
Operating income		**14,751**	**21,078**
Impairment losses	(11)	**(11 258)**	**115,112**
hereof result of Settlement Act	(17)	(20 844)	77,651
Personnel expenses	(12)	23,218	23,742
Rental expenses		9,493	7,901
Equipment expenses		5,174	5,482
Other operating expenses	(10)	49,292	60,349
Operating expenses		**87,177**	**97,474**
Profit/(loss) before tax		**10,528**	**(113,950)**
Income tax expense	(13)	231	113
Deferred tax	(13)	19	3,625
Profit/(loss) for the period		**10,278**	**(117,688)**
Attributable to:			
Equity holders of the parent		9,984	(112,188)
Non-controlling interest		294	(5,500)

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

Consolidated statement of comprehensive income

(HUF million)	*2015*	*2014*
Profit/(loss) for the period	***10,278***	***(117,688)***
Other comprehensive income/(loss)		
Change of financial assets measured at fair value throughother comprehensive income :		
Change in fair value of available-for-sale financial assets	*912*	*98*
Amount transferred to profit or loss	*(7)*	*120*
Cash flow hedges :		
Effective portion of changes in fair value	*1,090*	*594*
Amount transferred to profit or loss	*117*	*581*
Income tax on other comprehensive income/(loss)	***16***	***(46)***
Other comprehensive income/(loss) for the period, net of income tax	***2,128***	***1,347***
Total comprehensive income/(loss) for the period	***12,406***	***(116,341)***
Total comprehensive income/(loss) attributable to:		
Equity holders of the Bank	*12,112*	*(110,841)*
Non-controlling interest	*294*	*(5,500)*
Total comprehensive income/(loss) for the period	***12,406***	***(116,341)***

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

Consolidated statement of financial position

(millió forint)	Note	2015	2014
Assets			
Cash and cash equivalents	(15)	505,024	518,386
Placements with banks	(16)	59,194	31,531
Net loans	(17)	914,198	1,123,829
Financial assets at fair value through profit or loss	(18)	175,150	191,742
Available for sale securities	(19)	62,001	2,694
Held to maturity securities	(19)	187,611	125,678
Investments in associated undertakings	(20)	9	9
Investments in unlisted securities	(20)	1,341	31
Property, plant and equipment	(21)	17,335	9,758
Investment property	(21)	0	192
Intangible assets	(22)	12,653	15,339
Goodwill	(23)	1,048	1,048
Current tax assets		13	142
Deferred tax assets	(37)	0	0
Other assets	(25)	30,228	57,165
Assets classified as held for sale	(33)	0	9,984
Total assets		**1,965,805**	**2,087,528**
LIABILITIES AND EQUITY			
Deposits from banks	(27)	274,544	314,479
Deposits from non-banks	(28)	1,293,677	1,324,951
Debt securities issued	(29)	64,761	104,564
Subordinated liabilities	(30)	60,018	104,694
Financial liabilities at fair value through profit or loss	(26)	44,436	63,489
Current tax liabilities		45	1
Deferred tax liabilities	(37)	123	120
Provisions	(32)	11,045	38,173
Other liabilities	(31)	60,870	36,656
Liabilities classified as held for sale	(33)	0	67
Total liabilities		**1,809,519**	**1,987,194**
Equity attributable to equity holders of the parent		**155,729**	**99,695**
Ordinary shares		50,000	50,000
Share capital	**(34)**	**50,000**	**50,000**
Retained earnings		(185,921)	(196,214)
Capital reserve	(34)	293,094	249,481
Fair value reserve	(34)	(1,444)	(3,572)
Non-controlling interest	(36)	**557**	**639**
Total equity		**156,286**	**100,334**
Total liabilities, non-controlling interest and shareholder's equity		**1,965,805**	**2,087,528**

Consolidated statement of changes in equity

(HUF million)	Ordinary shares	Share capital	Capital reserve	Fair value reserve	Total other reserves	Retained earnings	Total equity	Non controlling interest	Total equity
Note	(34)		(34)						
Balance 1 January 2015	**50,000**	**50,000**	**249,481**	**(3,572)**	**245,909**	**(196,214)**	**99,695**	**639**	**100,334**
Total comprehensive income/(loss) for the period									
Profit or loss	0	**0**	0	0	**0**	9,984	**9,984**	294	**10,278**
Other comprehensive income/(loss)									
Net change in fair value of available-for-sale financial assets, net of tax	0	**0**	0	928	**928**	0	**928**	0	**928**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	0	**0**	0	(7)	(7)	0	(7)	0	(7)
Effective portion of changes in fair value of cash flow hedge items, net of tax	0	**0**	0	1,090	**1,090**	0	**1,090**	0	**1,090**
Net amount transferred to profit or loss (cash flow hedge items), net of tax	0	**0**	0	117	**117**	0	**117**	0	**117**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**2,128**	**2,128**	**0**	**2,128**	**0**	**2,128**
Total comprehensive income/(loss) for the period	**0**	**0**	**0**	**2,128**	**2,128**	**9,984**	**12,112**	**294**	**12,406**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Issue of share capital and share premium	0	**0**	43,613	0	**43,613**	0	**43,613**	0	**43,613**
Transfer to reserves, net of tax	0	**0**	0	0	**0**	0	**0**	0	**0**
Total contributions by and distributions to owners	**0**	**0**	**43,613**	**0**	**43,613**	**0**	**43,613**	**0**	**43,613**
Changes in ownership interests	0	**0**	0	0	**0**	309	**309**	0	**309**
Change in non-controlling interest during the period	0	**0**	0	0	**0**	0	**0**	(376)	**(376)**
Non-controlling interest arising on acquisition	0	**0**	0	0	**0**	0	**0**	0	**0**
Decrease in non-controlling interest during the period	0	**0**	0	0	**0**	0	**0**	(376)	**(376)**
Total changes in ownership interests	**0**	**0**	**0**	**0**	**0**	**309**	**309**	**(376)**	**-67**
Total transactions with owners, recorded directly in equity	**0**	**0**	**43,613**	**0**	**43,613**	**309**	**43,922**	**(376)**	**43,546**
Balance 31 December 2015	**50,000**	**50,000**	**293,094**	**(1,444)**	**291,650**	**(185,921)**	**155,729**	**557**	**156,286**

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	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**	**(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**	(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	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	95	95	0	95	0	95
Effective portion of changes in fair value of cash flow hedge items, net of tax	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	581	**581**	0	**581**	0	**581**
Total other comprehensive income/(loss) for the period	**0**	**0**	**0**	**1,347**	**1,347**	**0**	**1,347**	**0**	**1,347**
Total comprehensive income/(loss) for the period	**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	**96,877**	0	**96,877**	0	**96,877**
Transfer to reserves, net of tax	0	**0**	0	85	**85**	(85)	**0**	0	**0**
Total contributions by and distributions to owners	**0**	**0**	**96,877**	**85**	**96,962**	**(85)**	**96,877**	**0**	**96,877**
Changes in ownership interests	0	**0**	0	0	**0**	101	**101**	(154)	**(53)**
Change in non-controlling interest during the period	0	**0**	0	0	**0**	0	**0**	5,449	**5,449**
Non-controlling interest arising on acquisition	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**
Total changes in ownership interests	**0**	**0**	**0**	**0**	**0**	**101**	**101**	**5,295**	**5,396**
Total transactions with owners, recorded directly in equity	**0**	**0**	**96,877**	**85**	**96,962**	**16**	**96,978**	**5,295**	**102,273**
Balance 31 December 2014	**50,000**	**50,000**	**249,481**	**(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 cash flows

(HUF million)	Note	2015	2014
Profit/(loss) for the period		**10,278**	**(117,688)**
Cash flows from operating activites			
Adjustments for:			
Depreciation and amortisation	(21,22)	10,077	6,607
Net impairment loss on non-financial assets	(17)	(102)	(758)
Net impairment losses and write-offs on financial assets	(7)	(189,383)	70,825
Net interest income	(5)	(38,523)	(44,172)
Disposal of assets		276	66
Other		(54)	(1,204)
Income tax expense	(13)	250	3,738
		(217,459)	**35,102**
Change in placements with banks	(16)	(27,663)	(3,798)
Change in loans and advances to customers	(17)	399,014	29,600
Change in derivative financial instruments	(18)	(7,850)	(7,333)
Change in AFS securities (without revaluation)	(19)	(59,718)	242,429
Change in other assets and asset held for sale	(25,33)	27,265	(23,658)
Change in deposits from banks	(27)	(39,934)	88,518
Change in deposits from non-banks	(28)	(31,274)	96,171
Change in other liabilities, provisions and liabilities held for sale	(31,32,33)	(2,979)	33,759
		256,861	**455,688**
Interest and dividends received		67,181	83,332
Interest paid		(28,653)	(39,101)
Income tax paid		(57)	1,184
Net cash from / (used in) operating activities		**88,151**	**418,517**
Cash flows from investing activities			
Purchase of securities	(19)	(146,826)	(159,152)
Disposals of securities	(19)	91,489	25,547
Purchase of investment in associates		0	0
Disposal of investment in associates		0	0
Purchase of equity investments		0	0
Disposal of equity investments		6	14
Purchase of property, plant and equipment	(21)	(1,992)	(1,161)
Disposals of property, plant and equipment	(21)	53	26
Purchase of intangible assets	(22,23)	(3,357)	(3,772)
Disposals of intangible assets	(22,23)	0	244
Net cash used in investing activities		**(60,627)**	**(138,254)**

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

Consolidated statement of cash flows

(HUF million)	Note	2015	2014
Cash flows from financing activities			
Change in issued debt securities	(29)	(8,992)	23,195
Repayment of debt securities	(29)	(30,812)	(52,604)
Change in subordinated liabilities	(30)	(44,677)	48,108
Issuance of new shares and proceeds from share premium	(34)	43,546	102,277
Dividend paid		0	0
Net cash from financing activities		**(40,935)**	**120,976**
Net increase/decrease of cash and cash equivalents		**(13,411)**	**401,239**
Cash and cash equivalents at 1 January		**518,386**	**116,004**
Net effect of exchange rate		49	1,143
Cash and cash equivalents at December 31		**505,024**	**518,386**

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 2015 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 Stakeholder on 25 April 2016.

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

There were no changes in accounting policies in 2015.

(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 acquired 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 Hungarian Government Bonds.

Available-for-sale securities are recognised on settlement date, 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. Amortization of premiums or discounts is booked as interest income during the instrument's duration.

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. In 2015 this methodology was revised and additional HUF 4.2 billion provision was allocated. In 2015 the Bank defined some problematic subportfolios within the performing deals and allocates individual impairment on them due to higher risk of these subportfolios as significant instalment-increase is expected on them.

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 and no further recovery from the collateral can be expected.

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.

bb) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these consolidated financial statements:

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
(Entry into force January 1, 2016)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.
It is expected that the Amendments, when initially applied, will not have a material impact on the Entity's financial statements.

Amendments to IAS 1
(Entry into force January 1, 2016)

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.
The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Entity expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Entity.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
(Entry into force January 1, 2016)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
It is expected that the Amendments, when initially applied, will not have material impact on the Entity's financial statements as the Entity does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
(Entry into force February 1, 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.
The entity does not expect the Amendment to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

Amendments to IAS 27 – Equity method in the separate financial statements
(Entry into force January 1, 2016)

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures. The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity intends to continue to carry its investments in subsidiaries, associates or joint ventures.

Annual improvements
(Entry into force January 1, 2016)

Annual Improvements to IFRSs 2010-2012 were issued by the IASB in December 2013 and introduce six amendments to six standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The Annual Improvements to IFRSs 2010-2012 cycle of amendments are applicable to annual periods beginning on or after 1 February 2015. Annual Improvements to IFRSs 2012-2014 were issued by the IASB in September 2014 and introduce four amendments to four standards and standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The Annual Improvements to IFRSs 2012-2014 cycle of amendments are applicable to annual periods beginning on or after 1 January 2016, with earlier adoption permitted.

(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 for the baseline and 2 years for the stressed scenarios, and 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:

2015 (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	1	1,019	0	0	0	0	58
Excellent credit standing	0	0	992	0	0	0	0	270
Very good credit standing	0	1,223	2,072	0	0	0	0	258
Good credit standing	0	788	2,727	0	0	0	0	2,060
Average credit standing	0	235	1,676	0	0	0	0	1,265
Acceptable credit standing	0	4	1,047	0	0	0	0	633
Weak credit standing	0	4	653	3,067	0	0	0	84
Very weak credit standing	0	561	1,045	0	0	0	0	1,369
Doubtful / high default risk	0	1,655	980	0	0	0	0	189
Default	0	172,140	52,970	0	0	0	0	10,758
Unrated	0	449	161	0	0	0	0	2,468
Total gross amount of individually impaired financial assets	**0**	**177,060**	**65,342**	**3,067**	**0**	**0**	**0**	**19,412**
Total individually impaired allowance for impairment	0	122,157	29,480	906	0	0	0	3,199
Total carrying amount of individually impaired financial assets	**0**	**54,903**	**35,862**	**2,161**	**0**	**0**	**0**	**16,213**
Collectively impaired								
Minimal risk	0	1,084	27,427	0	0	0	0	136
Excellent credit standing	0	0	27,987	0	0	0	0	0
Very good credit standing	0	18,963	37,253	0	0	0	0	1,501
Good credit standing	0	31,453	37,246	0	0	0	0	76,662
Average credit standing	0	144,671	28,698	0	0	0	0	50,940
Acceptable credit standing	715	105,453	22,755	26	0	0	0	31,243
Weak credit standing	34,066	46,083	12,617	0	0	0	0	8,096
Very weak credit standing	0	13,650	11,366	0	0	0	0	6,198
Doubtful / high default risk	0	47,006	8,833	0	0	0	0	1,654
Default	0	47	7,362	0	0	0	0	0
Unrated	0	265	3,742	266	0	0	0	608
Total gross amount of collectively impaired financial assets	**34,781**	**408,675**	**225,286**	**292**	**0**	**0**	**0**	**177,038**
Total collectively impaired allowance for impairment	41	3,110	10,396	1	0	0	0	455
Total carrying amount of collectively impaired financial assets	**34,740**	**405,565**	**214,890**	**291**	**0**	**0**	**0**	**176,583**

2015 (millió Ft)	Place-ments with banks	Loans and advances to corporate clients	Loans and advances to retail clients	Loans and advances to Govern-ment and public sector	Investment in debt securities	Other receivables	Derivative assets	OFF B/S exposures
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	0	18	0	0	0	0	0
Acceptable credit standing	0	0	16	0	0	0	0	0
Weak credit standing	0	0	32	477	0	0	0	0
Very weak credit standing	0	1	0	0	0	0	0	0
Doubtful / high default risk	0	22	63	0	0	0	0	0
Default	0	0	14	0	0	0	0	0
Unrated	0	0	0	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**23**	**143**	**477**	**0**	**0**	**0**	**0**
Past due comprises:								
up to 30 days	0	0	128	477	0	0	0	0
31 to 90 days	0	20	1	0	0	0	0	0
91 to 180 days	0	0	0	0	0	0	0	0
181 days to 1 year	0	1	0	0	0	0	0	0
more than 1 year	0	2	14	0	0	0	0	0
Total carrying amount of past due but not impaired financial assets	**0**	**23**	**143**	**477**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Minimal risk	0	2,304	0	0	0	0	0	16,771
Excellent credit standing	0	8,959	16	0	60,091	3	1	13,811
Very good credit standing	0	58,333	213	0	4,700	3	2,076	68,062
Good credit standing	15,709	6,012	247	0	4,998	60	39,344	34,582
Average credit standing	0	44,684	252	0	0	38	341	57,594
Acceptable credit standing	0	26,059	203	0	0	4,102	1,463	75,320
Weak credit standing	8,523	5,706	81	34,831	303,238	5,304	6,738	33,929
Very weak credit standing	222	4,254	6	0	0	1,776	5	8,671
Doubtful / high default risk	0	6,181	700	0	0	4,136	59	4,224
Default	0	0	125	0	0	10	0	9
Unrated	0	393	48	276	0	1,624	378	1,128
Total carrying amount of neither past due nor impaired financial assets	**24,454**	**162,885**	**1,891**	**35,107**	**373,027**	**17,056**	**50,405**	**314,101**
Total gross amount	**59,235**	**748,643**	**292,662**	**38,943**	**373,027**	**17,056**	**50,405**	**510,551**
Impairment for Settlement Packagekage	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total allowance for impairment	**41**	**125,267**	**39,876**	**907**	**0**	**0**	**0**	**3,654**
Total carrying amount	**59,194**	**623,376**	**252,786**	**38,036**	**373,027**	**17,056**	**50,405**	**506,897**

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**

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 2.5 billion in 2015, and HUF 2.3 billion in 2014; in other receivables the clearing account of the exchange agents of banks HUF 1.3 billion in 2015, and HUF billion 0.04 in 2014).
  Retail segment: Unrated exposures in the retail sector mostly negative accounts and distressed exposures, marginal amount of data quality problem loans and employee loans (on-balance HUF 3.8 billion in 2015 and HUF 4.2 billion in 2014; off-balance HUF billion 1.6 in 2015, and HUF 0.7 billion in 2014). The employee loans were removed from neither past due nor impaired category in 2015. Unrated exposure in the retail sector are that loans which are provided by subsidiaries (HUF 0.2 billion in 2015, and HUF 9.9 billion in 2014).

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 identified 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. In 2015 these acts were accomplished by the Group, and the first part of the CXLV. of 2015 ("the FX consumer loans conversion Act").

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, were applied to the losses derived from the Settlement Act.

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 second "FX conversion Act" enacted in 2015 disposes of the HUF conversion of non-mortgage loans and lease contracts. According to the Act the loans is to be converted amounts on the fixed exchange-rates defined in the first FX conversion Act, and in the case of not terminated loans is also to be transformed to annuity loans with capitalizing the past-due amounts.

In 2015 the settlements with the customers were accomplished according to the deadlines of the "Settlement Act", the HUF conversion of mortgage loans was carried out by the end of March 2015, in the fourth quarter of the year the HUF conversion of non-mortgage customer loans and lease contracts was also successfully executed. The provision of foreign currency was provided and exchange rate risk was not resulted.

As the change of the currency represent a substantial modification the forint converted loans were derecognized and recognized at fair value in the books therefore the gross amount of the loans were reduced by HUF 114,204 million and at the same time impairment of the loans was used.

The tables below summarize the P&L effects of the Settlement Package, furthermore in Note 11, 17 and 32 the impact of the Settlement Package is highlighted.

Allowances for impairment and provision for Settlement Package

Specific allowances for impairment (HUF million)	*2015*	*2014*
Balance at 1 January	***55,264***	***0***
Impairment loss for the year:		
Charge for the year	*0*	*53,997*
Release	*(16,156)*	*0*
Effect of foreign currency movements	*3,799*	*1,267*
Write-offs	*(42,907)*	*0*
Balance at 31 December	***0***	***55,264***

Provisions (HUF million)	2015	2014
Balance at 1 January	**24,634**	**0**
Impairment loss for the year:		
Charge for the year	0	23,654
Fair interest adjustment	0	852
Release	(4,688)	0
Effect of foreign currency movements	(161)	128
Write-offs	(17,530)	0
Balance at 31 December	**2,255**	**24,634**

Expenses of Settlement Package

(HUF million)	2015	2014
Interest and Fee income*	**(6,756)**	**0**
Compensation according to Settlement Act	(6,756)	0
Impairment and write-offs	**(60,546)**	**0**
Compensation according to Settlement Act	(55,371)	0
HUF conversion of mortgage loan	(5,121)	0
HUF conversion of consumer loan	(182)	0
Balance at 31 December	**(67,302)**	**0**

*cover by suspended interest income

Due to the Settlement Act the Group has an opportunity to recalculate the previous year tax balances, the Group has recalculate these tax balances. This amount will be deducible from the forthcoming corporate tax amounts.

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 2015 the FGS refinancing loan was HUF 82,033 million (in 2014 was HUF 74,151 million).

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

2015 (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	32,839	31,110	0	0	0	0	203
Allowance for impairment	0	21,017	13,090	0	0	0	0	105
Carrying amount of individually impaired restructured loans	**0**	**11,822**	**18,020**	**0**	**0**	**0**	**0**	**98**
Fair value of collaterals	**0**	**8,582**	**36,012**	**0**	**0**	**0**	**0**	**105**
Collectively impaired								
Gross amount	0	36,471	26,363	0	0	0	0	856
Allowance for impairment	0	1,214	6,281	0	0	0	0	31
Carrying amount of collectively impaired restructured loans	**0**	**35,257**	**20,082**	**0**	**0**	**0**	**0**	**825**
Fair value of collaterals	**0**	**17,995**	**15,011**	**0**	**0**	**0**	**0**	**265**
Past due but not impaired								
Past due comprises:								
up to 30 days	0	0	68	0	0	0	0	0
31 to 90 days	0	19	0	0	0	0	0	0
91 to 180 days	0	0	0	0	0	0	0	0
181 days to 1 year	0	0	0	0	0	0	0	0
more than 1 year	0	0	0	0	0	0	0	0
Carrying amount of past due but not impaired restructured loans	**0**	**19**	**68**	**0**	**0**	**0**	**0**	**0**
Fair value of collaterals	**0**	**20**	**21**	**0**	**0**	**0**	**0**	**0**
Neither past due nor impaired								
Carrying amount of neither past due nor impaired restructured loans	**0**	**2,125**	**12**	**0**	**0**	**0**	**0**	**2,308**
Fair value of collaterals	**0**	**2,335**	**0**	**0**	**0**	**0**	**0**	**1,019**
Total gross amount	0	71,454	57,553	0	0	0	0	3,367
Total allowance for impairment	0	22,231	19,371	0	0	0	0	136
Total carrying amount of restructured loans	**0**	**49,223**	**38,182**	**0**	**0**	**0**	**0**	**3,231**
Total fair value of collaterals	**0**	**28,932**	**51,044**	**0**	**0**	**0**	**0**	**1,389**

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**

*According to EBA forbearance definition

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 and no further recovery from the collateral can be expected.

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 and Management (Catalogue) that complies with all of the following requirements:

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

The Weighted Collateral Value is the market value of the collateral after deducting discount & prior ranking liens, limited by the contractually pledged amount, applying a discount for currency mismatch, and limited by the amount of the covered contractual exposure.

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

Collateral related processes (evaluation & regular revaluation, real estate on-site visits, check of physical existance, monitoring of coverage requirements, etc.) are handled by Credit Risk Management Department Collateral and Portfolio Management Division).

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

2015 (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	**1,126**	**13,934**	**2,770**	**1**	**6,548**	**473**	**14,713**	**39,565**
Debt securities issued by	**0**	**10,927**	**3,481**	**0**	**2,556**	**408**	**1,160**	**18,532**
Central governments	0	1,534	1,998	0	2,363	12	307	**6,214**
Companies	0	697	368	0	0	0	242	**1,307**
Others	0	8,696	1,115	0	193	396	611	**11,011**
Shares	**0**	**2,559**	**267**	**0**	**0**	**0**	**610**	**3,436**
Mortgage on	**0**	**126,590**	**205,835**	**494**	**0**	**0**	**19,936**	**352,855**
Residential real estate	0	22,327	200,864	0	0	0	1,789	**224,980**
Commercial real estate	0	79,565	2,165	494	0	0	7,248	**89,472**
Other	0	24,698	2,806	0	0	0	10,899	**38,403**
Guarantees from	**23,293**	**9,047**	**6,415**	**470**	**0**	**0**	**17,725**	**56,950**
Central governments	23,293	3,645	6,413	0	0	0	7,118	**40,469**
Other banks	0	5,402	2	470	0	0	10,607	**16,481**
Other	**0**	**56,101**	**723**	**0**	**0**	**0**	**10,103**	**66,927**
Total collateral	**24,419**	**219,158**	**219,491**	**965**	**9,104**	**881**	**64,247**	**538,265**

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**

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

2015 (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	49,366	73,773	0	0	0	3,268	126,407
Collectively impaired	23,293	142,537	144,561	0	0	0	7,001	299,290
Past due but not impaired	0	53	159	470	0	0	0	682
Neither past due nor impaired	1,126	27,202	998	495	9,104	881	53,978	111,886
Total collateral	**24,419**	**219,158**	**219,491**	**965**	**9,104**	**881**	**64,247**	**538,265**

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**

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)	2015	2014
Real estate	422	996
Inventories	0	0
Other	14	14
Total assets obtained	**436**	**1,010**

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:

2015 (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	173,743	0	139	532	17,685
Domestic trade	0	152,113	0	438	1,207	109,478
Other, mainly service industries	0	118,831	0	703	126	48,329
Finance	50,991	70,042	67,915	12,447	44,369	33,877
Central Bank	8,244	0	0	0	3,339	0
Public administration	0	35,585	303,238	3,048	0	15,942
Chemicals and pharmaceuticals	0	49,049	1,874	1	571	56,389
Food processing	0	46,432	0	0	16	12,361
Agriculture	0	37,721	0	0	0	2,669
Transportation, communication	0	45,319	0	1	31	10,760
Construction	0	25,664	0	122	25	105,496
Heavy industry	0	29,977	0	0	22	14,812
Light industry	0	13,612	0	0	32	10,207
Energy	0	11,324	0	0	109	41,896
Infrastructure	0	724	0	1	0	1,386
Private households	0	270,112	0	156	26	29,264
Total gross exposure	**59,235**	**1,080,248**	**373,027**	**17,056**	**50,405**	**510,551**

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**

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 by RBI 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 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 2015***	
Financial assets	*854,024*	
Financial liabilities	*437,655*	
Total fixed rate instruments	***416,369***	

	As at 31 December 2015	
Variable rate instruments	***Financial assets***	***Financial liabilities***
HUF	*686,777*	*830,987*
CHF	*11,832*	*13,982*
EUR	*258,183*	*336,165*
USD	*18,809*	*64,232*
Other currencies	*2,354*	*9,300*
Total variable rate financial instruments	***977,955***	***1,254,666***

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***

During the year the changes were driven by four main factors:

- the stock of the fixed-rate loans and other receivables increased by HUF 6,4 billion,
- in case of placements to banks there was an additional HUF 15,7 billion-increment in the fixed-rate instruments,
- National Bank of Hungary (NBH)'s 2-week deposits (that last year due to their maturity were classified as variable rate instruments) were replaced by 3-month deposits which are fixed-rate instruments: assets of value of HUF 300 billion were classified as fixed-rate instruments,
- the conversion of FX-mortgages caused changes in the currency structure: the level of the Hungarian Forint increased, meanwhile the Euro and Swiss Franc stock decreased.

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)	***2015***	***2014***
Valuation gain/(loss) on hedged instruments	*196*	*(1,457)*
Valuation gain/(loss) on hedging interest rate swaps	*(90)*	*1,189*

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 Hungarian forint deposits. 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 Hungarian 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	14,852	15,910	17,860
Outflows	14,426	14,413	17,571

During 2015 net profits of HUF 1,207 million relating to the effective portion of cash flow hedges were recognised in other comprehensive income (2014: HUF 643 million loss).

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:

2015 (HUF million)	HUF	CHF	EUR	USD	Other	Total
Cash and cash equivalents	463,878	205	20,668	17,638	2,635	**505,024**
Placements with banks	8,953	0	50,240	1	0	**59,194**
Loans and advances to customers	569,911	11,805	289,286	43,192	4	**914,198**
Financial assets at fair value through profit or loss – except for derivatives	81,304	0	32,300	6,553	4,588	**124,745**
Available for sale securities	32,247	0	29,754	0	0	**62,001**
Held to maturity securities	167,929	0	15,963	1,489	2,230	**187,611**
Financial assets except for derivatives	**1,324,222**	**12,010**	**438,211**	**68,873**	**9,457**	**1,852,773**
Deposits from banks	114,085	8,573	96,171	55,715	0	**274,544**
Deposits from non-banks	926,117	5,588	272,216	78,387	11,369	**1,293,677**
Debt securities issued	55,273	0	9,488	0	0	**64,761**
Subordinated liabilities	0	0	60,018	0	0	**60,018**
Financial liabilities except for derivatives	**1,095,475**	**14,161**	**437,893**	**134,102**	**11,369**	**1,693,000**
Net open position on balance sheet	**228,747**	**(2,151)**	**318**	**(65,229)**	**(1,912)**	**159,773**
Net derivative and spot instruments (short)/long position	(64,852)	1,870	3,928	66,229	1,142	**8,317**
Total net currency positions	**163,895**	**(281)**	**4,246**	**1,000**	**(770)**	**168,090**

2013 (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**

Due to the conversion of FX-mortgages the FX-position changed as follows: the level of loans denominated in Swiss Franc and Euro decreased significantly, meanwhile the amount of loans denominated in Hungarian Forint increased.

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 31st December, 2015 and during the current period is as follows:

VaR position

	2015 (HUF million)			
Trading Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	26	121	6	647
Interest Rate Risk	149	205	96	472
Price Risk	0	3	0	54
Total Risk	146	237	95	686
Diversification Effect	29	92	8	262
Banking Book	**VaR at year end**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Foreign Currency Risk	0	0	0	0
Interest Rate Risk	812	1 025	501	1 544
Total Risk	812	1 025	501	1 544
Diversification Effect	0	0	0	0

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

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 on the contract based on its 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 assets and liabilities in the same pricing category is called a '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 2015 and 2014, respectively:

Gap report

	2015 (HUF million)			
Trading book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	(575)	107	186	7
3 months to 1 year	(314)	(1,995)	(2,091)	(119)
1 year to 5 years	(13,572)	(1,491)	(28,238)	0
over 5 years	(224,575)	(856)	0	0
Banking book	**HUF**	**USD**	**EUR**	**CHF**
less than 3 months	48,785	(18,386)	(152,245)	(32,504)
3 months to 1 year	(21,661)	(8,599)	18,087	(34,841)
1 year to 5 years	20,353	(1,859)	652	9
over 5 years	18,960	0	(19)	0

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

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 agenda on the Asset Liability Committee (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, RBI prepares a 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 strengthen its liquidity position the Group introduced the following measures:

- Purchased a significant amount of liquid government securities to be able to mobilize liquidity in the case of an unexpected liquidity shock
- Reduced its loan to deposit ratio
- Large amount of bonds, that can be used as an instrument of repurchase agreement, issued by ECB and NBH (National Bank of Hungary) were purchased

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	***2015 (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	*274,544*	***285,335***	*25,593*	*76,101*	*143,561*	*40,080*
Deposits from non-banks	*1,293,677*	***1,293,859***	*1,189,497*	*91,869*	*7,580*	*4,913*
Debt securities issued	*64,761*	***67,309***	*6,945*	*19,929*	*39,488*	*947*
Subordinated liabilities	*60,018*	***77,631***	*868*	*2,503*	*22,688*	*51,572*
Financial liabilities at fair value through profit or loss – except for derivatives	*0*	***0***	*0*	*0*	*0*	*0*
Other liabilities	*60,870*	***60,871***	*59,747*	*1,124*	*0*	*0*
Liabilities held for sale	*0*	***0***	*0*	*0*	*0*	*0*
Total liabilities	***1,753,870***	***1,785,005***	***1,282,650***	***191,526***	***213,317***	***97,512***
Derivative instruments						
Interest rate swaps	*0*	***(3,914)***	*(918)*	*(740)*	*(2,337)*	*81*
Forward exchange contracts:	***0***	***(6,162)***	***(529)***	***(5,001)***	***(381)***	***(251)***
- Outflow	*0*	***1,990,629***	*1,076,964*	*497,418*	*378,238*	*38,009*
- Inflow	*0*	***1,996,791***	*1,077,493*	*502,419*	*378,619*	*38,260*
Contingent liabilities	***141,921***	***141,921***	***39,287***	***51,262***	***49,106***	***2,266***
Other commitments and contingencies	*141,921*	***141,921***	*39,287*	*51,262*	*49,106*	*2,266*
Commitments	***368,156***	***368,156***	***63,898***	***118,676***	***115,262***	***70,320***
Unutilised loan facilities	*192,095*	***192,095***	*22,398*	*62,244*	*75,514*	*31,939*
Unutilised overdraft facilities	*98,149*	***98,149***	*38,413*	*41,149*	*27*	*18,560*
Unutilised guarantee frames	*77,912*	***77,912***	*3,087*	*15,283*	*39,721*	*19,821*

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

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 2015	
Date	Million HUF
30/01/2015	84
27/02/2015	60
31/03/2015	103
30/04/2015	110
29/05/2015	81
30/06/2015	66
31/07/2015	81
31/08/2015	48
30/09/2015	85
30/10/2015	103
30/11/2015	107
31/12/2015	3

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

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 100 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.

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/III 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 has 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
Raiffeisen Befektetési Alapkezelő Zrt.
Raiffeisen Gazdasági Szolgáltató Zrt.
Raiffeisen Lízing Zrt.
Raiffeisen Corporate Lízing Zrt.
RB Kereskedőház Kereskedelmi Kft.
RB Szolgáltató Központ Kft.
SCTB Ingatlanfejlesztő és Ingatlanhasznosító Kft.
SCT Kárász utca Ingatlankezelő 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 III Pillar 1) as well as economic capital (Basel III 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)	2015	2014
Paid up capital instruments	50,000	50,000
Capital reserve	293,094	249,481
Retained earnings	(186,746)	(194,983)
Accumulated other comprehensive income	(1,444)	(3,572)
Non-controlling interest	0	0
Adjustments to CET1 due to prudential filters	1,897	3,138
(-) Goodwill	(1,035)	(1,035)
(-) Other intangible assets	(12,818)	(15,322)
(-) IRB shortfall of credit risk adjustments to expected losses	0	(4,951)
(-) Securitisation positions	0	(961)
Transitional adjustments to CET1 Capital	(352)	1,917
Common Equity Tier 1 Capital	**142,596**	**83,712**
Fair value reserve for available-for-sale equity securities	0	0
Equity consolidation differences according to HAS	0	0
IRB Excess of provisions over expected losses eligible	3,500	0
Subordinated loans	58,551	103,914
Transitional adjustments to T2 Capital	0	(1,981)
Tier 2 Capital	**62,051**	**101,933**
Total consolidated regulatory capital	**204,647**	**185,645**
Capital requirement	**67,501**	**76,866**
Consolidated solvency ratio (%)	**24.25%**	**19.32%**

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)	2015	2014
Cash and cash equivalents	**5,474**	**3,523**
Placements with banks	**1,402**	**267**
Loans and advances to customers	**47,386**	**63,450**
Securities at fair value through profit or loss	**4,836**	**3,763**

(HUF million)	2015	2014
Government bonds	4,562	2,779
Treasury bills issued by the Government	206	884
Treasury bills issued by the Central Bank	0	99
Investment certificate	68	1
Available for sale securities	**227**	**3,226**
Government bonds	227	299
Treasury bills issued by the Central Bank	0	2,804
Other securities issued by the public sector	0	123
Investment certificates	0	0
Held to maturity securities	**6,235**	**7,280**
Government bonds	5,918	7,167
Corporate bonds	317	113
From leases	**1,617**	**1,764**
Interest income	**67,177**	**83,273**

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 62,341million (2014: HUF 79,510 million).

(6) Interest expense

(HUF million)	2015	2014
Deposits from banks	5,173	5,242
Deposits from non-banks	9,359	17,164
Debt securities issued	4,220	6,333
Subordinated liabilities	4,516	5,888
Other interest-like expenses	5,385	4,474
Interest expense	**28,653**	**39,101**

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 23,268million (2014: HUF 34,627 million).

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

(7) Net fee and commission income

Fee and commission income

(HUF million)	2015	2014
Account management, turnover and cash handling fees	24,116	25,698
Guarantees and documentary credits	2,241	2,028
Fees from leases	132	72
Fees from investment services	6,474	6,253
Bankcard fees	4,314	4,102
Other commission and fee income	3,307	2,734
Total fee and commission income	**40,584**	**40,887**

Fee and commission expense

(HUF million)	2015	2014
Payments transfer business	2,435	3,009
Loan administration and guarantee business	544	641
Securities business	586	564
Agency fees	1,274	804
Bankcard fees	1,457	1,404
Other banking services	1,116	1,079
Total fee and commission expense	**7,412**	**7,501**
Net income from commissions and fees	**33,172**	**33,386**

(8) Net trading income

(HUF million)	2015	2014
Realised net gains/(losses) from securities at fair value through profit or loss	(68)	376
Unrealised net gains/(losses) from securities at fair value through profit or loss	(938)	566
Realised net gains/(losses) on FX positions and derivative instruments	(10,467)	17,792
Unrealised net gains/(losses) on FX positions and derivative instruments	20,903	(5,209)
Net trading income	**9,430**	**13,525**

The significant increase of the non-realized result of the FX deals was due to the appreciation of foreign currencies (US Dollar and Swiss Franck) comparing to the year 2014: gain of HUF 22 billion. The forward and option deals supported the increase too: HUF 2 billion and HUF 625 million, respectively.

(9) Net income from derivatives held for risk management

(HUF million)	2015	2014
Derivatives held for risk management without hedge accounting	**880**	**4,651**
Realized and unrealised net gains/(losses) on cross currency interest rate swaps	(591)	3,730
Realized and unrealised net gains/(losses) on other derivatives	1,471	921
Hedge accounting	**577**	**855**
Realised net gains/(losses) on hedging derivatives	620	817
Unrealised net gains/(losses) on hedging derivatives	(31)	1,370
Unrealised net gains/(losses) on hedged items	(12)	(1,332)
Cash-flow hedge accounting	**(964)**	**(1,960)**
Other	**88**	**0**
Net income from derivatives held for risk management	**581**	**3,546**

The unrealised revaluation result of cross currency interest rate swaps (CCIRS) was HUF 2,866 million (2014: HUF 3,298 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 2014, the value of spreads decreased by 80 basis points on average, which caused a significant loss in the CCIRS portfolio. In 2015, the spreads decreased further by approximately 30-40 basis points on short-term tenors and by 10 points on average on the long-term tenors, which comparing with the previous years had a positive effect on the result due to the deals dealt with National Bank of Hungary (NBH). In addition, the positive result was also increased further by the pull-to-par effect.

The Group started to apply cash flow hedge accounting in December 2012. During 2015 net ineffectiveness recognized on cash flow hedges was HUF 335 million (2014: HUF 2,068 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)	2015		2014	
Instrument type	Asset	Liability	Asset	Liability
IRS	0	0	0	0
CIRS	0	2,434	0	2,970
Total	**0**	**2,434**	**0**	**2,970**

(10) Other operating income and other operating expenses

(HUF million)	2015	2014
Other operating income		
Realised net gains/(losses) from available-for-sale securities	150	1,017
Unrealised net gains/(losses) from available-for-sale securities	0	0
Net gains/(losses) from held-to-maturity securities	189	389
Operational fees	315	203
Property development fees	0	0
Gains/(losses) on sale on receivables	6	14
Gains/(losses) on disposal of inventory	(166)	(214)
Gains/(losses) on disposal of investments	1	(31)
Gains/(losses) on disposal of intangibles, property, plant and equipment	1,498	67
Energy trading margin	1,958	1,812
Revenues related to damages	21	66
Other	763	625
Other operating income	**4,735**	**3,948**

(HUF million)	2015	2014
Other operating expenses		
Other taxes	23,357	36,357
Telecommunication and information systems expenses	1,336	1,206
Business travel cost	400	573
Professional fees	3,742	3,374
Cash processing and delivery	183	207
Manpower services	130	284
External bankcard services	82	107
Advisory fees	2,695	2,175
Other	652	601
Office supplies	229	205
Depreciation	9,973	7,184
Impairment and write-offs	2,772	4,332
Energy	6	0
Fees to public authorities	2,449	1,760
Other	5,028	5,358
Other operating expenses	**49,292**	**60,349**

Other taxes mainly contains the amount of HUF 12,022 million Special Tax on Financial Institutions (2014: HUF 12,057 million), the amount of HUF 2,515 million local corporation tax in 2015 (2014: HUF 2,738 million) and the amount of HUF 14,532 million Financial transaction duty (2014: HUF 14,101 million). The decrease of Other taxes in 2015 is due to a reversal of a 2014 provision (6,657 million HUF).

(11) Impairment and provision for losses

(HUF million)	2015	2014
Impairment loss on	**(6,764)**	**94,524**
Cash and cash equivalents	(5)	27
Placements with banks	39	(7)
Loans and advances to customers	(6,900)	93,746
Investments in associates	0	2
Other assets	102	756
Provision on	**(4,494)**	**20,588**
Guarantees and contingencies	(4,494)	20,588
Impairment and provision for losses	**(11,258)**	**115,112**
Hereof result of Settlement Act	(20,488)	77 651

The table contains the impairment allocation and release from Note 16, 17 and 25, and the provision allocation and release from Note 32.
For detailed information on losses due to the Settlement Package, see the section of special regulations on Loan portfolio, on page 34.

(12) Personnel expenses

(HUF million)	2015	2014
Salaries	16,182	16,450
Social security contributions	5,269	5,366
Other personnel benefits	1,767	1,926
	23,218	**23,742**

(HUF million)	2015		2014	
	Staff (person)	**Salary expense**	**Staff (person)**	**Salary expense**
Full time	2,387	15,759	2,637	15,930
Part time	85	423	91	511
Pensioners	1	0	3	8
Other	1	0	7	1
	2,474	**16,182**	**2,738**	**16,450**

(13) Income tax

Income tax expense recognised in the consolidated income statement

(HUF million)	2015	2014
Current tax expense	231	113
Deferred tax expense/(income)	19	3,625
Income tax	**250**	**3,738**

No deferred tax assets were recognized in 2015, in case of the Bank and the related subsidiaries the opening balances (HUF 102 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)	2015	2014
Balance at 1 January	**0**	**46**
Increase in financial year	16	0
Decrease in financial year	0	(46)
Balance at 31 December	**16**	**0**

In 2015, the Group accounted HUF 16 million deferred tax income (2014: HUF 46 million deferred tax expense) in other comprehensive income.

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

(HUF million)	2015	2014
Loans and receivables	**62,638**	**(25,491)**
Net interest income	55,879	69,004
Impairment losses	6,759	(94,495)
Financial assets and liabilities measured at fair value through profit or loss	**14,847**	**20,834**
Trading securities	3,830	4,705
Net interest income	4,836	3,763
Unrealised net gains/(losses)	(938)	566
Realised net gains/(losses)	(68)	376
Trading derivative instruments	10,436	12,583
Derivatives held for risk management	581	3,546
Held-to-maturity investments	**6,424**	**7,669**
Net interest income	6,235	7,280
Realised net gains/(losses)	189	389
Available-for-sale financial assets	**1,282**	**4,461**
Net interest income	227	3,226
Unrealised net gains/(losses)	905	218
Realised net gains/(losses)	150	1,017
Financial liabilities measured at amortised cost	**(28,653)**	**(39,101)**
Net interest expense	(28,653)	(39,101)
Net gains/losses on financial instruments	**56,538**	**(31,628)**

(15) Cash and cash equivalents

2015 (HUF million)	HUF	FCY	Total
Cash and cheques	14,122	3,788	**17,910**
Balances with National Bank of Hungary (NBH)	443,732	14,090	**457,822**
Balances with other banks	6,023	23,269	**29,292**
Cash and cash equivalents	**463,877**	**41,147**	**505,024**

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**

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 2% (2014: 3%) of certain deposits. The required average reserve balance amounted to HUF 25,069 million (2014: HUF 35,168 million). The compulsory reserve requirement may also be met by the Group's holding of government securities (see Note 18 and 19). During 2015 Placements for NBH under one year increased by HUF 47,562 million.

(16) Placements with banks

2015 (HUF million)	Up to 1 year		Over 1 year		Total
	HUF	FCY	HUF	FCY	
National Bank of Hungary	8,244	0	0	0	**8,244**
Other Banks	710	38,174	0	12,107	**50,991**
Impairment losses	1	0	0	40	**41**
Placements with banks	**8,953**	**38,174**	**0**	**12,067**	**59,194**

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**

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 2015	**1**
Impairment loss for the year:	
Charge for the year	40
Recoveries	(1)
Effect of foreign currency movements	1
Unwinding of discount	0
Write-offs	0
Balance at 31 December 2015	**41**

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**

(17) Loans and advances to customers

Loans and advances to customers

2015 (HUF million)	Gross amount	Of which: Non-performing loans	Specific allowances for impairment	Collective allowances for impairment	Carrying amount
Corporate					
Trading and industrial	317,462	44,631	35,194	931	281,337
Commercial real estate	172,425	64,548	45,662	1,620	125,143
Other	258,756	61,888	41,300	560	216,896
Total corporate	**748,643**	**171,067**	**122,156**	**3,111**	**623,376**
Retail	292,662	59,915	29,480	10,396	252,786
Government and public sector	38,943	0	906	1	38,036
Loans and advances to customers	**1,080,248**	**230,982**	**152,542**	**13,508**	**914,198**

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**

The significant decrease of Loans and advances to customers is due to settlement based on the Settlement Act and due to the Write-offs.

Allowances for impairment

The following table shows a reconciliation of movements on the allowance account in 2014 and 2015, respectively:

Specific allowances for impairment on loans and advances to customers (HUF million)	*2015*	*2014*
Balance at 1 January	***338,450***	***268,521***
Impairment loss for the year:		
Charge for the year	*31,736*	*109,926*
*hereof allocation to Settlement Act**	*0*	*53,997*
Recoveries	*(40,143)*	*(16,896)*
*hereof release due to Settlement Act**	*(16,156)*	*0*
Effect of foreign currency movements	*5,237*	*10,761*
Write-offs	*(182,738)*	*(33,862)*
*hereof usage for Settlement Act**	*(42,907)*	*0*
*hereof usage for de-recognition/recognition of the converted HUF loans**	*(82,949)*	*0*
Change in consolidation group	*0*	*0*
Balance at 31 December	***152,542***	***338,450***

* For detailed information on payoffs according to the Settlement -Package, see the section of special regulations on Loan Portfolio (on page 34).

Collective allowances for impairment on loans and advances to customers (HUF million)	*2015*	*2014*
Balance at 1 January	***16,983***	***16,087***
Impairment loss for the year:		
Charge for the year	*11,173*	*8,080*
Recoveries	*(9,666)*	*(7,364)*
Effect of foreign currency movements	*(145)*	*505*
Write-offs	*(4,837)*	*(325)*
Change in consolidation group	*0*	*0*
Balance at 31 December	***13,508***	***16,983***

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, 2014 and 2015, 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:

2015 (HUF million)	*Up to 1 year*	*1 year to 5 years*	*Over 5 years*	*Total*
Gross investment leases	*8,716*	*22,223*	*13,571*	***44,510***
Unearned finance income	*1,466*	*3,278*	*2,021*	***6,765***
Net present value of minimum lease payments	***7,250***	***18,945***	***11,550***	***37,745***
Accumulated allowance for uncollectible minimum lease payments	*83*	*108*	*12*	***203***
Finance leases per balance sheet	***7,167***	***18,837***	***11,538***	***37,542***

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**

There were no impairment for Settlement Package for leasing companies in 2015 (2014: HUF 4,411 million).

The Leasing Group entered into new businesses amounting to 15,097 million HUF. In accordance with the strategy the new businesses were arranged by Raiffeisen Corporate Lízing Zrt.

In Leasing Group in 2015, nil contingent rent was recognized in finance income (2014: nil), and unguaranteed residual value amounted to HUF 3,969 million (2014: HUF 6,217 million). At 31 December 2014, the accumulated allowance for uncollectible minimum lease payments amounted HUF 203 million (2014: HUF 4,542 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)	2015				2014			
	Cost	Accrued interest	Unrealised gain/loss	Book value	Cost	Accrued interest	Unrealised gain/loss	Book value
Debt and equity instruments:								
Government bonds	118,419	1,757	(428)	119,748	114,456	1,346	567	116,369
Treasury bills	2,507	45	21	2,573	12,991	223	44	13,258
Corporate bonds and other bonds	1,807	16	51	1,874	2	0	0	2
Investment fund units	0	0	0	0	0	0	0	0
Shares	542	0	8	550	1,729	0	(17)	1,712
Debt and equity instruments	**123,275**	**1,818**	**-348**	**124,745**	**129,178**	**1,569**	**594**	**131,341**
Derivative financial instruments:								
Derivatives held for trading								
FX swaps	207	(2)	6,242	6,447	307	(8)	9,145	9,444
FX forwards	0	0	3,359	3,359	0	0	2,841	2,841
Security forwards	0	0	0	0	0	0	0	0
FX futures	0	0	57	57	0	0	1,664	1,664
FX options	0	0	1,088	1,088	0	0	2,122	2,122
Interest rate derivatives	0	4,601	11,905	16,506	0	4,705	13,210	17,915
Derivatives held for trading	**207**	**4,599**	**22,651**	**27,457**	**307**	**4,697**	**28,982**	**33,986**
Derivatives held for risk management:								
FX swaps	8,032	(34)	2,116	10,114	9,195	(112)	1,625	10,708

(HUF million)	2015				2014			
	Cost	Accrued interest	Unre-alised gain/loss	Book value	Cost	Accrued interest	Unre-alised gain/loss	Book value
Interest rate derivatives	0	5,810	7,024	12,834	0	7,507	8,200	15,707
Hereof interest rate swaps in cash flow hedges	0	0	0	0	0	0	0	0
Hereof interest rate swaps in fair value hedges	0	424	1,681	2,105	0	750	1,791	2,541
Derivatives held for risk management	**8,032**	**5,776**	**9,140**	**22,948**	**9,195**	**7,395**	**9,825**	**26,415**
Total derivative financial instruments	**8,239**	**10,375**	**31,791**	**50,405**	**9,502**	**12,092**	**38,807**	**60,401**
Total financial asset at fair value through profit or loss	**131,514**	**12,193**	**31,443**	**175,150**	**138,680**	**13,661**	**39,401**	**191,742**

We show the new stock of Government bonds and treasury bills under Financial assets at fair value through profit or loss in year 2015, except for Available-for-sale securities, which changes of fair value are recognised in other comprehensive income.

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 2015, no Investment in securities were pledged as collateral for liabilities (2014: HUF 44,129 million)

During 2015, in connection with available-for-sale investment securities an amount of HUF 912 million (2014: HUF 98 million) was recognised in other comprehensive income and an amount of HUF 7 million (2014: HUF (120) million) was reclassified from other comprehensive income to profit or loss.

In 2015, an additional group level limit has been adopted in the case of Available-for-sale securities, resulting in a significant increase in the portfolio of government bonds.

In 2014, the available-for-sale investment decreased because most of municipal exposure was consolidated by the Government. The final closure of the portfolio consolidation was implemented on 28 February 2014, in which an amount of HUF 76.679 million was taking over by the Hungarian Government. The assumed loans were repaid during 2015.
The new stock of Government bonds and treasury bills are shown under Financial assets at fair value through profit or loss since 2014, except for Available-for-sale securities, which changes of fair value are recognised in other comprehensive income.

During 2015 the Bank sold securities from Held-to-maturity three 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)	2015					2014				
Available-for-sale securities	Cost	Accrued interest	Unre-alised gain/ loss	Dis-count/ Pre-mium	Book value	Cost	Accrued interest	Unre-alised gain/ loss	Dis-count/ Pre-mium	Book value
Corporate and municipal bonds	0	0	0	0	0	1,844	0	(26)	0	1,818
Investment fund units	768	0	12	0	780	768	0	108	0	876
Government bonds	60,021	1,832	-340	-292	61,221	0	0	0	0	0
Treasury bills	0	0	0	0	0	0	0	0	0	0
	60,789	**1,832**	**-328**	**-292**	**62,001**	**2,612**	**0**	**82**	**0**	**2,694**

Held-to-maturity securites	Cost	Accrued interest	Dis-count/ Pre-mium	Impair-ment	Book value	Cost	Accrued interest	Dis-count/ Pre-mium	Impair-ment	Book value
Corporate bonds and other	0	0	0	0	0	1,318	15	223	0	1,556
Government bonds	116,854	2,654	188	0	119,696	119,467	3,850	805	0	124,122
Bank bonds	67,794	103	18	0	67,915	0	0	0	0	0
	184,648	**2,757**	**206**	**0**	**187,611**	**120,785**	**3,865**	**1,028**	**0**	**125,678**

(20) Investment in associates

General and financial data of the associates for the years ended 31 December 2015 and 2014 is as follows:

2015 (HUF million)	Owner-ship (%)	Current assets	Non-current assets	Total assets	Current liabili-ties	Non-current liabili-ties	Equity	Total equity and liabili-ties	Rev-enues	Ex-penses	Profit / (loss)
	0,00	0	0	**0**	0	0	**0**	**0**	0	0	**0**
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

2014 (HUF million)	Owner-ship (%)	Current assets	Non-current assets	Total assets	Current liabili-ties	Non-current liabili-ties	Equity	Total equity and liabili-ties	Rev-enues	Ex-penses	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**

NOC Kft. was sold in 2015. Until derecognition consolidation was according to the equity method. The book value of investment in the consolidated financial statements for the years ended 31 December 2015 and 2014 is the following :

2015 (millió Ft)	Gross carrying amount	Accumulated impairment	Net carrying amount
NOC Kft.	0	0	0

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

Under investments in associates the Bank shows two investments in 2014 and 2015: investment in RC Gazdasági és Adótanácsadó Zrt. with ownership 20% and investment in Pannon Lúd Kft. with ownership 0.61%.

Investments in unlisted securities

(millió Ft)	2015	
	Ownership	Carrying value
Garantiqa Hitelgarancia Zrt.	0.31%	15
SWIFT	0.30%	10
VISA Europe	0.04%	1,316
	-	1,341

(millió Ft)	2014	
	Ownership	Carrying value
Garantiqa Hitelgarancia Zrt.	0.31%	15
SWIFT	0.02%	16
	-	31

The Bank's VISA Europe share is classified as available for sale investment. According to binding offer for the VISA Europe share transfer, the Bank increased the value of the share to the market price, HUF 1.316 million, which represents the fixed cash reimbursement related the former years turnovers. This valuation gain is shown in the respective other comprehensive income position in equity. The fair value calculation does not contain the not finalised components of the agreement.

(21) Property, plant and equipment

Owner occupied property

2015 (HUF million)	Gross carrying amount as at 1 January 2015	Additions	Disposals	Thereof Impairment	Assets classified before as held for sale*	Gross carrying amount as at 31 December 2015
Properties	**15,233**	**371**	**3,816**	**3,708**	**0**	**11,788**
Freehold	7,144	94	82	0	0	7,156
Leasehold	8,089	277	3,734	3,708	0	4,632
Tangible assets	**1,086**	**0**	**48**	**0**	**0**	**1,038**
Equipment	**16,013**	**1,403**	**2,586**	**881**	**12,785**	**27,615**
	32,332	**1,774**	**6,450**	**4,589**	**12,785**	**40,441**

2015 (HUF million)	Accumulated depreciaton as at 1 January 2015	Depreciation for the year	Disposals	Thereof Impairment	Assets classified before as held for sale*	Accumulated depreciation	Carrying amount as at 1 January 2015	Carrying amount as at 31 December 2015
Properties	**8,516**	**2,337**	**3,750**	**2,142**	**0**	**7,103**	**6,717**	**4,685**
Freehold	1,436	37	42	0	0	1,431	5,708	5,725
Leasehold	7,080	2,300	3,708	2,142	0	5,672	1,009	-1,040
Tangible assets	**205**	**145**	**0**	**0**	**0**	**350**	**881**	**688**
Equipment	**13,853**	**1,393**	**2,457**	**870**	**2,864**	**15,653**	**2,160**	**11,962**
	22,574	**3,875**	**6,207**	**3,012**	**2,864**	**23,106**	**9,758**	**17,335**

2014 (HUF million)	Gross carrying amount as at 1 January 2014	Additions	Disposals	Thereof Impairment	Assets classified before as held for sale*	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 Impairment	Assets classified before as held for sale*	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**

*At the end of 2009, the Group has decided to sell 100% of Euro Green Energy Kft, but the sale has not been realised until 31 December 2015, therefore it has been reclassified to Equipments from Assets classified as held for sale.

Investment property

2015 (HUF million)	Gross carrying amount as at 1 January 2015	Additions	Disposals	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2015
Properties	1,234	0	1,234	0	0

2015 (HUF million)	Accumulated depreciaton as at 1 January 2015	Depreciation for the year	Disposals	Acquired/(sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2015	Carrying amount as at 31 December 2015
Properties	1,042	105	1,147	0	0	192	0

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 combintions	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

The investment property was sold during 2015. The fair value of investment property was HUF 192 million in 2014, which was determined based on quarterly valuation made by an independent appraiser.

(22) Intangible assets

2015 (HUF million)	Gross carrying amount as at 1 January 2015	Additions	Disposals	Thereof Impairment	Acquired/(sold) through business combinations	Gross carrying amount as at 31 December 2015
Softwares	45,685	3,357	9,734	9,734	0	39,308
Other intangible assets	368	0	0	0	0	368
	46,053	**3,357**	**9,734**	**9,734**	**0**	**39,676**

2015 (HUF million)	Accumulated depreciaton as at 1 January 2014	Depreciation for the year	Disposals	Thereof Impairment*	Acquired/(sold) through business combinations	Accumulated depreciation	Carrying amount as at 1 January 2015	Carrying amount as at 31 December 2015
Softwares	30,447	6,035	9,734	7,412	0	26,748	15,238	12,560
Other intangible assets	267	8	0	0	0	275	101	93
	30,714	**6,043**	**9,734**	**7,412**	**0**	**27,023**	**15,339**	**12,653**

2014 (HUF million)	Gross carrying amount as at 1 January 2014	Additions	Disposals	Thereof Impairment	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 Impairment*	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**

*In 2015 and 2014 the software portfolio has been revised whereby based on the useful life of the portfolio and the re-evaluation of the previously capitalized developments impairment have been written off.

(23) Goodwill

(HUF million)	2015	2014
Cost		
Balance at 1 January	**1,048**	**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	0	(107)
Balance at 31 December	**1,048**	**1,048**

(HUF million)	2015	2014
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	**1,048**	**1,155**
At 31 December	**1,048**	**1,048**

The Group has goodwill in connection with Raiffeisen Befektetési Alapkezelő Zrt. (HUF 1,023 million), Raiffeisen Autó Lízing Kft. (HUF 13 million) and SCT Kárász utca Kft. (HUF 12 million).

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

Neither in 2015 and nor 2014 new goodwill was recognised.

No impairment losses on goodwill were recognized during 2015 (2014: nil). Raiffeisen Befektetési Alapkezelő Zrt. is a profitable company.

(24) Operating leases

Leases as a lessee

Non-cancellable operating lease rentals are payable as follows:

(HUF million)	2015	2014
Less than 1 year	3,934	4,567
Between 1 and 5 years	15,736	18,268
More than 5 years	879	1,322
Total	**20,549**	**24,157**

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 2015 an amount of HUF 4,055 million was recognised as an expense in profit or loss in respect of operating leases (2014: HUF 4,834 million).

(25) Other assets

(HUF million)	2015	2014
Other tax receivables	424	233
Cash at money exchange agents	7,485	7,721
Receivables from investment activities	9,571	37,709
Accruals	3,304	1,412
Inventory	2,320	2,593
Other	7,124	7,497
Other assets	**30,228**	**57,165**
Hereof : specific impairment	1,964	1,953

(HUF million)	2015	2014
Specific impairment		
Balance at 1 January	**1,953**	**1,811**
Impairment loss for the year:		
Charge for the year	123	778
Recoveries	(21)	(22)
Effect of foreign currency movements	(62)	0
Write-offs	(29)	(614)
Change in consolidation group	0	0
Balance at 31 December	**1,964**	**1,953**

Inventory contains mainly real estate developments in progress HUF 1,624 million in 2015 (2014: HUF 1,760 million) of Raiffeisen Property Lízing Zrt. There were no repossessed properties in Raiffeisen Property Lízing Zrt. in 2015 (2014: HUF 578 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)	2015				2014			
	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	207	(3)	3,522	3,726	307	0	9,280	9,587
FX forwards	0	0	3,930	3,930	0	0	2,907	2,907
Security forwards	0	0	0	0	0	0	0	0
Foreign exchange futures	0	0	80	80	0	0	1,037	1,037
Foreign exchange options	0	0	1,071	1,071	0	0	2,294	2,294
Interest rate derivatives	0	4,467	11,551	16,018	0	4,591	13,432	18,023
Total derivative instruments held for trading	**207**	**4,464**	**20,154**	**24,825**	**307**	**4,591**	**28,950**	**33,848**
Derivative instruments held for risk management purposes								
FX swaps	1,747	387	8,962	11,096	8,098	117	9,531	17,746
Hereof cross currency interest rate swaps in cash flow hedges	(28)	56	2,434	2,462	498	16	2,970	3,484
Interest rate derivatives	0	3,749	4,766	8,515	0	3,448	5,166	8,614
Hereof interest rate swaps in cash flow hedges	0	0	0	0	0	0	0	0
Hereof interest rate swaps in fair value hedges	0	4	31	35	0	3	31	34
Total derivative instruments held for risk management purposes	**1,747**	**4,136**	**13,728**	**19,611**	**8,098**	**3,565**	**17,978**	**29,641**
Total financial liabilities at fair value through profit or loss	**1,954**	**8,600**	**33,882**	**44,436**	**8,405**	**8,156**	**46,928**	**63,489**

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

2015	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	25,622	46,719	77,943	83,007	**233,291**
Non resident	10,520	18,256	0	12,477	**41,253**
	36,142	**64,975**	**77,943**	**95,484**	**274,544**

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**

(28) Deposits from non-banks

2015	Under 1 year		More than 1 year		Total
(HUF million)	HUF	FCY	HUF	FCY	
Resident	894,376	332,329	12,704	1,293	**1,240,702**
Non resident	19,034	33,754	3	184	**52,975**
	913,410	**366,083**	**12,707**	**1,477**	**1,293,677**

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**

(29) Debt securities issued

2015 (HUF million) Type of interest	3 month or less		3-12 months		1-5 years		more than 5 years		Total	
	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount
autocallable	0	0	0	0	2,500	2,500	0	0	2,500	2,500
fix	2,752	2,873	6,500	9,058	25,592	28,151	930	887	35,774	40,969
indexed	4,000	4,271	15,500	15,703	12,824	13,347	0	0	32,324	33,321
floating	0	0	0	0	939	955	0	0	939	955
Debt securities issued	**6,752**	**7,144**	**22,000**	**24,761**	**41,855**	**44,953**	**930**	**887**	**71,537**	**77,745**

2015 (HUF million) Type of interest	3 month or less		3-12 months		1-5 years		more than 5 years		Total	
	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount	Par value	Carrying amount
autocallable	0	0	0	0	1,395	1,443	0	0	1,395	1,443
fix	7	8	281	411	1,728	1,891	153	133	2,169	2,443
indexed	494	528	4,828	4,824	3,611	3,746	0	0	8,933	9,098
floating	0	0	0	0	0	0	0	0	0	0
Repurchased own debt securities	**501**	**536**	**5,109**	**5,235**	**6,734**	**7,080**	**153**	**133**	**12,497**	**12,984**
Net debt securities issued	**6,251**	**6,608**	**16,891**	**19,526**	**35,121**	**37,873**	**777**	**754**	**59,040**	**64,761**

2014 (HUF million) Type of interest	3 month or less		3-12 months		1-5 years		more than 5 years		Total	
	Par value	Carrying amount	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	2,500	2,500
fix	6,381	6,755	11,924	14,015	29,690	33,472	6,130	5,904	54,125	60,146
indexed	2,000	2,189	2,000	2,114	32,324	33,510	0	0	36,324	37,813
floating	5,000	5,044	0	10,041	945	950	0	0	5,945	16,035
Debt securities issued	**13,381**	**13,988**	**13,924**	**26,170**	**62,959**	**67,932**	**8,630**	**8,404**	**98,894**	**116,494**

2014 (HUF million) Type of interest	3 month or less		3-12 months		1-5 years		more than 5 years		Total	
	Par value	Carrying amount	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	1,142	1,179
fix	0	0	435	562	1,434	1,633	0	525	1,869	2,720
indexed	2	2	10	11	6,584	6,779	0	0	6,596	6,792
floating	64	64	952	953	221	222	1,595	0	2,832	1,239
Repurchased own debt securities	**66**	**66**	**1,397**	**1,526**	**8,239**	**8,634**	**2,737**	**1,704**	**12,439**	**11,930**
Net debt securities issued	**13,315**	**13,922**	**12,527**	**24,644**	**54,720**	**59,298**	**5,893**	**6,700**	**86,455**	**104,564**

30) Subordinated liabilities

2015						
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	3.14%	30.06.2020	9,395
Raiffeisen Bank International AG	23.12.2013	20	EUR	6.03%	03.05.2021	6,366
Raiffeisen Bank International AG	30.01.2014	20	EUR	6.04%	30.07.2021	6,329
Raiffeisen Bank International AG	30.01.2014	40	EUR	6.04%	30.07.2021	12,657
Raiffeisen Bank International AG	07.02.2014	25	EUR	6.01%	08.02.2021	7,897
Raiffeisen Bank International AG	07.02.2014	25	EUR	6.01%	08.02.2021	7,897
Raiffeisen Bank International AG	07.02.2014	20	EUR	6.01%	08.02.2021	6,318
Raiffeisen Bank International AG	07.02.2014	10	EUR	6.01%	08.02.2021	3,159
Subordinated liabilities						**60,018**

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%	30.06.2020	9,449
Raiffeisen Bank International AG	23.12.2013	20	EUR	6.19%	03.05.2021	6,404
Raiffeisen Bank International AG	30.01.2014	40	EUR	6.20%	30.07.2021	12,732
Raiffeisen Bank International AG	30.01.2014	20	EUR	6.20%	30.07.2021	6,366
Raiffeisen Bank International AG	31.01.2014	141	EUR	6.07%	01.09.2020	44,315
Raiffeisen Bank International AG	07.02.2014	25	EUR	6.16%	08.02.2021	7,946
Raiffeisen Bank International AG	07.02.2014	25	EUR	6.16%	08.02.2021	7,946
Raiffeisen Bank International AG	07.02.2014	20	EUR	6.16%	08.02.2021	6,357
Raiffeisen Bank International AG	07.02.2014	10	EUR	6.16%	08.02.2021	3,179
Subordinated liabilities						**104,694**

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)	2015	2014
Other taxes payable	3,098	3,299
Giro, postal clearing accounts, cash in transit	155	329
Suppliers	3,080	2,195
Payables relating to investment activities	42,612	22,741
Accruals	7,751	4,414
Other	4,174	3,678
Other liabilities	**60,870**	**36,656**

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 2015 and 2014 respectively:

(millió Ft)	*2015*	*2014*
At beginning of year	***38,173***	***9,838***
Provisions made during the year	***4,124***	***34,914***
Hereof: provision for pending legal issues	*935*	*1,500*
provision for ongoing audit	*0*	*7,631*
provision for fine	*327*	*0*
provision for salaries	*269*	*554*
provision for collateral	*1,501*	*0*
*provision for Settlement Act cash-out**	*0*	*23,654*
other	*1,092*	*1,575*
Release in provisions	***(31,302)***	***(6,700)***
Hereof: contingent liability	*0*	*(3,335)*
FX-linked swap	*(278)*	*(367)*
provision for pending legal issues	*(598)*	*(396)*
provision for collateral	*0*	*(555)*
provision for salaries	*(554)*	*(436)*
provision for fine	*0*	*(584)*
provision for retail loan program	*0*	*(400)*
provision for ongoing audit	*(6,657)*	*0*
*provision usage for Settlement Act cash-out **	*(17,530)*	*0*
*provision release due to Settlement Act cash-out **	*(4,688)*	*0*
other	*(996)*	*(627)*
Effect of revaluation	*50*	*121*
At end of year	***11,045***	***38,173***

*For detailed information on payoffs according to the Settlement Package, see the section of special regulations on Loan Portfolio (on page 34).

(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. As the sale has not been realised till 31 December 2015, and due to the actual market potential, the Bank revised the short term selling intention and reclassified as tangible asset. The assets and liabilities of the company are not classified to assets and liabilities as held for sale any more.

The table below shows the assets and liabilities held for sale as at 31 December 2015 and 31 December 2014.

(HUF million)	*2015*	*2014*
Assets classified as held for sale		
Property, plant and equipment	*0*	*9,756*
Other assets	*0*	*228*
	0	***9,984***
Liabilities classified as held for sale		
Other liabilities	*0*	*67*
	0	***67***

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 2015.

(34) Share capital

As at 31 December 2015 and 2014, the equity structure of the Group consisted of the following classes of shares:

	2015 (HUF million)			
Shareholder	**Type of share**	**Number of shares**	**%**	**HUF million**
Raiffeisen-RBHU Holding GmbH	Ordinary	5,000,009	100.00	50,000
Raiffeisen-RBHU Holding GmbH	Preference	0	0.00	0
Total				**50,000**

	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**

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 in 2015 too:

- Firstly, at 09.12.2014, 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 64,173.9 million as capital reserve. The Budapest Court as Court of registry registered it at 05.01.2015.
- Secondly, at 08.06.2015, 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 43,612.8 million as capital reserve. The Budapest Court as Court of registry registered it at 15.06.2015.

As at 31 December 2015 and 2014, the Group held no treasury shares in its portfolio.

During 2015 and 2014 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 equals to 10% of net income after tax is required to be set aside. In the non-consolidated financial statements prepared according to the Hungarian accounting law, it was transferred into general reserve HUF 863 million in 2015. Increases in the general reserve according to IFRS standards 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 2015 (2014: 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 2015 non-controlling interest without profit for the period decreased by HUF 376 million due to the eliminations in more 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).

(37) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(HUF million)	2015	2014
Deferred tax assets	0	0
Deferred tax liabilities	123	120
Net deferred taxes	**(123)**	**(120)**

	2015			2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Cash and cash equivalents	4	0	4	5	0	5
Placements with banks	8	0	8	0	0	0
Loans	99	30	69	448	102	346
Financial assets at fair value through profit or loss	75	0	75	100	0	100
Available for sale securities	0	15	(15)	2	18	(16)
Investments in associated undertakings	0	41	(41)	0	90	(90)
Investments in unlisted securities	3	0	3	3	0	3
Property, plant and equipment	0	0	0	0	0	0
Investment property	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0
Deposits from banks	0	1,626	(1,626)	0	1,898	(1,898)
Deposits from non-banks	3	0	3	5	0	5
Debt securities issued	0	12	(12)	0	4	(4)
Financial liabilities at fair value through profit or loss	0	76	(76)	0	67	(67)
Provisions	138	0	138	123	0	123
Other items	171	0	171	111	0	111
Probably useable tax loss carry-forwards	1,176	0	1,176	1,262	0	1,262
Net tax assets (liabilities)	**1,677**	**1,800**	**(123)**	**2,059**	**2,179**	**(120)**

In 2015 the Bank has probably not usable tax loss carry-forwards in amount of HUF 212,691 million (2014: HUF 190,690 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)	2015	2014
	Nominal value	Nominal value
Contingencies		
Import letters of credit	12,691	6,395
Export letters of credit	0	0
Guarantees issued	115,538	152,185
Other contingencies (including litigation)	13,692	19,605
Total contingencies	**141,921**	**178,185**
Commitments		
Unutilized loan facilities	192,095	120,027
Unutilized overdraft facilities	98,149	117,604
Unutilized guarantee frames	77,912	64,109
Other commitments	474	0
Total commitments	**368,630**	**301,740**

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 1,393 million in 2015 for 2016 (in 2014 rental commitment for 2015 amounted to HUF 1,256 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:

2015 (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	505,024	0	0	**505,024**	**505,024**	505,024	0	0
Placements with banks	0	59,194	0	0	**59,194**	**59,194**	0	59,194	0
Net loans	0	914,198	0	0	**914,198**	**917,843**	0	824,917	92,926
Financial assets at fair value through profit or loss	0	0	147,693	27,457	**175,150**	**175,150**	130,455	44,695	0
Available for sale securities	62,001	0	0	0	**62,001**	**62,001**	62,001	0	0
Held to maturity securities	0	187,611	0	0	**187,611**	**194,093**	194,093	0	0
Investments in associated undertakings	0	0	9	0	**9**	**9**	0	0	9
Investments in unlisted securities	1,341	0	0	0	**1,341**	**1,341**	0	0	1,341
Total financial assets	**63,342**	**1,666,027**	**147,702**	**27,457**	**1,904,528**	**1,914,655**	**891,573**	**928,806**	**94,276**

2015 (HUF million)	Fair value through equity	Amortized cost	Fair value through profit and loss	Trading	Total carrying amount	Fair value	Level1	Level2	Level3
FINANCIAL LIABILITIES									
Deposits from banks	0	274,544	0	0	274,544	274,505	0	274,505	0
Deposits from non-banks	0	1,293,677	0	0	1,293,677	1,323,487	0	1,323,487	0
Debt securities issued	0	64,761	0	0	64,761	66,500	0	66,500	0
Subordinated liabilities	0	60,018	0	0	60,018	60,018	0	0	60,018
Financial liabilities at fair value through profit or loss	0	0	19,611	24,825	44,436	44,436	0	44,436	0
Total financial liabilities	0	1,693,000	19,611	24,825	1,737,436	1,768,946	0	1,708,928	60,018

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

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 expected 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 evaluate 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 quoted prices available in the Bloomberg Fron-End System. 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 present value of the discounted contractual cash-flows at the revaluation date.

During the year, the municipal bonds were reclassified to loans and receivables which also implied that the further fair value measurement is no longer necessary. The at cost value is the last fair value of the instruments.

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, expected 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). Yield curves used for revaluation 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 and deposits, the Group has entered into interest rate swap transactions. The fair value of these hedged loans and deposits is the discounted present value of the future cash-flows at balance sheet date. These loans and deposits 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 evaluate 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 added up. 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 evaluate 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.
Fair value of own issued plain vanilla fixed rated bonds that are designated as hedge accounting is being calculated using DCF-method: the present value of the expected future cash flows. In case of the structured instruments the embedded derivative is separated from the host contract and measured at fair value.
According to IFRS 13 standard we evaluate 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:

2015 (HUF million)			
Related parties	**Parent company and its group**	**Associates**	**Key Management Personnel**
Assets	**63, 944**	**0**	**20**
Placements with banks	27,589	0	0
Loans and advances to customers	2,685	0	20
Financial assets at fair value through profit or loss	33,629	0	0
Other assets	41	0	0
Liabilities	**122,964**	**0**	**308**
Financial liabilities at fair value through profit or loss	29,703	0	0
Deposits from banks	29,917	0	0
Deposits from non-banks	2,994	0	299
Subordinated liabilities	60,018	0	0
Other liabilities	332	0	9
Income statement	**(3,783)**	**0**	**(875)**
Interest income	563	0	0
Interest expense	(10,109)	0	(1)
Net fee and commission income	(70)	0	0

2015 (HUF million)			
Related parties	**Parent company and its group**	**Associates**	**Key Management Personnel**
Net trading income	7,124	0	1
Net income from derivatives held for risk management	426	0	0
Other operating income	54	0	0
Impairment losses	0	0	0
Personnel expenses	0	0	(875)
Other operating expenses	(1,771)	0	0
Contingencies and commitments	**2,740**	**0**	**0**
Undrawn commitments to extend credit	327	0	0
Guarantees	2,413	0	0

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**	**(759)**
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
Personnel expenses	0	0	(760)
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

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 2015	Ownership ratio 2014	Residence of the Company	Brief description of activities
Subsidiaries				
BUTÁR Gazdasági Szolgáltató Kft.	a.)	100.00%	2030 Érd, Budai út 22.	Activities of collection agencies and credit bureaus
EURO GREEN ENERGY Fejlesztő és Szolgáltató Kft.	100.00%	50.00%	1158 Bp., Késmárk u. 11-13	Electricity production
Raiffeisen Autó Lízing Kft.	100.00%	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.	100.00%	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 Corporate 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.	100.00%	90.33%	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.	a.)	100.00%	1054 Bp., Akadémia u. 6.	Buying and selling of own real estate
SCTAI Angol iskola Ingatlanfejlesztő és Ingatlanhasznosító Kft.	100.00%	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

Company	Ownership ratio 2015	Ownership ratio 2014	Residence of the Company	Brief description of activities
Associates				
NOC Kft.	b.)	50.00%	1054 Bp., Kálmán Imre u. 1.	Buying and selling of own real estate

a.) BUTÁR Gazdasági Szolgáltató Kft. and SCT Tündérkert Kft. were involved into SCT Kárász utca Ingatlankezelő Kft. in 2015.

b.) NOC Kft. was sold in 2015.

* The registry court registered the fusion of SCTAI Angol Iskola Kft. and SCT Beruházás Kft. to Raiffeisen Gazdasági Szolgáltató Zrt. on the 24th of November 2015, by date of 31st of December 2015 but the successor started its operation on the 1st of January 2016.

(43) Funds management

The Group manages 0 close-ended (2014: 0) and 20 open-ended (2014: 19) 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 2015 and 2014, transactions with the funds themselves were as follows:

(HUF million)	*2014*	*2013*
Managed funds	***164,704***	***190,071***
Open-ended funds	*164,704*	*190,071*
Close-ended funds	*0*	*0*
Net fee and commission income from funds	*1,845*	*1,995*
Deposits from funds	*54,310*	*50,143*
Interest expense on deposits from funds	*2,020*	*1,453*

Among open-ended funds the funds that has been managed by fix term funds is HUF 2,087 million (2014: 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 operating segments were defined based on the main Group's structures, which present the Group's profitability and operation along the main business areas.

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 cannot be directly allocated to business segments (mainly general administration expenses) are included in this category.

2015 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
ASSETS					
Cash and cash equivalents	0	0	505,024	0	**505,024**
Placements with banks	0	0	59,194	0	**59,194**
Loans	761,443	274,949	680	43,176	**1,080,248**
Less: loss value on loans	126,126	38,654	0	1,270	**166,050**
Net loans	635,317	236,295	680	41,906	**914,198**
Financial assets at fair value through profit or loss	4,793	29	48,007	122,321	**175,150**
Available for sale securities	0	0	0	62,001	**62,001**
Held to maturity securities	1	0	7,822	179,788	**187,611**
Investments in associated undertakings	51	0	(42)	0	**9**
Investments in unlisted securities	1,341	0	0	0	**1,341**
Property, plant and equipment	9,501	0	0	7,834	**17,335**
Investment property	0	0	0	0	**0**
Intangible assets	222	0	0	12,431	**12,653**
Goodwill	0	0	0	1,048	**1,048**
Current tax assets	0	0	0	13	**13**
Deferred tax assets	0	0	0	0	**0**
Other assets	8,779	592	5,440	15,417	**30,228**
Assets classified as held for sale	0	0	0	0	**0**
Total assets	**660,005**	**236,916**	**626,125**	**442,759**	**1,965,805**
LIABILITIES AND EQUITY					
Deposits from banks	6	0	263,902	10,636	**274,544**
Deposits from non-banks	800,670	408,114	1,103	83,790	**1,293,677**
Debt securities issued	0	64,761	0	0	**64,761**
Subordinated liabilities	0	0	60,018	0	**60,018**
Financial liabilities at fair value through profit or loss	923	62	43,450	1	**44,436**
Current tax liabilities	0	0	0	45	**45**
Deferred tax liabilities	0	0	0	123	**123**
Provisions	2,847	5,868	203	2,127	**11,045**
Other liabilities	11,642	38,530	3,106	7,592	**60,870**
Liabilities classified as held for sale	0	0	0	0	**0**
Total liabilities	**816,088**	**517,335**	**371,782**	**104,314**	**1,809,519**
Equity attributable to equity holders of the parent	**0**	**0**	**0**	**155,729**	**155,729**
Ordinary shares	0	0	0	50,000	**50,000**
Issued capital	0	0	0	50,000	**50,000**
Retained earnings	0	0	0	(185,921)	**(185,921)**
Capital reserve	0	0	0	293,094	**293,094**
Non-distributable reserve	0	0	0	0	**0**
Fair value reserve	0	0	0	(1,444)	**(1,444)**
Non-controlling interest	0	0	0	557	**557**
Total equity	**0**	**0**	**0**	**156,286**	**156,286**
Total liabilities, non-controlling interest and shareholder's equity	**0**	**0**	**0**	**260,600**	**1,965,805**
INCOME STATEMENT					
Interest income	28,092	21,329	3,977	13,779	**67,177**
Interest expense	5,522	3,067	19,127	937	**28,653**
Net interest income	**22,570**	**18,262**	**(15,150)**	**12,842**	**38,524**

2015 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
Fee and commission income	12,775	24,433	504	2,872	**40,584**
Fee and commission expenses	2,916	3,243	326	927	**7,412**
Net fee and commission income	**9,859**	**21,190**	**178**	**1,945**	**33,172**
Dividend income	5	0	0	0	**5**
Net trading income	273	0	9,155	2	**9,430**
Net income from derivatives held for risk management	0	0	0	581	**581**
Other operating income	4,092	0	(69)	712	**4,735**
Operating income	**4,370**	**0**	**9,086**	**1,295**	**14,751**
Impairment losses	**(8,819)**	**(2,416)**	**0**	**(23)**	**(11,258)**
Operating expenses without depreciation	20,761	18,945	12,439	25,059	**77,204**
Depreciation	1,810	5,408	338	2,418	**9,973**
Operating expenses	**22,571**	**24,353**	**12,777**	**27,477**	**87,177**
Profit/(loss) before tax	**23,046**	**17,515**	**(18,662)**	**(11,371)**	**10,528**
Income tax expense	0	0	0	231	**231**
Deferred tax	0	0	0	19	**19**
Profit/(loss) for the period	**23,046**	**17,515**	**(18,662)**	**(11,622)**	**10,278**
OTHER INFORMATION					
Capital expenditure	1,198	2,476	332	1,360	**5,366**

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**

2014 (HUF million)	Corporate	Retail/ Private	Bank/ treasury	Other	Total
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**
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**

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

In accordance with the accepted strategy of the Bank of 2014, the leasing activity has been reviewed. Based on the strategy the elimination of the residential leasing business activity has started. In 2015, following the recognition, the extant portfolio's cutback began. At the end of the last year we received an indicative offer for buying Raiffeisen Lízing Zrt. The Board of the Bank, as owner consider this offer an adequate basis for negotiation in February, 2016. The permission of the Hungarian National Bank is needed for the realization of the transaction. The settlement of the transaction is likely to happen by the second quarter of 2016. The sale of the company will reduce the consolidated equity approximately by HUF 0.5 billion and the non-controlling interest will be book out from the consolidated balance sheet

The registry court registered the fusion of SCTAI Angol Iskola Kft. and SCT Beruházás Kft. to Raiffeisen Gazdasági Szolgáltató Zrt. on the 24th of November 2015, by date of 31st of December 2015, but the successor started its operation on the 1st of January 2016.

Consolidated income statement in euro

(million euro)	2015	2014
Interest and similar income	**217**	**269**
- cash and cash equivalents	18	11
- on placements with banks	4	1
- on loans to non-banks	153	205
- on securities	37	46
- from leases	5	6
Interest expenses and similar charges	**93**	**125**
- on borrowings from banks	17	17
- on deposits from non-banks	30	55
- on debt securities issued	14	20
- on subordinated liabilities	15	19
- other interest-like expenses	17	14
Net interest income	**124**	**144**
Fee and commission income	131	132
Fee and commission expense	24	24
Net fee and commission income	**107**	**108**
Dividend income	0	0
Net trading income	31	44
"Net income from derivatives held for risk management"	2	11
Other operating income	15	13
Operating income	**48**	**68**
Impairment losses	**-36**	**372**
hereof loss of Settlement Act	-67	251
Salaries and staff benefits	75	77
Rental expenses	31	26
Equipment expenses	17	18
Other operating expenses	158	195
Operating expenses	**281**	**316**
Share of profits of associates	**0**	**0**
Profit/(loss) before tax	**34**	**-368**
Income tax expense	1	0
Deferred tax	0	12
Profit/(loss) for the period	**33**	**-380**
Attributable to:		
Equity holders of the parent	32	-362
Non controlling interest	1	-18

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2015 was 313,12 HUF/EUR in 2014 was 314,89 HUF/EUR.

Data above are not part of the consolidated report.

Consolidated statement of financial position in euro

(million euro)	2015	2014
ASSETS		
Cash and cash equivalents	1 613	1 646
Placements with banks	189	100
Net loans	2 920	3 569
Financial assets at fair value through profit or loss	559	609
Available for sale securities	198	9
Held to maturity securities	599	399
Investments in associated undertakings	0	0
Investments in unlisted securities	4	0
Property, plant and equipment	56	31
Investment property	0	1
Intangible assets	40	49
Goodwill	3	3
Current tax assets	0	0
Deferred tax assets	0	0
Other assets	97	182
Assets classified as held for sale	0	31
Total assets	**6 278**	**6 629**
LIABILITIES AND EQUITY		
Deposits from banks	877	999
Deposits from non-banks	4 132	4 208
Debt securities issued	207	332
Subordinated liabilities	192	332
Financial liabilities at fair value through profit or loss	142	202
Current tax liabilities	0	0
Deferred tax liabilities	0	0
Provisions	35	121
Other liabilities	194	116
Liabilities classified as held for sale	0	0
Total liabilities	**5 779**	**6 310**
Equity attributable to equity holders of the parent	**497**	**317**
Ordinary shares	160	159
Preference shares	0	0
Share capital	**160**	**159**
Retained earnings	-594	-623
Statutory reserves	936	792
Non-distributable reserve	0	0
Fair value reserve	-5	-11
Non controlling interest	**2**	**2**
Total equity	**499**	**319**
Total liabilities, non controlling interest and shareholder's equity	**6 278**	**6 629**

The above figures have not been audited in Euro and are not part of the Financial Statements.
The exchange rate applied in 2015 was 313,12 HUF/EUR in 2014 was 314,89 HUF/EUR.

Data above are not part of the consolidated report.

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Raiffeisen Bank Zrt. Annual Report 2015
Exchange rate (National Bank of Hungary) as at 31 December 2014: 1 EUR = 314,89 HUF
Exchange rate (National Bank of Hungary) as at 31 December 2015: 1 EUR = 313,12 HUF

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Published by Raiffeisen Bank Zrt. • Executive publisher: Heinz Wiedner, Chief Executive Officer