

The world
is changing.

Let's change
together.

This year's report depicts how innovative UniCredit products and ideas help our customers and businesses respond to the challenges of this changing world.

By spotlighting sophisticated, new multichannel products and services we have developed to meet the modern needs of our customers, we show how our bank is adapting to rapid changes – and how our solutions are helping our customers adapt at the same time.

At UniCredit, we make it easy for the people who bank with us to take full advantage of the technologies and customized services now available to them – so that they can achieve their goals and live their lives on their own terms. As their partner, we have a clear responsibility to provide them the flexibility, the foresight and the tools they need to overcome obstacles and seize new opportunities.

The world is changing. Let's change together.

Content

Introduction	5
Financial highlights	5
The management's report	6
Economic and financial environment in Hungary	6
Performance of the Hungarian banking sector in 2014	7
Performance and results of UniCredit Bank Hungary Zrt. in the year 2014	8
UniCredit Bank's corporate social responsibility	9
<hr/>	
Business reports	11
Report on the divisions	11
Corporate, Investment Banking and Private Banking Division	11
Retail Division	13
Human Resources	15
Report on UniCredit Jelzálogbank Zrt.	17
<hr/>	
Financial reports	19
Independent Auditor's report	19
Financial statements	20
Consolidated statement of financial position (Balance Sheet)	20
Consolidated Income Statement	21
Consolidated statement of comprehensive income	22
Consolidated statement of changes in Shareholder's equity	23
Consolidated statement of cash-flows	24
Notes to the financial statements	25
<hr/>	
Further information	53
Supervisory Board and Management Board	53
Calendar	55
Network units	57

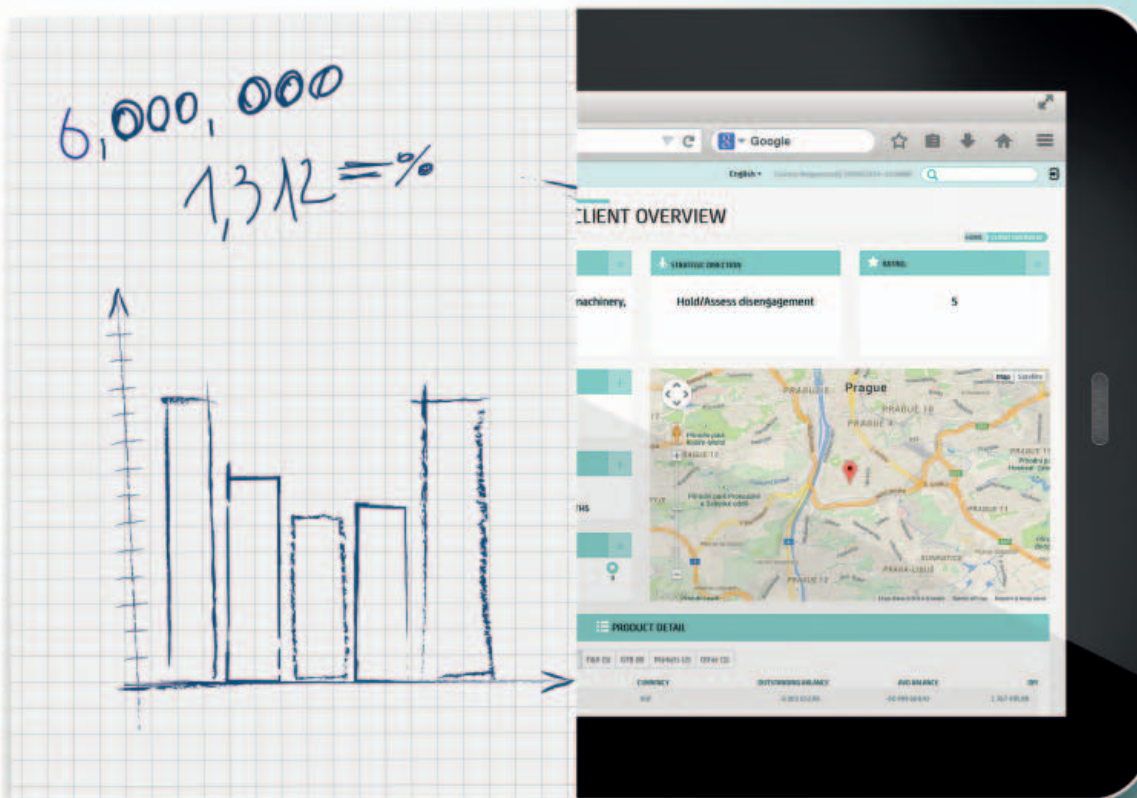
The data
is clear.

Personalized support services make it clearer.

Clear-cut answers for the future.

The path to knowledge begins with understanding.

Babel is an application that transforms data into useful and accurate information. With it, we can develop personalized products and services, just for you. Babel ensures that we will always meet your expectations and that we help you with important changes in your life. Because information is key to anticipating the future.



Financial highlights

UniCredit Group Hungary – IFRS consolidated

Profit figures

(HUF million)

	2014	2013
Operating result	17,615	8,447
Profit before taxes (HUF million)	19,727	8,199
Profit after taxes (HUF million)	16,030	6,448

Balance Sheet figures

(HUF million)

	2014	2013
Balance Sheet Total	2,235,745	1,767,095
Loans and Advances to customers (net)	982,769	910,518
Deposits from customers	1,208,235	1,067,022
Shareholder Funds	222,127	207,458

Indicators

	2014	2013
Return on Equity before taxes	9.18%	3.96%
Return on Equity after taxes	7.46%	3.11%
Return on Average Assets (ROA) before taxes	0.99%	0.48%
Return on Average Assets (ROA) after taxes	0.80%	0.38%
Cost Income Ratio*	49.30%	65.23%
Net fee income in percentage of Total Operating Income	30.21%	31.56%

Indicators prescribed by HFSA (HAS)**

(HUF million)

	2014	2013
Regulatory Capital	204,216	211,185
Risk Weighted Assets	1,265,514	1,089,392
Total Capital Ratios	16.14%	19.39%

Other figures

	2014	2013
Headcount (FTE)	1,733	1,796
Number of locations	87	102
Number of branches	85	100

* based on standard of Consolidated Financial Statement

** incl. Dividend payment

Management report

The economic and financial environment

In 2014 the performance of the world economy improved, although moderately. However, significant growth rate differences between the main regions persisted. The Eurozone's economy grew only at a moderate pace, whereas strong growth could be seen in the United States. Looking forward, these differences in growth rates might persist. In the euro area, growth was mainly attributed to the strengthening performance of the periphery countries; however, it remained moderate, partly due to the tense geopolitical situation. Germany, considered to be Hungary's most important trading partner maintained the sound rate of GDP growth, explained by the recovery of household consumption and the slightly increasing external trade balance. The protracted and slow recovery of the euro area from the crisis is primarily indicated by the weak levels of consumption and investment. The low level of domestic demand is basically caused by the protracted deleveraging process that was the main factor inhibiting recovery. In the weak investment activity, parameters such as strict lending conditions and uncertainty about the growth outlook also play a role; however, their influence may become weaker in the medium term. Business confidence in the euro area further worsened due to geopolitical tensions that could be a further negative risk factor for the future.

2014 witnessed a significant decrease in commodity prices and consequently in inflation. The per barrel price of crude oil in the world market decreased from USD 110 at the beginning of July to USD 95 by the end of September, then it fell to around USD 60 by the end of the year. The drop in the crude oil price is explained on the one hand by the increase in exploitation, and on the other one by the slowdown of global growth and declining demand caused by changes in the industrial structure. In the second half of the year the appreciation of the US dollar also contributed to the further decrease of prices. A significant fall in the crude oil price might trigger a further global disinflationary effect: as a consequence, the increase of the consumer price index continues to remain below or close to the target.

Last year central banks shaping global terms have maintained their loose monetary policy, due to trends in inflation and still unused capacities. On the basis of its October decision, the US central bank, the Fed terminated its asset purchasing program (Quantitative Easing - QE) as expected, while expectations with regard to the timing of the first base rate hike shifted in time. The European Central Bank (ECB) reduced its base rate in two steps (in June and September) to 0.05 per cent. At the same time, the asset purchase and refinancing programmes under the non-conventional quantitative easing launched in the summer have started and were expected to contribute to the strengthening of lending to SMEs, to the recovery of the transmission mechanism, to the easing of the risk of deflation and ultimately to the resumption of

economic growth in the euro area. The existing differences in the monetary policy stance of the Fed and the ECB led to the significant weakening of the euro to the US dollar in 2014.

Hungary's broad-based, 3.6 per cent GDP growth rate in 2014 was a positive surprise, the main drivers of which were manufacturing and government incentives. The recovery of domestic demand successfully offset the weaker than expected performance of the EU. Three main directions and objectives of economic policy have been formulated. They might remain effective in the near future, though in a narrower fiscal room of manoeuvring that can reign in the rate of GDP growth.

The primary objective of economic policy was to turn industry and exports into the main drivers of growth. This was intended to be implemented by supporting manufacturing, attracting foreign direct investments and creating cost advantages based on energy prices, and last but not least by the loose monetary policy of the NBH. Last year this policy seemed to be paying off, although Hungary's assessment in terms of competitiveness and investments still lagged behind other CEE countries, due to the unpredictable regulatory environment and the sectorial special taxes.

The economic growth rate of Hungary in 2014 was amongst the top three in the CEE region and in the European Union. Analysing the components of GDP, the pickup in investments – due to public projects, mainly in transport infrastructure and new investments in the automotive industry and manufacturing – was mainly due to the expedited absorption of EU funds and the take-off and expansion of the Funding for Growth Scheme (FGS). The rate of investments in GDP increased to close to the average of the region, i.e. to about 22 per cent. Within domestic demand recovery of consumption raised imports further, as a consequence of which net exports, which used to be the driver of economic recovery, did not contribute to growth in the second half of the year. At the same time, the foreign trade, the capital and the current accounts continue to show stable surpluses. The external financing surplus of the Hungarian economy stabilised at its historical height in 2014, close to 8 per cent of GDP.

The second objective was to strengthen fiscal discipline and to reduce the government debt ratio to below 79.4 per cent of GDP, thus complying with the requirements set in the Constitution and by the EU institutions. At the end of September this indicator stood at 83 per cent; however, the target value and the decreasing government debt trajectory was reached by the repayment of an FX debt owed to the EU, by the maturing of bonds and the year-end stop of government bond issuance, although the balance on the Treasury Single Account (KESZ) of the government kept by the NBH decreased temporarily. While budgetary discipline has been in focus during the year, on the other hand (re)purchases of various assets by the government continued as a result of which the government

Management report (CONTINUED)

raised the share of the public sector in utilities, energy and finances. Although these acquisitions can be considered neutral in terms of the budget deficit, they can pose risks for public debt.

The third objective of the economic policy is to raise employment and simultaneously reduce unemployment. One way of doing this was the extension of public working scheme and the restriction of social benefits; but with continuing economic growth, the number of employed grew in the competitive sector as well. In 2014 – for the first time since 1995 – the number of employed exceeded four million persons, thus the employment rate of the 15-64 year old age group went up to 63 per cent, whereas unemployment decreased by 2 percentage points to about 7 per cent.

Following international trends the rate of inflation lagged significantly behind the mid-term target of the NBH in 2014 and it is expected to rise to around 3 per cent in 2016 only. The stagnating, in several months negative price index was attributed mainly to the significant decreases of commodity prices, low food prices and the disinflationary effect of the negative output gap.

Following the termination of the interest rate reduction cycle in July that lasted for 12 months (-490bp) the achievement of the mid-term inflation target and the promotion of the real economy justify the maintenance of permanently loose monetary conditions. In addition to the historical 2.10 percent base rate, the NBH eased financing conditions further by two instruments (FGS and interest rate swaps). Adding the continuous weakening of the forint to this, the conclusion can be drawn that post financial crisis monetary conditions have never been so supportive of GDP growth. The exchange rate of the Hungarian currency to the euro weakened by 6 percent in 2014 and closed the year at HUF 314.89.

The global chase for yields, the decrease of interest rates, the liquidity surplus of the banking sector, the transformation of the two week central bank bill into a deposit and the self-financing concept of the NBH (i.e. increasing the proportion of domestic owned sovereign debt issued in HUF) depressed yields significantly in Hungary. The short end of the yield curve (three months to one year) decreased by some 120-140 bases points and the long term end (10 to 15 years) by 200-240 base points.

The performance of the Hungarian banking sector in 2014

In 2014 the Hungarian banking sector recorded its biggest ever loss. The loss-making operation since 2010 has been caused by the financial crisis and the simultaneous deterioration of the portfolio, the special taxes and the early repayment of FX loans. This was exacerbated in 2014 by the one-off gross burden valued at some

HUF 800 billion (nearly HUF 950 billion for the entire financial intermediary system) associated with the comprehensive settlement of retail loans following the decision of the Supreme Court of Justice. As a consequence of this, the banking sector continues to have a negative impact on economic growth. At the same time, the domestic financial system proved to be sufficiently strong and resilient to absorb losses and remain stable. The capital increases by parent banks, roughly to the value of some HUF 500 billion played a significant role in this.

The customer loan portfolio contracted by two percent in nominal value; however, when adjusted by the weakening of the exchange rate of the forint, the fall amounts to some five per cent. As part of this, the further deleveraging of households went on, mainly by the repayment of earlier accumulated FX-based loans, which could not be offset by the recovery of new HUF lending. Regarding new lending, the volume of housing loans grew significantly. The increase in real wages and employment as well as decreasing borrowing costs had an overall positive effect on household borrowing through the reduction in consumption and the increase in household investments. A slow easing in lending conditions took place in 2014; however, the standards were considered strict compared to pre-crisis ones. Non-financial corporations were net loan re-payers. From the second quarter on, however, signs of recovery could be recorded mainly in HUF lending, supported greatly by the FGS. Despite this, no essential recovery in market based lending is under way so far; at the same time a sustainable turn would require this, in addition to the NBH's engagement. Based on these considerations, the Monetary Council of the NBH decided to extent the FGS in 2015.

On the liability side, with the nearly 8 per cent nominal increase in customer deposits, the loan/deposit ratio decreased under 100 per cent. Falling interest rates diverted household savings to non-bank instruments and so retail deposits contracted by three per cent in 2014. The continuing high saving capabilities of companies could offset this; although the increase in deposits was due to the re-channelled liquidity by investment fund managers (+46 per cent year-on-year). Investment funds (+21 per cent year-on-year) and government securities were popular among households in 2014, due to an active sales campaign by the State Debt Management Agency (ÁKK) and its product developments.

The outflow of foreign funds stopped last year, although their proportion in total liabilities (about 16 per cent) is still the second highest in the CEE region; however it could further decrease as the result of the settlement of FX loans and their conversion into HUF.

On the basis of the Monetary Council's decision, the NBH provided the banking system with the required amount of foreign currency for both the settlement of FX retail loans and their future conversion

Management report (CONTINUED)

into HUF. In September unconditional and conditional sales of foreign currency were announced in the amount of EUR 3 billion. After this, a new tender of the NBH was successfully completed, creating the opportunity for the quick and orderly conversion of consumer FX loans and FX-based mortgage loans into forint. In accordance with the terms fixed in the preliminary arrangements, commercial banks submitted bids to central bank for NBH assets in the amount of EUR 7.83 billion. The NBH accepted all bids, and the banks' collateral demand arising from the conversion of FX loans into HUF was covered completely. The use of the foreign exchange reserves will take place gradually in the next three years.

In the retail loan portfolio, the share of non-performing loans further increased slightly (to 19-20 per cent), primarily in the case of FX-based loans and mainly due to the denominator effect. Following the settlement of the unilateral interest rate and fee increases the proportion of non-performing loans may further increase temporarily; however, in the medium term due to the lower instalments the proportion of loans becoming non-performing is expected to decrease. In 2014, after a nearly two year decrease, the ratio of non-performing corporate loans grew again (to 18-19 per cent). The deterioration of the portfolio took place in a concentrated way in terms of both banks and loan types. The latter was clearly attributable to real estate project loans where in many cases restructuring served only the postponement of the recognition of losses. Maintaining a high NPL proportion is both a profitability and financial stability risk, which is ultimately a barrier to future lending. In portfolio cleaning, excess supply and the lack of demand are also problematic for this kind of claims.

As a consequence of this, the NBH provides the newly established asset manager company (Magyar Reorganizációs és Követeléskezelő Zrt. – MARK Zrt.) with funds in the amount of HUF 300 billion for buying commercial real estate loans and related real estate taken as collateral.

In 2015, in addition to the settlement of retail loans, an important issue will be the planned conversion of FX-based mortgages into HUF and the legal regulation of loans provided to consumers. The latter forms the basis of the so-called fair banking system in which pricing, the criteria for the objective increase of interest rates or interest rate premiums and the possibility of easy loan redemption will be regulated. The possibility for loan redemption will be easier as a consequence of this regulation, and this might invigorate competition that might be strengthened by appreciating economies of scale due to the contracting portfolio. Nevertheless, interest rates decreasing to the "fair" level in the annual average – through net interest revenues – reduces the bank's profitability by some HUF 100 billion, therefore the return on equity might diminish by some 3 per cent.

Performance and results of UniCredit Bank Hungary Zrt. in 2014

In the year when the banks suffered historic losses, individually and at sector level, due to the extraordinary provisioning related to the comprehensive settlement of retail loans, UniCredit Bank Hungary Zrt., was the sole large bank in Hungary that achieved positive results. The bank's capital position remained solid last year, as a result of which – similarly to the previous years – it was in no need of capital injections in 2014 either, and the bank is going to pay dividends to its shareholders from last year's profits as well.

Based on its consolidated balance sheet and profit and loss account prepared in accordance with International Financial Reporting Standards (IFRS), UniCredit Bank Hungary Zrt.'s balance sheet total was a historic HUF 2,235.7 billion at the end of the year 2014 representing growth of nearly 27 per cent compared with the end of the preceding year. On the basis of its balance sheet calculated according to the Hungarian Accounting Standards, the bank had a market share of 7.2 percent in 2014 and so it closed the year as the third biggest actor in the Hungarian banking sector as expected.

Profit after tax of UniCredit Bank Hungary Zrt. valued at HUF 16 billion is outstanding not only in comparison with the market but it is more than twice as high as that of the preceding year. The bank's quick and appropriate adaptation skills to economic and regulatory challenges is well demonstrated by the fact that it could settle the HUF 33 billion extraordinary provision linked to the comprehensive settlement of retail loans by sound revenue generation and strict management of operational- and risk costs.

In 2014 the main revenue items were all in excess of the level a year earlier. The lower interest rate margin caused by decreasing interest rate environment could be compensated by increasing customer portfolio levels. The increase in fee and commission revenue was mainly due to the increase in the number and volume of securities transactions that could offset the revenue losses arising from the free cash withdrawal allowed two times per month.

The bank monitors the developments in the business environment to align its business model with them. As the result of this, in 2014 the bank optimised its branch network and thus its cost/income ratio became more favourable than that of the sectorial average and remained at a sustainable level.

The proportion of non-performing loans is traditionally lower in UniCredit Bank than the sectorial average and it is improving as a consequence of successful workout and restructuring activities, which resulted in 60% lower provisioning in 2014.

Despite deleveraging that continues to characterise the sector and the low lending activity, the customer loan portfolio of UniCredit Bank Hungary Zrt. grew by nearly eight per cent and its deposit portfolio even more dynamically, by 13 per cent. As a result of this, the Bank's loan/deposit ratio decreased to 81 per cent and its market share grew in the more important market segments. In addition, the bank successfully managed the changed savings and investment preferences caused by the low interest rate environment: it directed savings to investment funds and other securities and at the same time it further increased the savings that used to be held typically in deposits.

At the end of 2014 more than 400,000 customers of UniCredit Bank Hungary Zrt. were served by its country-wide branch network comprising 85 branches.

UniCredit Bank's corporate social responsibility

In line with its long-term corporate social responsibility strategy, in 2014 UniCredit Hungary Zrt. continued its programmes having started earlier and also embraced new initiatives. The bank has not changed its commitment: its corporate social responsibility activity focuses on child healthcare and the support of children's healthy lifestyle; funding sustainable, innovative social assistance programmes; subsidising young talents; and generally supporting sustainable solutions in the life of local communities.

In the spirit of this, at the beginning of 2014 UniCredit Bank offered a funding envelope, available during the year, to three organisations that contribute to the reduction of social exclusion and poverty, as well as to the improvement of the living conditions of disadvantaged people. These three organisations, Habitat for Humanity Foundation, Munka-Kör Foundation and the Snétberger Foundation, use new approaches in order to mitigate the economic deprivation of various vulnerable social groups in sustainable ways. The key objective of the call for grant proposals jointly published by UniCredit Foundation and UniCredit Bank Hungary Zrt was, on the one hand, to improve long-term economic opportunities for underprivileged social groups in a sustainable manner and, on the other hand, to spread the approach that in future, solutions tackling social problems in the long term, therefore in a sustainable way would play a pioneering role.

This kind of awareness raising engagement can also be seen in several other corporate social responsibility initiatives by the bank. This time in the "Pass it on!" programme, already on the go for six years, nearly hundred education institutions took part that

had organised sport events and competitions upon the bank's call before, and there were also institutions joining in 2014 for the first time. The uninterrupted success of the initiative is evidenced by the fact that these events moved close to 40 thousand students in this year. All schools participating in the programme could purchase new sporting goods and organise further sport classes from the amount provided by UniCredit Bank Hungary Zrt. In the reports sent in by the children, knowledge that has already turned into experience appears more and more frequently: sport is not only healthy but also enjoyable, especially when we do it in a supporting community.

In addition to the involvement in the life of local communities, long term commitment characterises the bank and the attitude of our colleagues in the conservation of the natural environment. They have joined the "Earth Hour" programme in 2014, the "Green Office" programme continued with selective waste collection separating hazardous waste and the permanent reduction of water, energy and paper consumption. The bank diffuses the attitude of reducing CO₂ emission beyond offices and branches, for example by reserving covered bicycle storage for colleagues riding a bicycle. In 2014 we donated computers and other office equipment that are no longer in use but still in good condition to primary schools being able to use them for years.

As in previous years, the bank organised numerous campaigns in 2014 to solve the pressing problems of foundations or organisations by urgent assistance. In the course of the year, UniCredit Bank Hungary Zrt. supported another 26 foundations engaged in child healthcare; and in the Christmas Donation Programme that has already become a tradition it granted, amongst other recipients, three million forints to the Foundation for the Development of Heim Pál Children's Hospital. As a result of this donation a new laparoscopic surgery procedure was introduced in the hospital, due to which children could leave hospital a few days after renal surgery rather than staying in hospital for several weeks, as before.

In the cultural field, the most important undertaking in 2014 in UniCredit Bank's corporate responsibility was the successful completion of the third series of UniCredit Talent Management Programme. This initiative became one of the most significant programmes supporting young artists in the most difficult post-crisis years; moreover, it was developed into a multidirectional patron of the arts programme. The bank again discovered new talents; however, it has not let go of the hands of the award winners from previous years. The 2014 award supported four young talents by a half year grant and purchase of paintings, and another nine young talented painters by a one-off purchase of their paintings.

There is
a whole world
to discover.

Better
discover it now.

At home when you're abroad.

Together, we can go far.

UniCredit has more than 8,500 branches and over 147,000 employees in roughly 50 markets across the world. That means we have the tools, the knowledge and the manpower to help your business go international. Our **UniCredit International Centers** gather our most experienced cross-border experts into a single, powerful network that can provide your business with the information and services it needs to succeed abroad. From evaluating investments, to identifying optimal financial solutions and, of course, providing basic banking services, UniCredit is always with you, anywhere you choose to be.



Report on the divisions

Corporate and Investment Banking and Private Banking Division

2014 was one of the most successful years of the Corporate and Investment Banking and Private Banking Division in spite of the challenging market environment. The Division remained the dominant segment of the bank in terms of both income and profit. The business line and each client related sub-segment as well as product factory thereof generated income in excess of the plans, due primarily to the outstanding corporate treasury sales, investment banking, trade financing and custody activities. The strong revenue flow accompanied by unchanged stringent cost management and exceptionally low level of risk costs generated outstanding profits before tax.

The Corporate and Investment Banking and Private Banking Division continued to strengthen its market position in 2014, and remained one of the most successful corporate banks in the Hungarian market. Beside of the profitability and efficiency indicators this is also manifested in recognitions received from prestigious forums and – as a most important measure – in the feedback received from our corporate customers. Based on the objective satisfaction survey conducted among our customers, as a recognition of its high service level, the bank remained one of the most acknowledged Corporate and Investment Bank in the Hungarian Market in 2014.

Successes achieved in the area of customer satisfaction can be attributed to the efforts made to establish long term and permanent partnerships, ensure high service quality and strengthen advisory services. The basis of this is the expertise and commitment of colleagues, as well as the ongoing system development and increase in automation.

Last year – similar to the previous years - we have highly focused on the quality of our service delivery to our clients and within this scope we have made several system enhancements to meet our clients' unique requests. Our success comes, on the one hand, from the expertise and experience of our colleagues and, on the other one, from our up-to-date and full range of service proposition.

Both loan and deposit market shares grew significantly in 2014 reaching all time high results: 11.6% in the deposit market and 9.8% in the loan market. The key driver of the favorable trend is the effort made to establish permanent partnerships and innovative product development in line with the needs of our customers. The bank achieved significant loan volume increase in both the SME sector and big ticket project financing e.g. taking part in the Budapest Airport deal, which also gained Project Finance International 2014 Award in the category of Europe refinancing deal of the year. In order to minimize the financial expenses of corporate investments, the bank took active part in the development of a number of financing solutions with favorable conditions, and in making accessible the Funding for Growth Program of the National Bank of Hungary, as well as the new export and trade financing schemes refinanced by

Hungarian Eximbank. In order to satisfy customer needs, we have developed state-of-the-art financing solution e.g. Supply Chain Finance, special export and import factoring deals.

For the GTB Cash Management & E-banking Department, 2014 was a year of adaptation to the changing market and legal environment. After the implementation of the financial transaction tax the bank could stabilize and even increase its customer base, which was unequivocally proven by the significant increase of payment flows and sight deposit volumes. The high level service quality was recognized by the Best Cash Management Provider Award (by Euromoney).

Card acceptance services were dynamically extended, the number of our terminals exceeded 5000 by the end of the year. Card acceptance over the internet continued to grow throughout the year. By keeping in mind the feedback received from our customers, we continuously enhance the level of our services and widen the range of our products. As a result we are with deposit cards (designed for cash deposits only), saving accounts and turnover-incentive account keeping at our corporate clients' disposal.

2014 was a successful, but challenging year for Global Securities Services (GSS) of UniCredit Bank Hungary Ltd. Our business has strengthened its market position in respect of both the number of clients and market share, the latter being due partially to the increased securities portfolio of our clientele. The growth in the market share was accompanied by the increase of the GSS revenues, which ensures UniCredit Bank Hungary Ltd. to maintain a safe and consistent GSS services and market leader position in the long run.

Despite the challenges in the Hungarian banking market, GTB Transactional Sales, as the bank's area responsible for Vostro accounts, managed to retain its leading position in the forint clearing services. Due to successful acquisitions and tenders both the number of vostro accounts and those clients utilizing our vostro services increased. The bank's commitment to its Vostro customers is demonstrated by significant investments improving the level of products and services. GTB Transactional Sales aspires to provide every partner with flexible and high-standard tailored services. This is the factor that really distinguishes the bank from its competitors.

Treasury Sales closed a profitable year in both corporate treasury and institutional sales in 2014. Despite the increasingly fiercer price competition in the corporate treasury area and the relatively low volatility in the FX markets, our bank achieved a stable fee income in FX products. At the same time UniCredit Bank Hungary Ltd. managed to close several landmark interest rate derivative transactions in a reviving market. During the year we have organized a series of one-on-one client meetings, product workshops and conferences educating our customers to further enhance their daily

Report on the divisions (CONTINUED)

risk management activities. In the focal point of our activity we continued to promote tailor-made risk management solutions for FX, interest rate and commodity exposures of our clients. Our range of product offerings enabled our customers to efficiently hedge their market risk stemming from their daily operations. During the last quarter of the year we successfully introduced a new front-office and limit management system.

UniCredit Hungary was recognised as “Investment service provider of 2014” by the Budapest Stock Exchange.

In 2014 Treasury & Trading repeatedly delivered an outstanding contribution to the bank's profitability. UniCredit Bank Hungary Ltd. kept its eminent position in the interbank market, despite narrowing opportunities to conduct trading. Markets division has exceeded its yearly target, while complying with an increasingly restrictive local and international regulatory environment.

The Corporate Finance Advisory Department of UniCredit Bank Hungary Ltd. also closed a very successful year in 2014. It pursued its activity with increasing sales revenues and profitability. The local investment banking market in 2014 was somewhat more vivid than in the previous years, however, the number of large M&A transactions remained low, and a low number of equity and bond market transactions were concluded in the Hungarian capital market. Despite the difficult market environment, the Corporate

Finance Advisory team of UniCredit Bank Hungary Ltd. acted as joint book runner in the USD500 million bond issuance by Eximbank, the largest debt capital market transaction in 2014, successfully extended the structured share purchase and share option agreement with MOL Oil and Gas Plc. with a value of EUR 250 million, and was advising the management of TV2 on the MBO transaction. CFA's work in 2014 significantly contributed to our bank's achievement to receive the Best Investment Bank of 2014 award by the Budapest Stock Exchange.

UniCredit Private Banking closed a successful business year in 2014. By reaching new milestones in our consecutive growth, we manage more than HUF120 billion savings of more than 1 000 Private Banking clients. The challenges of 2014 have been similar to the previous year's, as both the domestic and the global environment featured low yields, while more risky markets provided good investment opportunities and profits. As a result, an increasing number of our clients have received and followed our advices based on UniCredit Private Banking's asset allocation model, the Global Investment Strategy. In 2014, we further extended in our Preferred Partner program by introducing the mutual funds managed by JP Morgan. As a great external appreciation of our commitment to our clients, UniCredit Private Banking won awards by Euromoney Private Banking Survey and received the PWM/The Banker Global Private Banking Awards in 2014.

Report on the divisions (CONTINUED)

Retail Division

In 2014, UniCredit Bank Hungary's Retail Division continued to pay particular attention to flexibly adapting to market changes and to increasing the satisfaction of its customers, even in an economic environment presenting continuous challenges.

Our business policy is focused on establishing long-term cooperation with customers and offering products and services that address customer needs. In addition to customer acquisition, the bank continues to pay extra attention to customer retention. By continuously updating our product range, we strive to satisfy emerging customer needs in the areas of everyday banking transactions, savings, investments and mortgage lending to the greatest extent possible. The success of our efforts is demonstrated by the fact that the number of private individual customers who have their regular wages transferred to their bank account is increasing each year, and also our small business customers increasingly consider UniCredit Hungary Zrt. as their primary bank.

In line with its internal guidelines, the business line paid particular attention on an ongoing basis to the training and professional support of staff in the branch network and the development of sales in order to attain a high degree of customer satisfaction. The reputation of UniCredit Bank Hungary Zrt. is outstanding among its customers and, in accordance with it, customer satisfaction is at high level and it is still ahead of its competitors. As the result of this, the division has more than 383,000 customers, of whom 54,000 are small business clients.

The loan market share of the retail segment increased during the year from 4.32% to 4.47%; at the end of 2014 the closing balance of the loan portfolio was HUF 328.8 billion. The activity was outstanding primarily in the area of retail mortgage loans; considering loan extensions, in this segment the bank achieved a market share of 10.4% in 2014.

We are proud that at the MasterCard - Bank of the Year competition, the second place in the "Retail Loan Product of the Year" category was awarded to the Bank's Stable Interest (Stabil kamat) retail loan product introduced in August. In 2014 we fixed the interest rate of the personal loans created for various lifetime situations for the entire duration of the loan, thus supporting predictability for our customers.

Meeting its statutory obligation, our bank also provided its customers with the opportunity to pay their monthly instalments at a fixed exchange rate; at the end of 2014 nearly 30% of the outstanding FX-loan portfolio customers was involved in the buffer account scheme.

Following the successful first phase, UniCredit Bank Hungary Zrt. also took active part in the second phase of loan placements under the Funding for Growth Scheme Programme launched by

the National Bank of Hungary. The scheme contributed to the improvement of the willingness to borrow and the major recovery of the loan market among small and medium sized enterprises, and more and more enterprises try to take advantage of the funds offered on favourable terms. In the first phase of the programme and in the 2014 part of its second phase, UniCredit Bank Hungary Zrt. disbursed loans to its small business customers in the amount of HUF 4.7 billion by focusing on customer needs and keeping the requirements of responsible lending in mind, 76 per cent of which was new lending, typically for investment purposes.

In 2014 the savings of the Retail Division increased by HUF 87 billion and their stock closed at HUF 768.9 billion at the end of the year. The increasing number of salary domiciliation private individuals and the active small business clients contributed to the 28 per cent increase in the portfolio of sight deposits. In addition, in 2014 the trend of the recent years continued according to which customers are looking for alternative investment opportunities in the decreasing interest rate environment, and they find them mainly in securities. This is demonstrated by the figures of UniCredit Bank Hungary Zrt., since the number of our customers with a securities account grew by nearly 15 per cent in 2014. The turnover of securities was rather strong in the retail segment; primarily investment funds and government bonds were popular. The increase in the government bond portfolio was due to the Bónusz Hungarian Government Bond launched in June 2014 and the Premium Hungarian Government Bond (PMÁK) launched in July and the Treasury Saving Bill remained popular among those who look for investments in shorter term public debt instruments. In the deposit campaign launched on 9 May 2014, more than HUF 78 billion flew in the bank by the end of the year, and so the fixed term deposit portfolio could be stabilised and the funds acquired in this way remained a significant part of the increase in securities. Due to the outstanding performance, the bank increased its market share from 5.62% to 6.07% in the market for investment funds held by private individuals.

Keeping in mind the dynamic change in customer needs and habits, we pay increased attention to the development of customer focused technology solutions, thus creating value for our customers. In the framework of this, due to the development launched last year, we provide personalised offers in Internet and Mobile Telebanking. Last year we introduced first in Hungary our interactive ATM service, which is used to transmit personalised offers to customers who can make the first steps to use the service offered.

In the Retail Division, 86% of the total clientele have TeleBank contracts; therefore, at the end of the year, about 328,000 customers had the opportunity to conduct their banking affairs over the phone. Easy banking from home is made possible by the SpectraNet Internet Banking service, available day and night; by

Report on the divisions (CONTINUED)

the end of 2014 nearly 305,000 customers opted for this facility, which means an expansion of 3.1 percent compared to 2013. The number of customers opting for the Mobile Banking service grew dynamically during the year, by some 25%; thus, by the end of 2014, 119,000 of our customers had already taken advantage of the opportunity to administer their banking transactions conveniently from their smartphones.

At the end of 2014 the number of debit and credit cards issued by UniCredit Bank Hungary Zrt. was more than 303,000; in the retail and small business division nearly 75% of customers had a debit card.

By replacing existing ATMs, in 2014 the bank further increased the number of its advanced ATMs in order to enable our customers to make cash deposits at any time of the day, even outside branch opening hours. This convenience function was available at our 81 ATMs at the end of 2014. The volume of cash deposits made through advanced ATMs increased by 23% compared to 2013. Deposits

through ATMs are increasingly popular among small business customers; therefore as of 1 July 2014 we introduced a new card product, a deposit card that can be used by corporate customers. With this unique product in the market, customers are able to make deposits beyond business hours without granting disposal rights to the holder of the deposit card over the account concerned.

Our bank pays particular attention to the protection of the environment; an increasing number of our customers choose e-statements instead of paper-based bank account statements. At the end of 2014 the vast majority of our customers, already 72 per cent, used this service.

By adapting to the economic environment, in order to promote effective operation that can be maintained in the long-term, the bank rationalised its branch network by merging branches at the end of 2014: it closed down five branches in Budapest and 10 branches in the countryside.

Report on the divisions (CONTINUED)

Human Resources

In 2014, the main task of the Human Resources competence line (HR) was to ensure qualified employees for UniCredit Bank Hungary Zrt. in an increasingly difficult economic environment and to respond to the challenges arising due to stringent cost/staff monitoring with innovative solutions that are sustainable in the long term.

Great emphasis was placed on maintaining and improving employee satisfaction and engagement over the year. Following past years' practice, the participants in the talent programmes established projects in 2014, among others on career management and empowerment issues. The key elements of the HR strategy in 2014 included the use of innovative training solutions in the development of management and talents and the strengthening of succession planning and risk-sensitive culture across the entire organisation.

HR continues to support the permanent professional training of employees and keeping their knowledge up-to-date as well as the career path management of employees in the bank. This latter is achieved through the annual appraisal system as well as the talent management and training programmes for upper and middle-level management.

Talent management is one of the most important elements of the HR strategy in UniCredit Group. The talent management programme is a group-level initiative, which was also introduced by UniCredit Bank Hungary Zrt. eight years ago. Its goal is to identify people in the organisation with outstanding potential, skills and professional knowledge and to take charge of the implementation of their career plans at both the national and international level. In 2014, 10 employees participated in international programmes and 23 local talents joined them as well. UniCredit Bank Hungary Zrt. pays great attention to their development and training (skills, teamwork and project work), thereby ensuring a succession pipeline in the organisation. Our international and local talent programmes operate simultaneously within the organisation. Both teams can participate equally in the announced programmes. In 2014 the greatest emphasis was put on innovative training methods, thus responding to the needs of colleagues involved in the talent management programmes.

Management training is of equal importance to the retention and training of constantly well-performing colleagues. In the so-called upper management training programme, managers of UniCredit Bank Hungary Zrt. and colleagues selected as their future successors receive targeted training courses that help them to work effectively. In addition to improving their skills, an initiative that supports establishing upper managers' internal contacts was also introduced in 2013. In view of its great success, the initiative continued in 2014.

Middle-level management participated in special competence-based management modules in the framework of the local Leadership Academy. The modules are based on a standardised

UniCredit methodology. In 2014 the competence development of managers working in the retail division's network continued.

In 2014 succession planning received greater attention than earlier. The establishment of succession development programme for middle-level management started with the participation of managers in development centres on the basis of the UniCredit competency model. The programme starts in 2015 for the colleagues.

In addition to colleagues involved in management and talent programmes, all employees had the chance of participating in the training courses developed by the bank's internal training team. These training courses are focused on the development of skills primarily in response to the development needs of the organisation, and they are very popular among staff. In 2014 we finished the development of training materials and started training on three new topics, namely risk culture, client obsession and diversity.

UniCredit Bank Hungary Zrt. remains committed to providing services to its customers at the highest level and thereby to be among the best in the financial sector's front line from now on. Knowledge sharing is one of the greatest values of UniCredit Group. The possibility to participate in international and national development projects is open to an increasing number of colleagues. Thanks to this, not only do their personal careers and competences improve through learning new tasks and information, but they continuously enrich the intellectual values of UniCredit Bank Hungary Zrt. as well.

Hungary, too, joined the international "Gender Equality" programme, in the framework of which the "Gender Equality Policy" was introduced in 2013. The objective of this is to enforce the principle of equal treatment, from recruitment through staff promotion to work-life balance. Country-level changes that have taken place based on the regulations are monitored at international level. The report based on Group level indicators is also regularly shared with the top management.

The well-considered strategic headcount and cost management received primary emphasis in 2014.

The requirement of long term sustainable profitable operation, as the economic operator's and certainly the owner's key expectation, required significant cost reductions from the bank. In order to meet this requirement, the Bank's Board decided on the merger of branches, as a result of which the clientele of 15 branches was handed over to existing units. Relationship managers and branch managers working in the branches that were affected by the merger were assisted by HR with tailored solutions. Together with redirecting existing customers, some of the colleagues affected were asked to continue working in another branch.

Report on the divisions (CONTINUED)

UniCredit Bank Hungary Zrt. continues to put great emphasis on employee mobility within the organisation, both at the local and the international level. For any vacancies or newly opened positions, as a first step the bank reviews internal applications from colleagues, and external applications are evaluated only after that.

In 2014, the Bank hired 213 new employees. Through internal mobility and promotions more than 221 colleagues accessed new career opportunities. During the year 16 colleagues worked in international positions within UniCredit Group. 60 colleagues returned from maternity leave. For the entire bank, annual staff turnover was 15.2%.

Colleagues in HR are constantly invited to integrate new colleagues into the organisation and to assist in continuous efficiency improvements and the improvement of processes. For all these they provide assistance to the individual areas through targeted methodologies and due diligence. Getting thoroughly acquainted with the individual banking areas and activities is ensured by the HR Business Partner Model, which makes labour, training and selection processes easier and faster.

Following our practice dating back to many years, we successfully applied the Captain work attitude test in the selection of our prospective employees, which made our hiring processes even more effective. This methodology was applied for organisational development purposes as well.

Employee satisfaction surveys and the implementation of subsequent action plans are of key importance for both the Group and UniCredit Bank Hungary Zrt. In 2014 the project work of colleagues participating in the talent programme continued, in the framework of which the action points created for the areas to be improved were developed and implemented. All these were achieved with the sponsorship of the top management.

The series of lectures on mental health for employees, launched with great success two years ago, continued in 2014 as well, with topics related to self-esteem, relationships and family.

HR makes efforts to increase employee satisfaction through the improvement of its own processes as well. In 2014 we launched a new user-friendly recruitment website to develop our recruitment-selection processes.

The HR strategy for 2015 is determined by further strong support from the management, by strategic workforce planning, the development of the participants in the succession development programme, further increasing internal customer satisfaction and engagement, and cost-conscious behaviour in order to promote an even more efficient and sustainable operation in the long term.

Report on UniCredit Jelzálogbank Zrt.

A mortgage bank operating as a specialised credit institution, UniCredit Jelzálogbank Zrt. was established on 8 June 1998, with a subscribed capital of HUF 3 billion by Bayerische Vereinsbank AG. Since 22 December 2006, the sole shareholder of UniCredit Jelzálogbank Zrt. has been UniCredit Bank Hungary Zrt.

The main activity of UniCredit Jelzálogbank Zrt. is the issuance of mortgage bonds and unsecured bonds that typically provides medium- and long-term funding for its own and refinanced loan portfolios. The primary collateral for mortgage loans are first-ranking mortgage lien, independent lien and separated lien on financed properties located on the territory of Hungary.

In order to increase efficiency, since 2008 UniCredit Jelzálogbank has continuously outsourced some of its supporting activities, such as banking operations, human resources, IT, accounting, etc., to UniCredit Bank Hungary Zrt. Since 1 April 2009, the tasks of specific business areas of UniCredit Jelzálogbank have also been performed by UniCredit Bank Hungary Zrt. as outsourced activities under an agency agreement. Accordingly, complete administration related to the financing of business properties and home-purchasing of private individuals as well as agricultural land financing is fulfilled by UniCredit Bank Hungary Zrt. The issuance of mortgage bonds and unsecured bonds serving as the main source of funding for the lending activity as well as refinancing activity continues to be performed by UniCredit Jelzálogbank Zrt.

UniCredit Jelzálogbank Zrt. ensures typically medium- and long-term funding for its own and refinanced loan portfolios, in line

with its earlier practice, by issuing mortgage bonds and borrowing from money markets and taking long-term loans. It can raise the funding required for its general operations by issuing unsecured bonds; however, no such issuance took place in 2014. The issues of mortgage bonds and unsecured bonds typically take place in the framework of issuance programmes, in the course of which UniCredit Jelzálogbank Zrt. collects long-term HUF and foreign currency funds from the capital market.

Under current business and market conditions, the frequency and volume of mortgage bond issuance is primarily subject to the bank's asset-liability structure and the composition of the collateral registry book, the maturity structure of mortgage bonds and the changes in the yield environment. The issuance of mortgage bonds and unsecured bonds may take place in several forms. The form of execution of the issuance and the scope of issuable instruments are set out in the issue prospectus currently in effect. In the case of a private placement, mortgage bonds and unsecured bonds are sold to a specific group of investors. In the case of a public placement, the conditions of the given issue of mortgage bonds and unsecured bonds are set out in the issue prospectus and in the final terms and conditions related to the individual series of bonds.

UniCredit Jelzálogbank closed the 2014 financial year, on the basis of its balance sheet prepared in accordance with the International Financial Reporting Standards (IFRS), with a balance sheet total of HUF 79,694 million.

The world
moves fast.

Anticipation makes
a world of difference.

Serving talent.

In a world that is always on the move, UniCredit saw the need for a network of high-tech services.

UniCredit Start Lab is our accelerator for innovative startups. From mentoring and network development to managerial coaching, we've got it covered.

MyZabaStart is a platform, launched in Croatia by Zagrebačka Banca BB, that provides support for deserving business ideas in the green, creative and innovative sectors, to help drive their business growth.



Independent Auditor's report



Deloitte Auditing and Consulting Ltd.
H-1068 Budapest, Dózsa György út 84/C, Hungary
H-1438 Budapest, P.O.Box 471, Hungary

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.com/hungary

Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

Translation of the Hungarian original

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholder of UniCredit Bank Hungary Zrt.

The accompanying summary consolidated financial statements, which amounts presented in HUF million included on pages from 20 to 51 to this Annual Report, which comprise the summary consolidated statement of financial position as at December 31, 2014, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union of UniCredit Bank Hungary Zrt. for the year ended December 31, 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 3, 2015.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards as adopted by the European Union applied in the preparation of the audited consolidated financial statements of UniCredit Bank Hungary Zrt. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of UniCredit Bank Hungary Zrt.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Hungarian National Standard on Auditing 810, "Engagements to Report on Summary Financial Statements."


Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union of UniCredit Bank Hungary Zrt. for the year ended December 31, 2014 are consistent, in all material respects, with those financial statements.

Emphasis of matter

We draw attention to the fact that the accompanying summary, consolidated financial statements also contains amounts presented in EUR which were not part of the summary consolidated financial statements and its audit, they were solely presented for the convenience of users. Our opinion is not modified in respect of this matter.

Budapest, March 3, 2015


Molnár Gábor
Deloitte Auditing and Consulting Ltd.
1068 Budapest Dózsa György út 84/C.
000083


Nagyváradiné Szépfalvi Zsuzsanna
registered statutory auditor
005313

Financial statements

Consolidated statement of financial position (Balance Sheet) – 31 December 2014

Assets

	NOTE	2014		2013	
		HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Cash and unrestricted nostros with Central Bank	15	14,425	46.6	11,026	37.1
Financial assets held for trading	16	74,149	239.6	49,278	166.0
Available-for-sale financial assets	17	262,735	849.0	554,572	1,867.8
Held-to-maturity investments	18	2,367	7.6	3,201	10.8
Placements with, and loans and advances to banks	19	810,119	2,617.8	170,270	573.5
Loans and advances to customers	20	982,769	3,175.7	910,518	3,066.6
Hedging derivative assets	21	34,498	111.5	17,025	57.3
Equity investments	22	1	0.0	1	0.0
Investment properties	23	14,027	45.3	12,082	40.7
Property, plant and equipment	24	23,687	76.5	26,591	89.6
Intangible assets	25	940	3.0	1,336	4.5
Current tax assets	14	989	3.2	195	0.7
Deferred tax assets	14	3,413	11.0	-	-
Other assets	26	11,626	37.6	11,000	37.0
Total assets		2,235,745	7,224.4	1,767,095	5,951.6

Liabilities

	NOTE	2014		2013	
		HUF, MILLION	EUR, MILLION	HUF, MILLION	EUR, MILLION
Deposits and loans from banks	27	667,823	2,158.0	415,719	1,400.2
Deposits from customers	28	1,208,235	3,904.2	1,067,022	3,593.8
Subordinated loans	29	21,482	69.4	20,255	68.2
Issued bonds	30	2,768	8.9	8,342	28.1
Financial liabilities held for trading	16	61,233	197.9	30,969	104.3
Hedging derivative liabilities	21	7,612	24.6	2,643	8.9
Current tax liabilities	14	-	-	19	0.1
Deferred tax liabilities	14	-	-	2,447	17.0
Other liabilities	31	9,405	30.4	9,328	31.4
Other provisions		34,853	112.6	2,630	8.9
Total liabilities		2,013,411	6,506.0	1,559,374	5,260.8

Equity

	NOTE	2014		2013	
		HUF, MILLION	EUR, MILLION	HUF, MILLION	EUR, MILLION
Share capital	32	24,118	77.9	24,118	81.2
Capital reserve		3,900	12.6	3,900	13.1
Retained earnings		136,199	440.1	134,088	451.6
Statutory reserves	33	23,336	75.4	23,999	80.8
Valuation reserves		18,544	59.9	14,905	50.2
Net profit for the year		16,030	51.8	6,448	21.7
Total Equity attributable to the equity holder of the Bank		222,127	717.8	207,458	698.7
Minority interest		207	0.7	263	0.9
Total Equity		222,334	718.4	207,721	699.6
Total Liabilities and Equity		2,235,745	7,224.4	1,767,095	5,960.4

The accompanying notes (1-35) form an integral part of these financial statements.

These figures have been recalculated to EUR using the closing HUF/EUR rate published by the Hungarian National Bank on the last business day of the respective years.

Financial statements (CONTINUED)

Consolidated Income Statement – 31 December 2014

	NOTE	2014		2013	
		HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Interest and similar income	6	99,468	321.4	113,520	382.3
Interest expense and similar charges	6	(34,178)	(110.4)	(54,092)	(182.2)
Net interest income	6	65,290	211	59,428	200.2
Fee and commission income	7	48,600	157	44,375	149.5
Fee and commission expense	7	(11,640)	(37.6)	(12,679)	(42.7)
Net fee and commission income	7	36,960	119.4	31,696	106.8
Dividend income	8	148	0.5	138	0.5
Net trading income	9	7,551	24.4	9,168	30.9
Net gain and loss on other financial instruments	10	12,400	40.1	1,614	5.4
Operating income		122,349	395.4	102,044	343.7
Impairment and losses on credit products	34	(10,739)	(34.7)	(26,358)	(88.8)
Impairment losses		(10,739)	(34.7)	(26,358)	(88.8)
Net financial activity result		111,610	360.6	75,686	254.9
Personnel expenses	11	(16,790)	(54.3)	(16,306)	(54.9)
General operating expenses	12	(41,595)	(134.4)	(44,978)	(151.5)
Provision on the compensation of FX loans	34	(33,000)	(106.6)	–	–
Other provision	34	(675)	(2.2)	(1,728)	(5.8)
Amortization and impairment on property, plant and equipments	24	(2,368)	(7.7)	(3,541)	(11.9)
Amortization and impairment on intangible assets	25	(478)	(1.5)	(1,444)	(4.9)
Other income	13	911	2.9	758	2.6
Operating costs		(93,995)	(303.7)	(67,239)	(226.5)
Gain / (losses) on investments	22	232	0.7	(32)	(0.1)
Gain / (losses) on investment properties		1,880	6.1	(216)	(0.7)
Profit before tax		19,727	63.7	8,199	27.6
Income tax expense	14	(3,697)	(11.9)	(1,751)	(5.9)
Net profit for the year		16,030	51.8	6,448	21.7

The accompanying notes (1-35) form an integral part of these financial statements.

These figures have been recalculated to EUR using the closing HUF/EUR rate published by the Hungarian National Bank on the last business day of the respective years.

Financial statements (CONTINUED)

Consolidated statement of comprehensive income – 31 December 2014

(HUF million)

	NOTE	2014	2013
Net profit for the year		16,030	6,448
Movement in fair value reserve (available-for-sale financial assets)		(7,075)	3,890
Income tax on fair value reserve	14	1,344	(739)
Net movement in fair value reserve		(5,731)	3,151
Movement in cash-flow hedge reserve		11,568	957
Income tax on cash-flow hedge reserve	14	(2,198)	(182)
Net movement in cash-flow hedge reserve		9,370	775
Total comprehensive income for the year		19,669	10,374

The accompanying notes (1-35) form an integral part of these financial statements.

Financial statements (CONTINUED)

Consolidated statement of changes in Shareholder's equity – 31 December 2014

(HUF million)

	ORDINARY SHARES	CAPITAL RESERVE	RETAINED EARNINGS	STATUTORY RESERVES	VALUATION Fair value reserve	RESERVES Hedging reserve	OTHER RESERVES	NET PROFIT	TOTAL	NON- CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2013	24,118	3,900	114,686	32,429	3,732	7,247	–	20,972	207,084	392	207,476
Net profit for the previous year	–	–	20,972	–	–	–	–	(20,972)	–	–	–
Total comprehensive income for the year	–	–	–	–	3,151	775	–	6,448	10,374	–	10,374
Dividend to equity holder	–	–	(10,000)	–	–	–	–	–	(10,000)	–	(10,000)
Business combination	–	–	–	–	–	–	–	–	–	(129)	(129)
Appropriations											
Transfer to retained earnings	–	–	8,430	(8,430)	–	–	–	–	–	–	–
Balance at 31 December 2013	24,118	3,900	134,088	23,999	6,883	8,022	–	6,448	207,458	263	207,721
Net profit for the previous year	–	–	6,448	–	–	–	–	(6,448)	–	–	–
Total comprehensive income for the year	–	–	–	–	(5,731)	9,370	–	16,030	19,669	–	19,669
Dividend to equity holder	–	–	(5,000)	–	–	–	–	–	(5,000)	–	(5,000)
Business combination	–	–	–	–	–	–	–	–	–	(56)	(56)
Appropriations											
Transfer to retained earnings	–	–	663	(663)	–	–	–	–	–	–	–
Balance at 31 December 2014	24,118	3,900	136,199	23,336	1,152	17,392	–	16,030	222,127	207	222,334

The accompanying notes (1-35) form an integral part of these financial statements.

Financial statements (CONTINUED)

Consolidated statement of cash-flows – 31 December 2014

Cash flows from operating activities

(HUF million)

	NOTE	2014	2013
Profit before tax		19,727	8,199
Items not involving movement of cash:			
Depreciation and amortisation	24, 25	2,846	4,985
Scrapped and transferred fixed assets			
Profit on disposal of property, plant and equipment		(45)	(3)
Net impairment and losses in credit products		33,448	10,435
Net loss/gain from cash-flow hedging assets		(936)	216
Foreign exchange loss on subordinated loans		1,227	383
Fair value change of investment properties		(1,879)	216
Foreign exchange loss/(gain) on investment properties		(615)	(300)
Taxation paid	14	(3,697)	(1,751)
Cash-flows from operating profits before changes in operating assets and liabilities		50,076	22,380
Change in financial assets held for trading		(24,871)	(14,683)
Change in tax assets		(4,275)	2,237
Change in other assets		(640)	3,129
Change in tax liabilities		(3,252)	(5,395)
Change in other liabilities		193	(72)
Change in loans and advances to customers		(73,648)	42,182
Change in deposits with other banks		(639,849)	10,038
Change in deposits from customers		141,213	45,004
Change in deposits from other banks		252,104	77,304
Change in financial liabilities held for trading		30,264	(4,429)
Net cash from operating activities		(322,761)	155,315

Cash-flows from investing activities

(HUF million)

	NOTE	2014	2013
Proceeds on sale of property, plant and equipment		160	42
Proceeds on sale of intangible assets		1,745	-
Addition of property, plant and equipment		(1,324)	(523)
Addition of intangible assets		(82)	(45)
Change in equity investments		-	535
Change in held to maturity investments		834	3,425
Change in available for sale financial assets		284,776	(166,914)
Change in investment properties		549	(1,318)
Net cash used in investing activities		286,658	(164,798)

Cash-flows from financing activities

(HUF million)

	NOTE	2014	2013
Change in issued bonds		(5,574)	(553)
Dividend paid		(5,000)	(10,000)
Net cash from financing activities		(10,574)	(10,553)
Net Increase in cash		3,399	2,344
Cash at the beginning of the year	15	11,026	8,682
Cash at the end of the year	15	14,425	11,026

The accompanying notes (1-35) form an integral part of these financial statements.

Notes to the financial statements

1. General

UniCredit Bank Hungary Zrt. ("UniCredit" or "the Bank") is registered as a joint-stock company under Hungarian law and is licensed to conduct universal banking activities in Hungary. The address of the Bank's registered head office is H-1054 Budapest, Szabadság tér 5-6. The Bank is a wholly owned subsidiary of Bank Austria AG, Austria (BA CA), with the ultimate parent company being UniCredito Italiano S.p.A.

Transactions with members of the UniCredit Group include credit relationships, where the related parties are borrowers or guarantors, and deposit relationships. Such transactions are conducted under substantially the same terms and conditions as are applied to third parties, unless otherwise stated.

These financial statements were approved by the Supervisory Board on 03 March 2015.

2. Basis of preparation

a.) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and all applicable interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC"), as adopted by the EU.

b.) Basis of measurement

The financial statements are presented in millions of Hungarian Forint ("HUF").

These consolidated financial statements are presented in Hungarian Forints, the currency of the primary economic environment in which the Group operates ("functional currency"). The accounting records of the Group are also maintained in this currency. Except as indicated, financial information presented in Hungarian Forints has been rounded to the nearest million.

These consolidated financial statements consolidate the accounts of the following entities: UniCredit Bank Hungary Zrt., UniCredit Jelzálogbank Zrt. ("Mortgage bank"), Arany Pénzügyi Lízing Zrt., Sas-Reál Kft. as subsidiaries and Europa Investment Fund as a special purpose vehicle (together the "Group").

These consolidated financial statements have been prepared on a fair value basis for derivative financial instruments, trading financial assets and liabilities and available-for-sale financial assets, except those for which a reliable measurement of fair value is not available. The latter items are stated at either amortised or historical cost.

2. Basis of preparation (continued)

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost, net of accumulated impairment losses (if applicable) or historical cost.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a.) Consolidation principles

All entities directly or indirectly controlled by the Bank have been consolidated into these consolidated financial statements. These consolidated financial statements are based on the stand-alone reporting packages of the consolidated subsidiaries, which have also been prepared in accordance with IFRS.

Notes to the financial statements (CONTINUED)

Investments in associated companies, which are neither indirectly nor directly controlled by the Bank, but over which it can exercise significant influence, are accounted for using the equity method.

Investments in shares in companies, which are not consolidated are classified as available for sale investments and recognised at their fair values, when that fair value is reliably measurable. Changes in fair values are thus directly recognised in other comprehensive income. In cases where the fair value cannot be reliably determined, shares are carried at cost. When there is objective evidence that a financial asset is impaired, a loss is recorded in the consolidated income statement. As soon as the circumstances which led to the impairment cease to exist, the recovery in the fair value of the impaired available-for-sale equity security is recognised directly in equity.

b.) Consolidation procedures

When a subsidiary or associated company is acquired, the acquirer determines the related goodwill, which is recognised in the statement of financial position. Subsequently, goodwill is measured at cost less accumulated impairment losses.

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements.

c.) Comparatives

Certain items previously reported in the prior years' financial statements are restated and reclassified to provide consistency for presentation purposes, if applicable.

d.) Cash and cash equivalents

Cash and cash equivalents include nostros with the Central Bank and are carried at cost in the statement of financial position.

The amount of cash in the statement of cash flows is equal to the cash on hand from statement of financial position item Cash and unrestricted nostros with the Central Bank (see Note 15).

e.) Financial instruments

i) Classification

Financial assets and financial liabilities, held for trading are those that the Group principally holds for the purpose of short-term profit taking. These include shares, bonds, certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All non-hedge derivatives in a net receivable position (positive fair value), are classified as financial assets, held for trading. All trading derivatives in a net payable position (negative fair value), are classified as financial liabilities, held for trading. The Group does not classify any of its financial instruments as financial instruments at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and which are created by the Group with no intention of short term profit taking. Loans and receivables consists of loans and advances to banks and customers.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as loans and receivables. These include certain debt instruments.

Available-for-sale financial assets are those non-derivative financial assets that are classified as available for sale or are not classified as loans and receivables, held-to-maturity investments or trading financial assets. Available-for-sale instruments include certain debt and equity investments.

Hedging instruments. There are certain derivatives that are designated as cash-flow hedges. They serve as hedges against the variability of cash flows within the framework of the Group's asset-liability management activities. For the purpose of cash-flow hedge accounting, variable-rate interest receivables and payments on variable-rate assets and liabilities are swapped for fixed-rate interest payments, primarily by means of interest rate swaps. Interest rate swaps are also used to hedge the exposure to changes in the fair values of fixed rate available-for-sale debt securities attributable to changes in market interest rates.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Notes to the financial statements (CONTINUED)

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income from the period when the cash flow hedge was effective remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss. In a fair value hedge relationship, any adjustment to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

ii) Recognition and de-recognition

The Group recognises financial assets and liabilities on the trade date. A financial asset or financial liability is initially measured at fair value plus (for an item, that is not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

From this date any gains and losses arising from changes in fair value of the assets are recognised either in income statement or in equity. All loans and receivables are recognised when cash is advanced to the counterparty.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership. (If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall determine whether it has retained control of the financial asset. In this case, if the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

iii) Measurement

Initial measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Subsequent to initial recognition all trading and hedging financial assets and liabilities and all available-for-sale financial assets are measured at fair value, except that, where no quoted market price exists in an active market and fair value cannot be reliably measured, these are carried at cost less impairment.

All non-trading financial assets, loans and receivables and held-to-maturity investments are measured at their amortised cost less accumulated impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and are amortised. Financial assets, with the exception of loans which are reviewed monthly, are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indicator of impairment exists, the asset's recoverable amount is determined and compared with its carrying amount to assess the amount of any impairment.

Subsequent measurement

Fair value measurement principles

The fair value measurement principles, applied by the Group, are described in Note 5.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading financial assets and financial liabilities are recognised in the income statement. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in the Available-for-sale reserve, except for those designated as hedged items in qualifying fair value hedge relationships, where changes in fair value attributable to the risk being hedged are recognised in the income statement. Gains and losses arising from a change in the fair value of derivatives, designated as effective

Notes to the financial statements (CONTINUED)

hedging instruments in a cash flow hedge relationship are recognised in the Cash flow hedge reserve. Any impairment loss on available-for-sale financial assets is recognised in the income statement.

f.) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

g.) Equity investments

Equity investments that the Group holds for the purpose of short-term profit taking are classified as trading financial assets. Other equity investments are classified as available-for-sale financial assets. The measurement of these equity investments is stated in Note 3.(e.) except for equity investments in associated companies that are measured based on Note 3.(a.).

h.) Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are reviewed periodically and items which are considered to have no further value are impaired in full.

i.) Intangible assets and goodwill

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are reviewed periodically and items which are considered to have no further value are impaired in full. The Group has no intangible assets with an indefinite useful life.

j.) Depreciation and amortisation

Depreciation is charged to write off the cost of all such assets which are to be depreciated to the income statement over their anticipated useful lives. All of the above assets, with the exception of land and assets under construction are depreciated on a straight line basis. The annual rates of depreciation used are as follows:

	Depreciation Rate %
Buildings	2 – 6
Property rights	10
Office equipment	14.5 – 33
Hardware	25
Motor vehicles	20
Rental rights	10
Licenses	10
Software	20

k.) Impairment on non-financial assets

If there is objective evidence that a non-financial asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in the income statement.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no impairment losses recognised in prior years.

Notes to the financial statements (CONTINUED)

l.) Loans and advances

Loans and advances originated by the Group are classified as loans and receivables. Purchased loans that the Group has the intent and ability to hold to maturity are also classified as loans and receivables.

Loans and advances are reported net of impairments for credit losses to reflect the estimated recoverable amounts.

Income for the period on loans and advances is determined using the effective interest method. The effective interest rate is established individually for all loans and advances. When calculating the effective interest rate, all contracted cash-flows are taken into account including fees commissions, as well as possible premiums or discounts. Estimated future credit losses are however not included. The result of this calculation is charged to the income statement.

m.) Impairment and losses on credit products

It is the policy of the Group to review periodically its portfolio of loans and advances to make provisions for impairment, where necessary. Impairment is based on an individual assessment of the recoverability of outstanding amounts. Increases and decreases in the provisions for impairments are charged to the income statement. Further details on loan assessment are provided under the Risk Management Policies.

n.) Deposits from banks and customers

Deposits are cash amounts, accepted by the Group from other banks and its customers, and they serve as funds to the active side of the business. Deposits are initially measured at fair value, and subsequently at their amortised cost. The Group does not classify any deposits as financial liability at fair value through profit and loss.

o.) Issued bonds

The Mortgage Bank's primary source of funds is generated from the issuance of mortgage bonds. Mortgage bonds are secured bonds. The Mortgage bank may issue such bonds only if it has sufficient collateral, which may include independent mortgage rights and other securities such as government bonds and treasury bills.

Issued bonds are classified as financial liabilities, initially recognised at issue price, plus directly attributable transaction costs and subsequently measured at amortised cost.

p.) Equity elements

i) Statutory reserves

General reserve

In accordance with Section 75 of Hungarian Act No. CXII of 1996, a general reserve equal to 10% of the net post tax income (based on the Bank's financial statements, prepared in accordance with the local GAAP) is required to be made in the Hungarian statutory accounts. The general reserve is set aside to offset potential future losses according to Hungarian Accounting and Banking Rules. Increases in the general reserve are treated as appropriations from retained earnings, and are not charged against income.

General risk reserve

Under Section 87 of Hungarian Act No. CXII of 1996 a General Risk Reserve of 1.25% of the risk weighted assets is made. Under Hungarian law the amount of the general risk reserve is charged to the income statement and is a tax deductible expense. This amount has been reversed from the Hungarian statement of income in these IFRS financial statements and has been treated as an appropriation of retained earnings. The total General Risk Reserve, created until 2012 from the based on the Bank's risk weighted assets (1.25%) is reclassified to Retained Earnings according to a recent change of the 1996/CXII Act on Banking. This decision was based on the domestic implementation of the regulations of CRD IV / CRR.

Tied-up reserve

This reserve is an appropriation from the retained earnings, for future purchases of tangible or intangible assets, in order to obtain tax benefits. It is released to retained earnings in line with the expenditure for such assets. The amount that is utilised each year is reallocated again, up to the maximum level, based on the law in force.

ii) Valuation reserves

Valuation reserves are part of Shareholder's equity. Under the IFRS principles the valuation reserves include exclusively the cash-flow hedge reserve and available-for-sale instrument reserve less deferred tax as stated in Note 3.(e.) above.

Notes to the financial statements (CONTINUED)

q.) Derivative financial instruments

The Group uses the following derivative financial instruments: futures, interest rate swaps, options, forward rate agreements and spot and forward foreign exchange contracts to manage its exposure to foreign exchange, interest rate and market risks arising from operational, financing and investment activities.

The recognition of income/expenses relating to non-hedge derivative transactions are on a mark-to-market basis, and changes in value are immediately recognised in the income statement.

The Group holds certain embedded derivative instruments. Their recognition and valuation rules are identical with those of the non-embedded derivatives.

r.) 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 a payment when due in accordance with the terms of a debt instrument. The Group normally issues either short-term guarantees, with an initial payment, or long term guarantees, for which it receives regular fee income. Financial guarantees are reviewed quarterly, and a provision is created in the amount of any expected payment. These provisions are included within other liabilities.

s.) Income

Net Interest income

Interest income and interest expense for the year are recognised on an accruals basis, together with the application of the effective interest rate method on all instruments measured at amortised cost.

For loans and advances, the effective interest rate is established individually. When calculating the effective interest rate, all contracted cash-flows are taken into account including fees commissions, as well as possible premiums or discounts. Estimated future credit losses are however not included.

Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment has been established.

Net fee and commission income

Net fee and commission income consists of income from services, provided on a fee and commission basis as well as expenses incurred for services provided by third parties and related to the Group's fee-earning business. Net commissions and fees are included in the income statement as they are received and paid.

Net trading income

Net trading income includes gains and losses arising from disposals and changes in the fair value of trading financial assets and liabilities.

Net gain and loss on other financial instruments

Net gain and loss on other financial instruments is related to non-trading financial assets and equity investments and includes the realized result at derecognition.

Gains and losses on other equity investments

Gains and losses on other equity investments include the net result arising from capital transactions from equity investments related to associated companies.

t.) Income tax

Income tax on the profit or loss for the year consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date. The profit for the year is adjusted according to the relevant tax regulations to calculate the taxable income.

Deferred tax is provided using the balance sheet liability method, in respect of which temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognised in full. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the difference between the carrying amounts of assets and liabilities in the IFRS statement of financial position and in the balance sheet for local tax purposes.

Notes to the financial statements (CONTINUED)

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 unused tax losses and credits 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 in the statement of financial position after the analysis, carried out according to IAS 12.

u.) Events after the reporting date

Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. These events fall into two categories: those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

All adjusting events after reporting date have been taken into account in the preparation of the consolidated financial statements of the Group. Where there were material non-adjusting events that occurred after the reporting date, the appropriate disclosure thereof has been made in the consolidated financial statements.

v.) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Group's format for segment reporting is based on business segments and the Group's management and internal reporting structure.

The Group separates the following main business segments:

- CIB Includes the loans, deposits and other transactions and balances with corporate customers (excludes small enterprises) together with the results of trading activities and equity sales activities with customers. Includes the custody service transactions and balance.
- Retail Includes the loans, deposits and other transactions and balances with retail customers (includes small enterprises).
- Private Banking Includes the loans, deposits and other transactions and balances with private banking customers.
- Others Includes Assets Liabilities Management activities that contain the Group's funding and centralised risk management activities through borrowings, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

The result of each segment also includes the head office costs (indirect and overhead) allocated on a reasonable basis.

w.) New standards and interpretations not yet adopted

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015).
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015).
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).
- IFRIC 21 "Leases" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Notes to the financial statements (CONTINUED)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 03 March 2015 (the effective dates stated below is for IFRS in full):

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Bank/Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the end of the reporting period..

4. Risk Management Policies

The most significant business risks to which the Bank is exposed are credit risk, liquidity risk, market risk (includes interest rate and foreign exchange rate risks) and operational risks. The Group takes a group-wide approach to manage risk, tailored for specific Hungarian legal and business requirements. Integrated and on-line systems ensure constant, timely monitoring of risk.

The Group's policies for managing each of the major financial risks are reviewed regularly by the respective business areas, internal audit, senior management and the Management Board.

i) Credit risk

Credit risk is the risk of financial loss occurring as a result of a default by counterparty in their contractual obligation to the Group.

Credit regulations including the approval process, portfolio limit concentration guidelines, approval of discretionary limits, formulation of standards for the measurement of credit exposures and the risk rating of clients based on the assessment of management quality and financial statements are submitted by the Credit Risk Officer and approved in general by the Management Board, in details by the Chief Executive Officer.

Client and transaction classification

All outstanding loans are reviewed in general monthly, in-depth at least quarterly on an individual basis or – below a certain threshold – within a collective assessment.

Clients are classified at least yearly based on a rating system, which incorporates qualitative and quantitative factors, or in case of retail clients the classification is based on scorecards.

Notes to the financial statements (CONTINUED)

The Group applies a rating masterscale consisting of 26 notches within 10 rating classes. Thereof three notches serve for the defaulted customers, the others for the performing ones. Ratings refer to the probability of default (PD) according to the (group-wide used) masterscale. (Certainly, in case of defaulted clients PD is 100%).

Client classification is not equivalent to 'loans' classification.

Collateral

Principles and methods for the valuation of collateral securing the transactions of the Group involving risk-taking, as well as certain legal stipulations affecting the collateral applied by the Group and the principles for the monitoring of collateral are set out in the collateral valuation rules.

General principle is that the collateral:

- shall be legally binding and recoverable;
- shall be directly accessible and
- appropriate to be liquidated in time.

The Group accepts and registers in its system the following types of collateral:

- Financial collateral held at own bank;
- Financial collateral held with other institutions;
- Insurance;
- Personal collateral – direct;
- Personal collateral – indirect;
- Real estate collateral;
- Assignment of receivables, pledge on receivables;
- Movable property collateral;
- Other collateral.

The basis for the valuation of collateral is the market value adjusted by the following factors:

- Collateral haircut: a percentage showing the expected loss (in%) of the market value in case of realisation of the collateral. Haircut is separately defined for every collateral type.
- Currency haircut: in case of mismatch between the currency of the loan and that of the collateral, the Group applies currency haircut to take into account currency risk. The extent of haircut for each currency is specified centrally by the Market Risk department of UniCredit BA, and this is also the department which carries out the regular review
- Maturity haircut: maturity mismatch occurs on exceptional basis, if the term of the collateral/collateral agreement is shorter than that of the agreement for the commitment. In such cases a haircut must be applied.

In case of real estate collateral, the value is established by a technical expert who is independent from the credit process. The value of real estate shall be reviewed regularly, in compliance with the legal provisions: at least once a year for non-residential real estate and once every 3 years for residential real estate. In case of residential real estate the Group applies statistical revaluation.

The price/value of financial collateral is updated daily in the collateral system.

Eligibility of guarantees and surety is subject to proper evaluation of the guarantor according to the respective internal rules.

Loan classification

The Group assesses whether there is objective evidence that loans and advances are impaired. Loans and advances 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 loans and advances 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 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 economic conditions that correlate with defaults in the Group.

Assets obtained by the Group during the year by taking possession of collateral held as security against loans and advances have to be evaluated as well, taking into account the possibility of expected loss at the sale of that asset, however. The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operation.

Loans are classified in general monthly and going into details at least quarterly, individually or (below a certain threshold) collectively.

Notes to the financial statements (CONTINUED)

Individual classification is necessary if the total exposure of the client exceeds a certain limit predefined in the relevant internal regulation. In this case the classification has to be based on the expected cash-flows, evaluated and revised according to the following aspects:

- a) the credit rating of the customer or the partner: the financial position, stability and income-generating capacity of the customer or partner affected by the financial or investment service and issuer of the security, and any changes thereto;
- b) compliance with the rules of repayment (delay): delays in the repayment of the principal and its interests arising in connection with the repayment of the receivable;
- c) the country risk relating to the customer (in respect of both political and transfer risks) and any changes thereto;
- d) the value of collateral pledged in security, their liquidity and accessibility, and any changes therein;
- e) the re-saleability and liquidity of the item (the market conditions of supply and demand, the available market prices and participation in the issuer's equity capital in proportion to the investment);
- f) the future payment obligation recognized as a loss arising from the item.

For the purpose of evaluation, the criterion set out in point e) applies to the classification of investments, stocks received in payment for claims and off-balance sheet liabilities, and the criterion set out in point f) typically applies to the classification of off-balance sheet liabilities. In the process of classifying items, all of the criteria indicated above have to be taken into consideration in a way where the amount of loss expected in the future in relation to the item shall be assessed on the basis of points a)-c) and points e)-f) as a result of the lack of return, the future payment obligations recorded as a loss, and the expected costs of enforcement of the collateral. Subsequently, the value of collaterals relating to the given item shall be deducted from the probable future loss, following the order of enforcement. Time effect of the future cash-flows has also to be taken into consideration during the evaluation.

Collective impairment can be applied if the total exposure of the client does not reach the predefined limit. Impairment is calculated in this case also at individual level, but with a simplified – standardized – method: taking into account the overdue days and certain – statistically estimated – parameters of both the client and the loan. Any deviation from this result is allowed only by taking over the item into individual classification.

Distressed restructuring

Restructuring is to be considered distressed (and thus resulting in a default event) in case of restructuring of principal and interest which is necessary because of the client's poor financial situation, and which results in a certain degree of debt forgiveness (that of principal, interests or fees, deferred payments), i.e. if the net present value of the loan is negatively affected by the restructuring, and if without the restructuring the customer would have got defaulted with high probability. Restructuring or re-aging for business considerations (e.g., the adjustment of the repayment schedule to the cash-flow of the client) does not constitute a default signal.

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 loans or securities agreements.

Past due but not impaired loans

Loans and securities where the contractual interests and principal payments are past due but the Group believes that impairment is not necessary on the basis of the level of security/collateral available or collection of outstandings.

Impairment loss

The Group allocates impairment losses that represent its estimate of the incurred losses in its loan portfolio. The main components of this impairment loss are an individual specific loss component that relates to individually significant exposures, and collective specific loan impairment losses allocated for individually non-significant loans based on internal policies.

The Group allocates impairment for incurred but not reported loss (IBNR) according to IFRS based on the parent Group guidelines. For predefined subportfolios expected loss is calculated based on the following formula:

$$EL = EaD \times PD \times LGD$$

Where

- EL** is expected loss,
- EaD** is exposure at default,
- PD** is probability of default (within one year), and
- LGD** is loss given default.

Also at sub-portfolio level the loss confirmation period (LCP) is defined (ranging 4-8 months), which shows the average time period between the deterioration of the client's financial situation and its detection by the Group.

IBNR is calculated by multiplying EL by LCP, and increase/decrease is booked accordingly.

Notes to the financial statements (CONTINUED)

Write-off policy

The Group writes-off a loan or security balance (and any related impairment losses balance) when they prove to be uncollectible.

Current tendencies in lending

The industrial sector analysis and collateral details of loan portfolios are presented in Note 20.

In the retail portfolio the effects of the economic turmoil are still present in 2014 and the limitations and programs imposed by respective legislation were perceivable, however, the pace of portfolio quality deterioration stabilized, despite lower volume of newly disbursed loans.

As for new retail loans, the Group applies selectivity, meaning more focus on products and segments with lower risk profile, also in accordance with the legal provisions implemented in 2010 about responsible lending and with Holding Policies and Guidelines.

The Group lays strong emphasis on all elements of collection and – in addition to the programs prescribed by law – it continuously offers the possibility of renegotiation to its private individual clients in payment delay due to the negative effects of the unfavourable exchange rate movements or unfavourable economic conditions.

The Group allows in cases prescribed by the law for debtors to fix the FX rates of their monthly installments similarly to the case of ERP, with parallel opening of a buffer account. The difference between the principal amount calculated at spot and the fixed FX rate will be accumulated on the buffer account, while the difference in the interest amount calculated at spot and the fixed FX rate is to be released, borne 50% by the Bank and 50% by the State, resulting in a loss of interest revenue. The buffer account is set to an interest rate equaling to BUBOR. After this period, the buffer account will be set to market interest rate and its repayments starts. The possibility of participation in the program has been opened up in November, 2013 also for clients with 90+ days overdue debts and for those already renegotiated.

The Mortgage Bank disbursed its loans in FX. The above two programs were not applicable according to the respective law for its customers.

The Group maintained actively its contract signed in 2012 with the National Asset Management Company (Nemzeti Eszközkezelő, NET) and, on basis of individual assessment and decision, allows debtors fulfilling the criteria set forth in the respective legal regulations to participate in the program whereby the NET purchases the mortgaged real estate, pays the purchase price to the Bank as repayment to the outstanding loan and the Bank releases the rest of the loan, with the debtor continuing to remain in the property as renter.

In the corporate segment in 2014 the Group started new initiatives in order to strengthen our financing activity. Parallel we continued to lay special emphasis on the monitoring, restructuring, and collection activity. In case of corporate portfolio the Group's lending policy is differentiated by sectors and it defines a selective risk approach for new transactions in the most endangered sectors. A significant part of the problem loans belongs to the real estate financing sector in 2014 as well. Thanks to our prudent risk taking policy however, the portfolio composition in the other sectors is still balanced regarding the problem-free exposures and among the clients handed over to special treatment in 2014.

ii) Liquidity risk

Liquidity risk is the risk of meeting due obligations associated with its financial liabilities in time regarding each currencies.

The objective of prudential liquidity management is to ensure that the Group has the ability to generate sufficient funds to meet all cash flow obligations as these fall due. Effective liquidity management is gaining importance in recent years ensuring market confidence, and protect the capital base while permitting effective growth. UniCredit Group has created its own short term and structural liquidity models similar to the efforts of the Basel Committee. The Group takes into account also the local legal requirements of asset, deposit coverage ratio and foreign funding adequacy ratio limitations and monitors the Basel III liquidity ratios besides its own internal regulations in managing liquidity.

Limits regarding the maximum net outflow of funds in a particular period (typically short-term) and in a particular currency and all currencies are in place and are monitored daily. Long-term funding plan and structural liquidity is approved and monitored by the Banks' Asset Liability Committee ('ALCO').

In line with UniCredit Group-wide standards, the Group deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and medium-term liquidity requirements. In this context the liquidity situation for the next few days and also for longer periods is analysed against a standard scenario and against scenarios of several general and bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions is analysed on an ongoing basis. Procedures, responsibilities and reporting lines in this area have been laid down in the liquidity policy, which includes a contingency plan in the event of a liquidity crisis.

Short-term and structural liquidity limits of the Group were observed continuously in 2014. The degree to which accumulated liquidity outflows are covered by accumulated inflows within the following month and year is determined on an ongoing basis. It was used as a key figure in managing the Group's liquidity and funding. Beyond the limits on ratios, absolute gap limits are in place to decrease central funding and liquidity dependency.

Notes to the financial statements (CONTINUED)

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's default) will affect the Group's income or the fair value of its holdings of financial instruments.

Market risk management encompasses all activities in connection with Group's Treasury and Asset-Liability Management ("ALM") operations and management of the statement of financial position structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the ALCO designated by the Management Board. At the Group market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily presentation of results of Markets's operations.

The Group uses the risk management procedures of Bank Austria Group (as a subgroup of UniCredit Group) that complies with UniCredit standards and implements UniCredit Group's Internal Model (IMOD). These procedures provide aggregate data and make available the major risk parameters for the various trading operations daily. Besides Value at Risk ("VaR"), other factors of equal importance are stress-oriented volume and position limits. Additional elements of the limit system are loss-warning level limits and options-related limits applied to trading and positioning in non-linear products.

IMOD, the UniCredit Group-wide pure historic VaR model has been used from 1st January 2011. It is currently implemented in the "UGRM" system of UniCredit Group.

Internal risk model is used for computing economic capital in Hungary, but the Pillar 1 capital requirement is calculated by the regulatory standard method. The computation of economic capital takes into account the following parameters: confidence interval of 99.9%, 90-day holding period. The system comprises all major risk categories: interest rate risk, credit spread risk, equity position risk (both general and specific risk) and exchange rate risk.

Regular and specific stress scenario calculations complement the information provided to ALCO and the Management Board. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Group analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Group's results.

In addition to the risk model results, income data from market risk activities are also calculated and communicated on a daily basis. Such data are compared with current budget figures. Reporting includes marking to market of all investment positions regardless of their treatment/classification in the IFRS-based financial statements ("total return"). The results are reported directly to the Group's trading and risk management units, and also via the access-protected web application "ERCONIS" maintained centrally in Vienna, analysed by portfolio, income statement item and currency.

The Group uses the "MARCONIS" web-based system developed by the Bank Austria to comprehensively and systematically review the market conformity of its transactions.

The daily reporting also includes details of volume-oriented sensitivities which are compared with the respective limits. The most important detailed presentations include: basis point values (interest rate/spread changes of 0.01%) by repricing band, FX sensitivities and sensitivities in equities and emerging-market/high-yield positions (by issue, issuer and market) by delta equivalents. Risk management is performed with details varying according to the risk-takers. In the interest rate sector, for example, basis point limits per currency and repricing band, basis point totals per currency and/or per repricing segment (total of absolute Basis Point Values – BPV) are used for risk management. By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by issue and repricing band.

Management of statement of financial position structure

Interest rate risk and liquidity risk from customer transactions is attributed to Group's treasury operations through a matched funds transfer pricing system applied throughout the UniCredit Group. This makes it possible to attribute credit, market and liquidity risk and contribution margins to the bank's business divisions in line with the principle of causation. ALCO ensures that the Group's overall maturity structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of investment period and interest rate sensitivity by means of analyses of historical time series, and taken into account in the Group's overall risk position.

Interest rate sensitivities are determined and taken into account in hedging activities, which results in a positive contribution to profits from customer business.

Foreign exchange rate risk

The Group has assets and liabilities (on and off-balance sheet) denominated in several foreign currencies, and it is therefore exposed to foreign exchange rate risk. Foreign exchange rate risk arises when a mismatch occurs in the spot and forward asset/liability structure within a currency.

Notes to the financial statements (CONTINUED)

iv) Compliance with CRD IV / CRR (Basel III)

The successful implementation of CRDIV/CRR from 2014 was managed as a group issue, and is covered mainly with group-wide solutions.

The Group started with standardised approach of the Basel II in 2008. Efforts are made to switch finally to the Advanced Internal Rating-Based Approach ("A-IRB") approach in order to realise the expected cost savings on the cost of capital beside implementation and application of more enhanced and more efficient risk management models. A high-level roll-out plan for the gradual switch to the IRB approaches at the subsidiaries was set up. At the first phase, the Group got the permission from the Supervisor to use the Foundation IRB (hereafter F-IRB) approach for mid-corporate clients, multinational companies, and banks from 1st July 2011 and then further roll-out of F-IRB and A-IRB for retail and corporate segments should follow in the future. Detailed roll-out plan is under revision.

- The IRB roll-out is being carried out locally. This decentralized approach means that the requirements of A-IRB approach will be implemented by the UniCredit Group with the support of UniCredit Spa. and Bank Austria AG, they give support during the implementation by providing guidelines and standards and in terms of coaching and advice. The Group is responsible for the use and development of methods and local models, and the compliance to local regulatory requirements, while for UniCredit Group wide models it is the task of UniCredit Group.

The approval of the developed models and methods have to be confirmed (by a non-binding opinion), and the processes and data quality has to be validated by the UniCredit Group Internal Validation unit, and are audited by Internal Audit as well.

v) Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems, or caused by external events.

Operational risk events are those resulting from inadequate or failed internal processes, personnel and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to Group's physical assets, business disruption and system failures, process management.

Strategic risk, business risk and reputational risk are different from operational risk, whereas legal and compliance risk are included in the operational risk definition.

UniCredit Bank Hungary is permitted and has used the Advanced Measurement Approach (AMA) since 1st July 2009, complying with all quantitative and qualitative requirements set by laws and regulations, the supervisor or even by internal Group rules.

The Group's Management Board is responsible for the effective oversight over operational risk exposure. The operational risk office (i.e. Operational and Reputational Risk Controlling) notifies the Management Board (partly via the Internal Control Business Committee, a.k.a. ICBC) about considerable operational risks, their changes as well as relevant breaches to policies and limits. The Management Board shall have an overall understanding of the operational risk control framework and of how operational risk affects the Group.

The Group's Management Board ensures that:

- the operational risk control process is sound and fully communicated and implemented in specific policies process and procedures within the business units taking into account the appropriateness and effectiveness;
- operational risk managers in the business lines are appointed, coming in for adequate support in order to perform their duties;
- the relevant committees are informed on changes in risk profiles and exposure, supported by the Operational and Reputational Risk Controlling;
- major operational risk drivers are identified, also examining reports from the Operational and Reputational Risk Controlling unit, Compliance and Internal Audit.

The Group's Management Board is responsible for approving all the material aspects of the operational risk framework, including the appointment of the office responsible for its implementation and control.

In the Group, the Operational and Reputational Risk Committee shall act as a decision-making body for issues arising from and connected with operational and reputational risks.

Members of the Committee are

- the Chief Risk Officer
- the Divisional Operational Risk Managers
- the Head or deputy Head of Identity & Communication.

Permanent guests are the Head of Organizational Department, representatives of Internal Audit, and the internal auditor of UniCredit Jelzálogbank in the related agenda.

Notes to the financial statements (CONTINUED)

The Operational and Reputational Risk Committee (OpRRiCo) holds its meeting regularly, once a quarter. The extraordinary meeting of the Committee may be summoned by any of the members as required, or initiated by Operational and Reputational Risk Controlling and Internal Audit with the specification of the associated reasons.

Detection, monitoring, and mitigation of operational risk, and set up of action plans are supported also by the Permanent Workgroup having its sessions quarterly, as well. Topics and proposals discussed in the Workgroup are the base for presentations towards OpRRiCo and ICBC.

Internal Audit is responsible for evaluating periodically (at least annually) the operational risk management system and measurement functionality and effectiveness, as well as its compliance with the regulatory requirements. Internal Audit monitors also the process of data collection and data management.

The centralized Operational and Reputational Risk Controlling unit has to operate the framework and to coordinate the decentralized activity of operational risk management, carried out by the nominated (divisional and administrative) operational risk managers in each business unit.

Operational and Reputational Risk Controlling annually prepares a self-assessment on the compliance of the local operational risk management, control and measurement system with the UniCredit Group standards and internal rules. UniCredit Group Internal Validation unit gives a non-binding opinion on the self-assessment, and local Internal Audit checks it, as well. At last it has to be approved by the Management Board of the Group.

5. Use of estimates and judgements

These disclosures supplement the commentary on risk management policy.

i.) Impairment for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.(m.), (n.) and risk management policy 4.(i.).

ii.) Determining fair value

As far as valuation prices and techniques of financial instruments are concerned, the Group follows a measurement using a three-level fair valuation hierarchy, which reflects the significance of the inputs used in measuring fair values and contains the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 – inputs, other than quoted prices included within level 1 that are observable for the asset or 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).

Fair Valuation is supplemented by a Fair Valuation Reserve that inter alia covers the effect of widened bid-ask spreads and the deteriorated liquidity of respective securities.

In accordance with IFRS requirements the Bank books CVA (Credit Valuation Adjustment) as an adjustment to the fair value of its OTC derivative trades. The CVA calculation is performed centrally by Bank Austria on a quarterly basis.

iii.) Fair value measurement principles

The fair value of financial instruments is based on their quoted price in an active market for that instrument at the reporting date without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or the market is not active, the fair value of the instrument is estimated using pricing models or discounted cash-flow techniques.

Where discounted cash-flow techniques are used, the estimated future cash-flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at reporting date.

Notes to the financial statements (CONTINUED)

The fair value of derivatives that are not exchange-traded are estimated at the amount that the Group would receive upon normal business conditions to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

The Group makes fair value adjustments which arise from close out costs and less liquid positions. Trading assets and available-for-sale assets are adjusted by fair value adjustments figures.

For performing loans the fair value is taken from Bank Austria's model, while for non-performing loans we make the assumption that the book value is the fair value. For the calculation of the performing loans' FV the liquidity profiles of Bank Austria and the Bank are used, as well as the risk adjusted zero coupon curve. For the discount factors of Assets the sum of the risk free rate, the expected loss and unexpected loss, for the liabilities the sum of the risk free rate and own credit spread (liquidity spread) are used, in line with the Group methodology.

The fair values for loans and deposits are shown at an aggregated product level and are not available on individual item level.

iv.) Effects of sovereign debt crisis and earlier credit crunch in valuations

- a.) Debt securities classified as Available for Sale, were not impaired, as the Group doubts neither the issuers' (Hungarian Government, local Mortgage Banks) ability, nor their willingness to fulfil their due payments. The few price losses observed through market prices, hence, were realised in the available-for-sale Reserves in the Statement of changes in Shareholder's Equity.
- b.) The Group was not engaged in securitization, nor does it possess financial instruments particularly hit by the 2008 market, nor the Greek default, such as credit derivatives or structured OTC products (e.g. CDOs, SIV), or assets affected by recent sovereign crises. The mortgage bonds issued by Jelzálogbank are covered bonds, the assets staying in the mortgage bank's portfolio and complying with the standards of the mortgage bank law, thus qualifying for the state subsidy schemes.
- c.) The Group is exposed towards the Hungarian Government, but the vast majority of those exposures are liquidity reserves, mostly short term government bonds, and bills.
- d.) The major effect of the long lasting crisis and the recent Hungary-specific concerns are that the liquidity charges (CDS of the Group) and the country spread of Hungary have widened, HUF yields have risen. These impact the Bank through re-pricing of its funding mix, and incorporated in the net interest income of loans and deposits, in tandem with the corresponding hedging instruments, such as cross-currency basis swaps (designated as cash flow hedge) that do cause swings in the equity but do smooth the yearly income statements.

Notes to the financial statements (CONTINUED)

6. Net interest income

(HUF million)

	2014	2013
Interest and similar income		
Interest income from Central Bank	5,071	1,064
Interest income from banks	2,053	3,172
Interest income from customers	49,174	57,337
Interest income on Trading financial instruments	448	517
Interest income on Hedge derivatives	27,903	25,077
Interest income on Available-for-sale financial assets	14,622	26,057
Interest income on Held-to-maturity assets	197	296
Total	99,468	113,520
Interest expense and similar charges		
Interest expense to Central Bank	(20)	(4)
Interest expense to banks	(2,576)	(6,456)
Interest expense related to hedge derivatives	(20,324)	(18,104)
Interest expense to customers	(11,711)	(28,786)
Interest expense on Subordinated loans	(111)	(105)
Interest expense on issued bonds	564	(637)
Total	(34,178)	(54,092)
Net interest income	65,290	59,428

7. Net fee and commission income

(HUF million)

	2014	2013
Fees and commission income		
Payment transaction fees	39,156	36,517
Custody service fees	3,056	2,636
Brokerage	4,343	3,229
Financial guarantee fees	1,822	1,605
Other financial fees and commissions	223	388
Total	48,600	44,375
Fees and commission expense		
Payment transaction fees	(9,790)	(10,613)
Custody service fees	(675)	(621)
Brokerage	(206)	(312)
Financial guarantee fees	(318)	(455)
Other financial fees and commissions	(651)	(678)
Total	(11,640)	(12,679)
Net fee and commission income	36,960	31,696

Notes to the financial statements (CONTINUED)

8. Dividend income

(HUF million)

	2014	2013
Dividends on trading assets	–	–
Dividends on investments	148	138
Total	148	138

9. Net trading income

(HUF million)

	2014	2013
Gain/(Loss) on foreign exchange, net	10,155	10,190
Gain/(Loss) on trading interest rate swaps, net	(3,021)	(1,066)
Gain/(Loss) on debt securities, net	263	116
Gain/(Loss) on equities, net	–	(17)
Gain/(Loss) on trading FRAs, net	128	(61)
Other trading income	26	6
Total	7,551	9,168

10. Net gain and loss on other financial instruments

(HUF million)

	2014	2013
Gain		
Available-for-sale debt securities	22,253	1,691
Gain on repurchased issued Mortgage Bonds	–	22
Total	22,253	1,713
Loss		
Available-for-sale debt securities	(9,853)	(89)
Loss on repurchased issued Mortgage Bonds	–	(10)
Total	(9,853)	(99)
Net loss on other financial instruments	12,400	1,614

11. Personnel expenses

(HUF million)

	2014	2013
Wages and salaries	12,123	11,778
Statutory social-security contributions	3,333	3,249
Other employee benefits	1,079	1,022
Employer's contributions	255	257
Total	16,790	16,306

The number of employees (in full time equivalent) was 1,733 on 31 December 2014 (2013: 1,796).

256 million HUF out of the personnel expenses was accounted for as integration cost.

Notes to the financial statements (CONTINUED)

12. General operating expenses

(HUF million)

	2014	2013
Indirect tax expense and fees to authorities	29,684	32,251
Renting costs and operating expenses of property	2,705	3,830
Advertising	715	802
Information technology costs	5,472	5,399
Material and office equipments costs	332	373
Other administrative expenses	2,687	2,323
Total	41,595	44,978

412 million HUF out of the general operating expenses was accounted for as integration cost.

13. Other income and expenses

(HUF million)

	2014	2013
Operating income		
Renting activity	1,226	1,258
Service transfer fees received	53	163
Indemnity received	14	1
Other	171	256
Total	1,464	1,678
Operating expenses		
Expenses related to rented investment properties	(308)	(339)
Indemnity paid	–	(96)
Penalties	–	(314)
Resolution fund fee	(165)	–
Other	(80)	(171)
Total	(553)	(920)
Net other operating income	911	758

14. Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Bank as adjusted for relevant taxation regulations. The corporate income tax rate in Hungary for the year 2014 for the tax base was 10% up to 500 million HUF; for the tax base exceeding 500 million HUF the rate was 19%. The Bank has to pay the additional supplementary tax to income earned on special loans.

14.1 Tax expense for the year

(HUF million)

	2014	2013
Current tax expense	10,200	4,333
Adjustments for prior years	211	129
Total	10,411	4,462
Deferred tax (income)	(6,714)	(2,711)
Total income tax expense in income statement	3,697	1,751

Notes to the financial statements (CONTINUED)

14.2 Reconciliation of effective tax rate

	2014		2013	
	%	HUF MILLION	%	HUF MILLION
Profit before tax		19 727		8,199
Income tax using the domestic corporate tax rate	18.5	3,656	17.3	1,420
Supplementary corporate tax for banks	1	196	2.5	206
Adjustments for prior years	0.3	55	(0.3)	(28)
Tax effects of income/expenses exempt from corporate tax	(1.1)	(205)	2.1	171
Income/expenses giving rise to permanent differences:				
Other	0	(5)	(0.2)	(18)
Total	18.7	3,697	21.4	1,751

14.3 Balances, related to taxation

(HUF million)

	2014			2013		
	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET
Current tax assets / (liabilities) at year-end	(989)	–	(989)	(195)	19	(176)
Deferred tax assets / (liabilities)						
Available-for-sale securities	(36)	306	270	(104)	1,718	1,614
Cash-flow hedges	–	4,080	4,080	–	1,882	1,882
Tax effect on business combination	–	–	–	–	–	–
Allowances for loan losses (IBNR)	(992)	–	(992)	(954)	–	(954)
Legal reserve (General risk reserve)	–	–	–	–	–	–
Property and equipment from tied up capital	(3)	20	17	(81)	343	262
Effect of items, increasing / (decreasing) the local tax base	(8,812)	2,024	(6,788)	(1,471)	1,114	(357)
Netting effect	6,430	(6,430)	–	2,610	(2,610)	–
Total deferred tax assets / (liabilities)	(3,413)	–	(3,413)	–	2,447	2,447
Total tax assets / (liabilities)	(4,402)	–	(4,402)	(195)	2,466	2,271

14.4 Movements in temporary differences during the year – 2014

(HUF million)

	OPENING BALANCE	RECOGNISED IN PROFIT AND LOSS	RECOGNISED IN EQUITY	CLOSING BALANCE
Available-for-sale securities	1,614	–	(1,344)	270
Cash-flow hedges	1,882	–	2,198	4,080
Tax effect on business combination	–	–	–	–
Allowances for loans (IBNR)	(954)	(38)	–	(992)
Legal reserve (General risk reserve)	–	–	–	–
Property and equipment from tied up capital	262	(245)	–	17
Effect of items, increasing / (decreasing) the local tax base	(357)	(6,431)	–	(6,788)
Total	2,447	(6,714)	854	(3,413)

14.5 Movements in temporary differences during the year – 2013

(HUF million)

	OPENING BALANCE	RECOGNISED IN PROFIT AND LOSS	RECOGNISED IN EQUITY	CLOSING BALANCE
Available-for-sale securities	875	–	739	1,614
Cash-flow hedges	1,700	–	182	1,882
Tax effect on business combination	(7)	7	–	–
Allowances for loans (IBNR)	(1,029)	75	–	(954)
Legal reserve (General risk reserve)	2,201	(2,201)	–	–
Property and equipment from tied up capital	401	(139)	–	262
Effect of items, increasing / (decreasing) the local tax base	96	(453)	–	(357)
Total	4,237	(2,711)	921	2,447

Notes to the financial statements (CONTINUED)

15. Cash and unrestricted balance with the Central Bank

(HUF million)

	2014	2013
Cash on hand	14,425	11,026
Total	14,425	11,026

16. Financial instruments held for trading

(HUF million)

	2014	2013
Financial assets held for trading		
State treasury bills	847	20,049
State bonds	2,478	1,769
Other bonds	231	201
Equity securities	9	26
<i>Positive fair value of derivatives</i>		
FX derivatives	13,701	2,089
Interest rate derivatives	56,883	25,134
Commodity derivatives	–	10
Total	74,149	49,278
Financial liabilities held for trading		
<i>Negative fair value of derivatives</i>		
FX derivatives	6,865	4,047
Interest rate derivatives	54,368	26,885
Commodity derivatives	–	37
Total	61,233	30,969

17. Available-for-sale financial assets

(HUF million)

	2014	2013
State treasury bills	25,645	14,570
Central Bank bills	–	288,992
State bonds	223,299	237,465
Other bonds	13,468	13,222
Equities	323	337
Total	262,735	554,586
Impairment	–	(14)
Total	262,735	554,572

18. Held-to-maturity investments

(HUF million)

	2014	2013
State bonds	1,926	2,544
Mortgage bonds	441	657
Total	2,367	3,201

The market value of the held-to-maturity securities portfolio as at 31 December 2014 is HUF 2,456 million (2013: HUF 3,356 million).

Notes to the financial statements (CONTINUED)

19. Placements with, and loans and advances to banks

(HUF million)

	2014	2013
Placements with Central Bank		
Maturity less than one year	725,893	109,620
Loans and advance to other banks		
Nostros with other banks	39,760	5,739
Maturity less than one year	29,652	39,996
Maturity more than one year	14,814	14,915
Total	810,119	170,270

20. Loans and advances to customers

(HUF million)

	2014	2013
Private and commercial:		
Maturity less than one year	460,289	483,860
Maturity more than one year	627,853	526,784
Securities, recognised as loans	1,502	2,041
Total	1,089,644	1,012,685
Provision for impairment and losses on credit products (Note 34)	(106,875)	(102,167)
Total	982,769	910,518

A. Analysis by industrial sector

	2014		2013	
	HUF MILLION	%	HUF MILLION	%
Private clients	304,929	27.98	300,015	29.63
Real estate finance	179,759	16.5	196,897	19.44
Trade	115,309	10.58	91,721	9.06
Financial activities	90,842	8.34	52,004	5.14
Transportation	88,234	8.10	48,874	4.83
Community	75,475	6.93	96,229	9.50
Construction	44,402	4.07	52,079	5.14
Chemicals / Pharmaceutical	37,424	3.44	24,608	2.43
Food processing	35,187	3.23	28,696	2.83
Machine industry	34,126	3.13	31,027	3.06
Metallurgy	20,838	1.91	14,475	1.43
Light industry	20,788	1.91	19,398	1.92
Agriculture	15,724	1.44	11,459	1.13
Catering trade	8,774	0.81	9,706	0.96
Communication	5,390	0.49	22,653	2.24
Electric energy industry	4,611	0.42	5,813	0.57
Mining	417	0.04	288	0.03
Other	7,415	0.68	6,743	0.66
Total	1,089,644	100	1,012,685	100

Notes to the financial statements (CONTINUED)

The acceptance value of collateral and other security pledges for loans were as follows (the acceptance value of the collaterals is reviewed periodically):

B. Collateral for the above loans

(HUF million)

	2014	2013
Against individually impaired		
Guarantees	1,511	2,207
Blocked cash deposits	618	1,085
Property	28,275	29,523
Debt securities	–	–
Equities	–	–
Others	579	1,293
Against collectively impaired		
Guarantees	469	348
Blocked cash deposits	305	310
Property	32,029	32,912
Debt securities	–	–
Equities	–	–
Others	14	21
Against past due, but not impaired		
Guarantees	80	537
Blocked cash deposits	19	569
Property	3,534	8,686
Debt securities	–	–
Equities	–	106
Others	246	1,105
Against neither past due nor impaired		
Guarantees	30,664	27,338
Blocked cash deposits	19,405	20,042
Property	229,377	230,668
Debt securities	5,851	5,047
Equities	1,072	476
Others	38,188	36,032

The above collaterals also cover the credit facilities, granted not disbursed. Those are detailed in Note 35.

21. Hedging derivative instruments

(HUF million)

	2014	2013
Derivative assets held for risk management purposes		
Interest rate swaps	34,498	17,025
Forward rate agreements	–	–
Total	34,498	17,025
Derivative liabilities held for risk management purposes		
Interest rate swap	7,612	2,643
Forward rate agreements	–	–
Total	7,612	2,643

Specific details of the cash-flow hedging principles and effectiveness tests are summarized in a separate document.

Notes to the financial statements (CONTINUED)

22. Equity investments

(HUF million)

	2014	2013
Other investments	1	1

As at 31 December 2014 investments in consolidated subsidiaries were as follows:

(HUF million)

NAME OF INVESTMENT	GROSS BOOK VALUE	SHAREHOLDER'S EQUITY
UniCredit Jelzálogbank Zrt.	3,761	15,790
Arany Pénzügyi Lízing Zrt.	453	3,525
SAS-Reál Kft.	750	910

All above investments are in companies incorporated in Hungary. Apart from the these investments, the Bank holds majority interest in a SPV, Europa Investment Fund.

The Fund is consolidated in these financial statements, since the Group has the power to govern it, and is exposed to the volatility of its returns.

23. Investment properties

(HUF million)

	2014	2013
Investment property in usage	14,027	12,082
Total	14,027	12,082

The Group's investment properties are held within Europa Investment Fund, of which, 98.5% (2013: 98.1%) of the units is owned by the Bank. The investment properties are regularly valued by an independent real estate appraiser company, as required by the respective law. The valuation methods, applied by the appraiser company are compliant with the regulations in IFRS 13.

The investment properties, in usage are valued at fair market value.

These properties earned HUF 1,045 million rental income in 2014 (2013: HUF 1,215 million)

24. Property, plant and equipment

Movement in property, plant and equipment

(HUF million)

	ACQUISITION COST AT THE BEGINNING OF THE YEAR	ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	ADDITIONS	DISPOSALS NET	OTHER MOVEMENT	DEPRECIATION & SCRAPPING	CARRYING AMOUNT AT THE END OF THE YEAR
2014							
Land and buildings	31,564	(6,659)	768	–	(2,920)	(1,408)	21,345
Office equipment	8,180	(6,985)	561	–	1,175	(846)	2,085
Motor vehicles	953	(588)	83	(115)	–	(113)	220
Capital work in progress	143	(17)	723	(811)	–	(1)	37
Total	40,840	(14,249)	2,135	(926)	(1,745)	(2,368)	23,687
2013							
Land and buildings	29,780	(5,070)	2,865	(4)	–	(2,666)	24,905
Office equipment	8,780	(7,056)	236	(5)	–	(760)	1,195
Motor vehicles	907	(531)	131	(30)	–	(112)	365
Capital work in progress	72	(14)	500	(429)	–	(3)	126
Total	39,539	(12,671)	3,732	(468)	–	(3,541)	26,591

767 million HUF out of the Depreciation expense on Property, plant and equipment was accounted for as integration cost.

Notes to the financial statements (CONTINUED)

25. Intangible assets

Movement in intangible assets

(HUF million)

	ACQUISITION COST AT THE BEGINNING OF THE YEAR	ACCUMULATED AMORTISATION AT THE BEGINNING OF THE YEAR	ADDITIONS	DISPOSALS NET	AMORTISATION	CARRYING AMOUNT AT THE END OF THE YEAR
2014						
Rental rights	272	(240)	4	–	(13)	23
Licenses	277	(202)	67	–	(25)	117
Software	10,891	(9,662)	11	–	(440)	800
Total	11,440	(10,104)	82	–	(478)	940
2013						
Rental rights	273	(187)	–	–	(54)	32
Licenses	338	(180)	45	–	(128)	75
Software	10,919	(8,428)	–	–	(1,262)	1,229
Total	11,530	(8,795)	45	–	(1,444)	1,336

26. Other assets

(HUF million)

	2014	2013
Real estates	7,175	7,256
Trade receivables, advances and other receivables	2,471	1,547
Accrued income and prepaid expenses	2,002	2,202
Other	63	67
Total	11,711	11,072
Impairment losses	(85)	(72)
Total	11,626	11,000

27. Deposits and loans from banks

(HUF million)

	2014	2013
Loans from Central Bank		
Maturity less than one year	14,017	6,790
Maturity more than one year	56,024	36,657
Total	70,041	43,447
Loans and deposits from other banks		
Maturity less than one year	462,160	248,736
Maturity more than one year	135,622	123,536
Total	597,782	372,272
Total	667,823	415,719

Notes to the financial statements (CONTINUED)

28. Deposits from customers

(HUF million)

	2014	2013
Maturity less than one year	1,180,169	1,035,233
Maturity more than one year	28,066	31,789
Total	1,208,235	1,067,022

The above balances include customer transit accounts. Amounts included in customer transit accounts are held pending clarification and completion of transactions with customers undertaken in the ordinary course of business.

29. Subordinated loans

(HUF million)

	2014	2013
Bank Austria AG	10,787	10,084
Bank Austria AG	10,695	10,171
Total subordinated loans	21,482	20,255

The amount due to the parent company consists of two separate loans, one of ATS 200 million received in July 1994 and another of DEM 38 million received in 1997. On 19 December 2001 the loans were consolidated and converted into EUR. The annual extension of the above loans was discontinued in 2013. Their final maturity is end of 2017.

30. Issued mortgage bonds

(HUF million)

	2014	2013
Maturity less than one year	290	5,738
Maturity more than one year	2,478	2,604
Total	2,768	8,342

31. Other liabilities

(HUF million)

	2014	2013
Accrued expenses and prepaid income	4,951	4,672
Provision on guarantees and unutilised loans	744	910
Trade payable	611	749
Other taxes payable	2,815	2,811
Other	284	186
Total	9,405	9,328

32. Share capital

(HUF million)

	2014	2013
Authorised and issued share capital	24,118	24,118

Share capital consists of 4,823,644 ordinary shares with a par value of HUF 5,000 each. 100% of the issued shares are held by Bank Austria AG.

Notes to the financial statements (CONTINUED)

33. Statutory reserves

(HUF million)

	GENERAL RESERVE	TIED-UP RESERVE	TOTAL
Balance at 31 December 2013	23,652	347	23,999
Appropriations from retained earnings	(420)	(243)	(663)
Balance at 31 December 2014	23,232	104	23,336

34. Impairments and provisions

34.1 Impairments and provisions on credit products

(HUF million)

	LOANS	GUARANTEES AND UNUTILISED LOANS	TOTAL FINANCIAL INSTRUMENTS
Balance 31 December 2013	102,167	910	103,077
Write-offs	(6,816)	–	(6,816)
Amounts released	(17,099)	(397)	(17,496)
Additional impairment and provisions	25,312	225	25,537
Effect of FX rate fluctuation	3,311	6	3,317
As on 31 December 2014	106,875	744	107,619
Net change in impairment and provisions	1,397	(172)	1,225
Write-offs	6,816	–	6,816
Net amount charged to the income statement	8,213	(172)	8,041
Receivables written-off	2,698	–	2,698
Total charged to the income statement, excluding the effect of F/X rate fluctuation	10,911	(172)	10,739

34.2 Other impairments and provisions

(HUF million)

	PROVISION MOVEMENT ON NON-CREDIT RISK ITEMS	IMPAIRMENT ON AFS AND EQUITY INVESTMENTS
Balance 31 December 2013	2,702	14
Write-offs	(1,468)	(11)
Amounts released	(374)	(3)
Additional impairment provisions	34,060	–
Effect of FX rate	20	–
As at 31 December 2014	34,940	–
Net movement in impairment provisions	32,218	(14)
Write-offs	1,468	11
Net amount charged to the income statement	33,686	(3)

The methods and assumptions applied in the calculation of provisions are described in points 3.m) and 4.

Effects of the laws, relating to the consumers' loans

According to the Act XXXVIII of 2014 on Settlement of certain issues of financial institutes' consumer loan contracts of the Curia, and Act XL of 2014 on Settlement rules and other regulations in connection with Act XXXVIII of 2014, a refund obligation arises in the Group to its clients if it charged foreign exchange margin to clients, or applied unfair interest, commission or fee increases – in connection with contracts bounded after 1 May, 2014 and not closed until 31 December, 2009.

71,466 clients are affected by the above rules. The Group's management has made an estimation of the affected repayment obligation and created 33,004 M HUF provision within other provisions against the P&L.

Notes to the financial statements (CONTINUED)

Settlement of foreign currency loans

As of 31 December, 2014 the net book value of the foreign currency consumer's loan was 129,965 M HUF, which – according to the relevant legal regulations – will be converted into HUF in the first quarter of 2015. The settlement of these loans will happen on a fixed exchange rate after 1 January, 2015 (CHF/HUF 265.62, EUR/HUF 319.14, JPY/HUF 2.2205). In the Group's books the foreign currency loans are shown on the exchange rate published by the National Bank on 31 December, 2014 however the Group accounted for the losses, stemming from the fixed exchange rate in its books, in an amount of 2,567 million HUF. According to the judgment of the Group's management, there will be no significant changes in the cash-flows of the foreign currency loans to be converted – except for the future effect of the change in the currency rates.

The Group has joined the Hungarian National Bank's swap tenders where it bought the necessary foreign currency to ensure the closing of the refinancing transactions; it closed its foreign currency positions.

281 million HUF out of the Release of provision on non-credit risk items was accounted for as integration cost.

35. Commitments and contingent liabilities

At 31 December 2014, the Group had the following commitments and contingent liabilities (in nominal values):

(HUF million)

	2014	2013
Loan and overdraft facilities granted not disbursed	613,288	533,141
Financial guarantees	219,179	194,989
Letters of credit	41,090	45,587
FX spot sales (notional)	170,135	100,615

(As at 31 December 2014, the total face value of client assets held in safe custody by the Group was 3,471,823 HUF million (2013:3,549,334 HUF million).

Technology
is for young
people.

Young people
of all ages.

The future is for everyone.

Simplicity and clarity appeal to all of us. That's way UniCredit created **Subito Banca via Internet**, a practical online banking interface with common sense graphics, intuitive navigation buttons and large fonts. We are making our online services easy to use even by people unfamiliar with new technologies. We are offering solutions based on the preferences of more than 300 customers over the age of 60, collected during workshops and laboratories in Italy. We are proof that you can always innovate in a new way.



Supervisory Board and Management Board

UniCredit Bank Hungary Zrt.

SUPERVISORY BOARD

DR. ERICH HAMPEL	Chairman
SIMONE MARCUCCI	Deputy Chairman
GIANFRANCO BISAGNI GERHARD DESCHKAN MAURO MASCHIO DR. PETTKÓ-SZANDTNER JUDIT BOLYÁN RÓBERT HORVÁTH GÁBOR	Members

MANAGEMENT BOARD

DR. PATAI MIHÁLY	Chairman and CEO
TÁTRAI BERNADETT	Head of Retail Division
ROBERTO FIORINI	Head of Investment Banking and Private Banking Division
LJUBISA TESIC	Chief Financial Officer
TÓTH BALÁZS	Chief Risk Officer

Supervisory Board and Management Board (CONTINUED)

UniCredit Jelzálogbank Zrt.

SUPERVISORY BOARD

Ljubisa Tesic

Chairman

Tátrai Bernadett

Members

Dr. Pettkő-Szandtner Judit

Sipos József

Mátyás Sándor

Tóth Balázs

MANAGEMENT BOARD

Pórfy György

Chairman

Novákné Bejczy Katalin

Members

Dr. Füredi Júlia

Bunna Gyula

Calendar

January 2014

UniCredit Foundation and UniCredit Hungary Zrt. announced the winners of "Social Innovation," a call for grant proposals targeted at charitable organisations. The prizes, i.e. grants totalling over HUF 18 million went to three Hungarian NGOs. Based on the Selection Committee's decision, the first prize was awarded to Habitat for Humanity Hungary, whose project aimed to help individuals living in extreme poverty to create humane housing conditions for themselves. The second prize went to the foundation Munka-Kör Alapítvány seeking to improve employment opportunities for individuals with hearing impairments. Snetberger Foundation, the recipient of the third prize operates a musical educational project that promotes upward mobility among disadvantaged Roma children. A common feature shared by all prize winners is that they use new approaches in order to mitigate the deprivation of various vulnerable social groups in sustainable ways.

February 2014

In Euromoney magazine's Private Banking Survey 2014, UniCredit Private Banking received an award as winner in four categories for its excellent performance. The Hungarian subsidiary of the bank was awarded for the corporate advice provided to Private Banking customers. This recognition is a pleasant confirmation of UniCredit Bank Hungary Zrt.'s strategy, on the basis of which the bank treats private individuals developing and managing successful Hungarian companies. Due to the cooperation between the corporate banking and private banking business and by exploiting the resulting customer benefits, the bank is able to create special value that serves as a basis for a broad-based and long-term relationship.

June 2014

The patron of the arts programme that grew out of UniCredit Bank Hungary Zrt.'s arts support initiative again subsidised four young talents by a half year grant and purchase of paintings, and another nine young talented painters by a one-off purchase of their paintings. The exhibition presenting the awarded artists can be seen in Forrás Gallery. The works of art purchased from the young

artists are integrated into the bank's collection, an art treasury of the post transition era art movements and important careers, with a history of art value. The first prize winner in UniCredit Talent Programme for 2014 was Bianka Dobó who had already won a small artist's prize; the panel chose her as the best on the basis of her works submitted to this year's competition. The second prize went to István Máriás (alias Horror Pista) who is of Transylvanian origin. The third prize was shared by Lejla Tóth and Júlia Végh. Further support was granted to Anikó Herbert, Patrícia Kaliczka, Antónia Zsanett Kiss, Lilla Kuizs, Ramóna Pap, József Pinczés, Noémi Rác, Kristóf Szabó and Zsófia Tóth.

September 2014

The "Stable Interest" home purchase loan of UniCredit Bank Hungary Zrt. became more popular than expected. The essence of the innovative and one of a kind in the market product, which offers secure solution and predictability for many loan applicants, is that the instalment remains unchanged for the entire 15 or 20 year term of the loan. Not only the essence of this loan but its purpose as well demonstrate the bank's customer-friendly and demand-focused business policy: namely this loan can be used to purchase a new or pre-owned apartment, to build a new residential property or to renovate and modernise an existing one.

October 2014

UniCredit Bank published its nationwide survey, prepared with the participation of more than 1300 customers, which mapped the saving habits and financial situation of the respondents and their expectations for their years of retirement. According to the survey, retail customers primarily seek security in their saving and investment decisions and they are reluctant to assume risks, even in the hope of higher return. The most common form of saving at the end of the year remained bank deposits, followed in popularity by investment funds, shares and securities. Most of the savings are dedicated to a specific purpose. Up to the age of 35 years the most important saving objectives are travelling and purchasing a property. The age group of 35 to 44 primarily saves up for the family, the education of the children. In the age group of the 45 plus, the main role switches to targeted saving for retirement.

Calendar (CONTINUED)

December 2014

Based on the decision of its panel of judges consisting of capital market experts, the Budapest Stock Exchange awarded the "Investment Service Provider of the Year" prize to UniCredit Bank Hungary Zrt. during the BSE's "Best of the Stock Exchange" award ceremony held on December 4. The Bank has significantly contributed to the success of MOL Hungarian Oil and Gas Plc.'s Accelerated Share Repurchase conducted in June this year.

According to the jury's evaluation, the active role of the company's analytics division and its regularly organized road-shows and conferences greatly contribute to the promotion of the popularity of Hungarian shares and the Hungarian capital market. The award was received by Attila Csáky Managing Director, Head of Markets.

Another prestigious title was bestowed on the Bank during the contest. András Péter Scholtz won third place in the "Trader of the Year in the Equity Market" category, which was awarded based on the turnover generated between 1 January and 30 November 2014.

Network units

Head Office

H-1054 Budapest, Szabadság tér 5–6.

Telephone: +36-1/301-1271

Fax: +36-1/353-4959

E-mail: info@unicreditgroup.hu

UniCredit Call Centre 0-24: 06-40/50-40-50 (from abroad: +36-1/325-3200)

www.unicreditbank.hu



On 31 December 2014 UniCredit Bank's network consisted of 85 units throughout Hungary, from which 38 branches were located in Budapest, while 47 in the country.

Network units (CONTINUED)

Branches in Budapest

Törökvérszi úti fiók

1022 Budapest, Törökvérszi út 30/a

Bécsi úti fiók

1023 Budapest, Bécsi út 3-5.

Mammut II. fiók

1024 Budapest, Margit krt. 87-89. (Mammut II.)

Pesthidegkúti fiók

1028 Budapest, Hidegkúti út 167. (Széphalom Üzletközpont)

Stop Shop fiók

1036 Budapest, Bécsi út 136. (Stop.Shop)

Lajos utcai fiók

1036 Budapest, Lajos u. 48-66.

Újpesti fiók

1042 Budapest, István út 10. (Újpest Áruház)

Ferenciek tere fiók

1053 Budapest, Ferenciek tere 2.

Alkotmány utcai fiók

1054 Budapest, Alkotmány u. 4.

Szabadság téri fiók

1054 Budapest, Szabadság tér 5-6. (UniCredit Bank székház)

Deák téri fiók

1061 Budapest, Deák tér 6.

Nagymező utcai fiók

1065 Budapest, Nagymező u. 44.

Oktogon fiók

1067 Budapest, Teréz krt. 21.

József körúti fiók

1085 Budapest, József krt. 46.

Blaha Lujza téri fiók

1088 Budapest, József krt. 13.

Boráros téri fiók

1095 Budapest, Boráros tér 7.

Lurdy Ház fiók

1097 Budapest, Könyves Kálmán krt. 12-14. (Lurdy Ház)

Kőbányai fiók

1102 Budapest, Kőrösi Csoma sétány 8.

Lágymányosi úti fiók

1111 Budapest, Lágymányosi u. 1-3.

Fehérvári úti fiók

1117 Budapest, Fehérvári út 23.

Új Buda Center fiók

1117 Budapest, Hengermalom út 19-21.

Alkotás úti fiók

1123 Budapest, Alkotás u. 50.

Váci út 20 fiók

1132 Budapest, Váci út 20.

Duna Plaza Fiók

1138 Budapest, Váci út 178. (Duna Plaza)

Váci úti fiók

1139 Budapest, Váci út 99.

Nagy Lajos király úti fiók

1141 Budapest, Nagy Lajos király útja 214.

Örs vezért téri fiók

1148 Budapest, Örs vezért tere 24. (Sugár Üzletközpont)

Fogarasi úti fiók

1149 Budapest, Fogarasi út 15/A

Pólus fiók

1152 Budapest, Szentmihályi út 137.

Mátyásföldi fiók

1165 Budapest, Veres Péter út 105-107.

Pestszentlőrinci fiók

1182 Budapest, Üllői út 455.

Pestszentimrei fiók

1188 Budapest, Nagykőrösi út 49.

Europark fiók

1191 Budapest, Üllői út 201. (Europark)

KÖKI Terminál fiók

1191 Budapest, Vak Bottyán út 75 a-c

Network units (CONTINUED)

Pesterzsébeti fiók

1201 Budapest, Kossuth Lajos u. 32-36.

Csepeli fiók

1211 Budapest, Kossuth Lajos út 93.

Campona fiók

1222 Budapest, Nagytétényi út 37-43. (Campona)

Soroksári fiók

1239 Budapest, Hősök tere 14.

Network units (CONTINUED)

Branches in the country

Bajai fiók

6500 Baja, Tóth Kálmán tér 3.

Békéscsabai fiók

5600 Békéscsaba, Andrásy út 37-43. (Csaba Center)

Budakeszi fiók

2092 Budakeszi, Fő út 139.

Budaörsi fiók

2040 Budaörs, Szabadság út 49.

Ceglédi fiók

2700 Cegléd, Kossuth tér 4.

Debrecen – Kálvin téri fiók

4026 Debrecen, Kálvin tér 2/A

Debreceni fiók

4024 Debrecen, Kossuth Lajos u. 25-27.

Dunakeszi fiók

2120 Dunakeszi, Fő út 70.

Dunaújvárosi fiók

2400 Dunaújváros, Dózsa György út 4/D

Egri fiók

3300 Eger, Bajcsy-Zsilinszky u. 2.

Érdi fiók

2030 Érd, Budai út 13. (Stop.Shop)

Esztergomi fiók

2500 Esztergom, Kossuth Lajos u. 14.

Gödöllői fiók

2100 Gödöllő, Dózsa György út 13.

Gyöngyösi fiók

3200 Gyöngyös, Péter Kis Szaléz u. 22.

Győr-Árkád fiók

9027 Győr, Budai út 1. (Árkád Üzletház)

Győri fiók

9021 Győr, Árpád út 45.

Hódmezővásárhely

6800 Hódmezővásárhely, Andrásy u. 3.

Jászberényi fiók

5100 Jászberény, Szabadság tér 3.

Kaposvári fiók

7400 Kaposvár, Dózsa György u. 1.

Kecskeméti fiók

6000 Kecskemét, Kisfaludy u. 8.

Keszthelyi fiók

8360 Keszthely, Kossuth u. 41.

Miskolc – Széchenyi úti fiók

3500 Miskolc, Széchenyi út 35.

Miskolci fiók

3530 Miskolc, Hunyadi u. 3.

Mosonmagyaróvári fiók

9200 Mosonmagyaróvár, Fő u. 6.

Nagykanizsai fiók

8800 Nagykanizsa, Fő út 8.

Nyíregyháza 2 fiók

4400 Nyíregyháza, Nagy Imre tér 1. (Korzó Bevásárlóközpont)

Nyíregyházi fiók

4400 Nyíregyháza, Dózsa György út 1-3.

Paksi fiók

7030 Paks, Dózsa György út 63-73.

Pécs – Árkád Üzletház fiók

7621 Pécs, Rákóczi út 58. (Árkád Üzletház)

Pécsi fiók

7621 Pécs, Rákóczi út 17. (Fészek Áruház)

Salgótarjáni fiók

3100 Salgótarján, Rákóczi út 13.

Siófok

8600 Siófok, Fő u. 174-176.

Soproni fiók

9400 Sopron, Várkerület 1-3.

Szeged – Kárász utcai fiók

6720 Szeged, Kárász u. 16.

Network units (CONTINUED)

Szegedi fiók

6722 Szeged, Kossuth Lajos sugárút 18-20.

Székesfehérvár 2 fiók

8000 Székesfehérvár, Palotai u. 4.

Székesfehérvári fiók

8000 Székesfehérvár, Budai út 1.

Szekszárdi fiók

7100 Szekszárd, Arany János u. 15-17.

Szentendrei fiók

2000 Szentendre, Dobogókői út 1. (Városkapu Üzletház)

Szentesi fiók

6600 Szentes, Kossuth u. 8.

Szigetszentmiklósi fiók

2310 Szigetszentmiklós, Bajcsy-Zsilinszky u. 26.

Szolnoki fiók

5000 Szolnok, Baross Gábor út 27.

Szombathelyi fiók

9700 Szombathely, Kőszegi út 30-32.

Tatabánya – Vértesszentkereszt Center fiók

2800 Tatabánya, Győri út 7-9. (Vértesszentkereszt Center)

Váci fiók

2600 Vác, Szent István tér 4.

Veszprémi fiók

8200 Veszprém, Ady E. u.1.

Zalaegerszegi fiók

8900 Zalaegerszeg, Kovács Károly tér 1/a

Sorter pages: UniCredit
Creative concept: Milk Adv

Graphic development and Composition:
MERCURIO GP® – Milan and UniCredit

Adaptation: R.A.T. Reklám és Arculat Kft. Budapest
04. 2015.

