



**Independent Auditors' Report
issued on the 2014 Consolidated Annual Report
and Consolidated Business Report
of Budapest Bank Zrt. and subsidiaries**

This is an English translation of the statutory Consolidated Annual Report and the Consolidated Business Report, and the Independent Auditors' Report thereon issued in Hungarian. In case of any differences, the Hungarian language original prevails.





Table of Contents

I. Independent Auditors' Report

II. Consolidated Annual Report

Consolidated Balance Sheet
Consolidated Profit and Loss Statement
Consolidated Supplementary Notes

III. Consolidated Business Report





KPMG Hungária Kft.
Váci út 31.
H-1134 Budapest
Hungary

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

This is an English translation of the Independent Auditors' Report on the 2014 statutory Consolidated Annual Report of Budapest Hítel és Fejlesztési Bank Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory Consolidated Annual Report it refers to.

Independent Auditors' Report

To the shareholder of Budapest Hítel és Fejlesztési Bank Zrt.

Report on the Consolidated Annual Report

We have audited the accompanying 2014 consolidated annual report of Budapest Hítel és Fejlesztési Bank Zrt. (hereinafter referred to as "the Bank") and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2014, which shows total assets of MHUF 895,455 and retained loss for the year of MHUF 27,911, and the consolidated income statement for the year then ended, and consolidated supplementary notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Annual Report

Management is responsible for the preparation and fair presentation of this consolidated annual report in accordance with the provisions of the Hungarian Act on Accounting, and for such internal control as management determines is necessary to enable the preparation of consolidated annual report are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this consolidated annual report based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated annual report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual report.

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

Opinion

In our opinion, the consolidated annual report gives a true and fair view of the consolidated financial position of Budapest Hítel és Fejlesztési Bank Zrt. and its subsidiaries as at 31 December 2014 and of its consolidated financial performance for the year then ended in accordance with the provisions of the Hungarian Act on Accounting.





Report on the Consolidated Business Report

We have audited the accompanying 2014 consolidated business report of Budapest Hitel és Fejlesztési Bank Zrt. and its subsidiaries.

Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Hungarian Act on Accounting. Our responsibility is to assess whether this consolidated business report is consistent with the consolidated annual report prepared for the same business year. Our work with respect to the consolidated business report was limited to the assessment of the consistency of the consolidated business report with the consolidated annual report, and did not include a review of any information other than that drawn from the audited accounting records of the Bank.

In our opinion, the 2014 consolidated business report of Budapest Hitel és Fejlesztési Bank Zrt. and its subsidiaries is consistent with the data included in the 2014 consolidated annual report of Budapest Hitel és Fejlesztési Bank Zrt. and its subsidiaries.

Budapest, 18 March 2015

KPMG Hungária Kft.
Registration number: 000202

Gábor Agócs
Gábor Agócs
Partner, Professional Accountant
Registration number: 005600



Budapest Bank Group

CONTENTS		Pages
I.	Independent Auditor's Report	1.
II.	Consolidated Financial Statements	2.
II / 1.	Balance Sheet	3.
II / 2.	Profit and Loss Statement	7.
III.	Notes to the Consolidated Financial Statements	9.
IV.	General Notes	10.
IV / 1.	The brief overview of Budapest Bank Group	10.
IV / 2.	The principles of the accounting policies of Budapest Bank Group	12.
IV / 3.	Changes and major economic events in 2014	21.
V.	Specific Notes	
V / 1.	Subsidiaries, owned directly or indirectly by Budapest Bank Rt., which are involved in the consolidation, associated and other companies, not involved in the consolidation	22.
V / 2.	Budapest Bank ZRT. equity participation in the subsidiaries, which are involved in the consolidation	23.
V / 3.	Equity consolidation adjustments of Budapest Bank ZRT. as parent company	24.
V / 4.a	The gross value of intangible and tangible assets of the consolidated companies	25.
V / 4.b	Accumulated depreciation and current year depreciation on intangible and tangible assets	26.
V / 5.	Inventories	27.
V / 6.	Receivables to financial institutions and customers in maturity split	28.
V / 7.	Assets in Euro and non-Euro currencies expressed in HUF	29.
V / 8.	Reserve movemets from 1 January 2014 to 31 December 2014	30.
V / 9.	Provision charge/release on assets from 1 January 2014 to 31 December 2014	31.
V / 10.	Securities breakdown and safe custody securities	32.
V / 11.	Liabilities to financial institutions and customers in maturity split	33.
V / 12.	Liabilities in Euro and non-Euro currencies, expressed in HUF	34.
V / 13.	Breakdown of Prepayments and Accruals	35.
V / 14.	Income and expenditure of investment related services	36.
V / 15.	Changes in issued own shares	37.
V / 16.	Interest and fees on non-performing loans which has not been credited as income	38.
V / 17.	Open position of currency and interest rate SWAP deals	39.
V / 18.	Changes of Shareholders' Equity in 2014	40.
V / 19.	Foreign currency receivables and liabilities from unsettled deals at year end	41.
V / 20.	Listed securities by Balance Sheet categories at book value	42.
VI.	Additional Information	
VI / 1.	Financial ratios	43.
VI / 2.	Portfolio quality	44.
VI / 3.	Off-balance sheet items	45.
VI / 4.	Extraordinary income and expense	46.
VI / 5.	Corporate tax base adjustments	47.
VI / 6.	Corporate tax calculation	48.
VI / 7.	Breakdown of costs according to cost types	49.
VI / 8.	Other income and expense	50.
VI / 9.	Cash-flow statement	51.
VI / 10.	Loans to members of the Board of Directors, Management and Supervisory Board	52.
VI / 11.	Salaries and wages	53.
VI / 12.	Number of employees	54.
VI / 13.	Large loans	55.
VI / 14.	Remuneration of the Board of Directors and the Supervisory Board	56.
VII.	Business Report	57.

Budapest Bank Group

*Budapest Bank Zrt.
and subsidiaries*

Consolidated Financial Statements

(Translation from Hungarian original)

31 December 2014

Budapest, 18 March, 2015

György Zolnai
Chief Executive Officer

Urs Eichenberger
Chief Finance Officer

BALANCE SHEET (FINANCIAL INSTITUTIONS)		In million HUF		
a	Description	31/12/2013	Previous year Adjustments	31/12/2014
	b	c	d	e
01	I. FINANCIAL ASSETS	29 761	-	28 320
02	II. SECURITIES (03+04)	209 982	-	131 042
03	a) available for sale	201 524	-	100 925
04	b) for investment purposes	8 458	-	30 117
05	III/A. valuation difference of securities	-	-	-
06	III. RECEIVABLES FROM FINANCIAL INSTITUTIONS (07+08+19)	58 879	-	114 826
07	a) on sight	3 624	-	5 024
08	b) other receivables from financial services	55 255	-	109 802
09	ba) due within one year	55 255	-	109 802
10	Of which: - subsidiaries	-	-	-
11	- affiliated companies	-	-	-
12	- National Bank of Hungary	8 200	-	69 500
13	- receivables to KELER	-	-	-
14	bb) due more than one year	-	-	-
15	Of which: - subsidiaries	-	-	-
16	- affiliated companies	-	-	-
17	- National Bank of Hungary	-	-	-
18	- receivables to KELER	-	-	-
19	c) receivables against financial institutions from investment services	-	-	-
20	Of which: - subsidiaries	-	-	-
21	- affiliated companies	-	-	-
22	- receivables to KELER	-	-	-
23	III/A. valuation difference of receivables to financial institutions	-	-	-
24	IV. RECEIVABLES FROM CUSTOMERS (25+32)	566 560	-	581 363
25	a) from financial services	566 307	-	580 778
26	aa) due within one year	277 998	-	282 163
27	Of which: - subsidiaries	-	-	-
28	- affiliated companies	-	-	-
29	ab) due more than one year	288 309	-	298 615
30	Of which: - subsidiaries	-	-	-
31	- affiliated companies	-	-	-
32	b) receivables against customers from investment services	253	-	585
33	Of which: - subsidiaries	-	-	-
34	- affiliated companies	-	-	-
35	ba) receivables to investment in stock exchange activity	-	-	-
36	bb) receivables to OTC investments	-	-	-
37	bca) receivables to customers from investment services	253	-	585
38	bcb) receivables to KELER	-	-	-
39	bcb) receivables to other investment services	-	-	-
40	IV/A. valuation difference of receivables to customers	-	-	-
41	V. BONDS AND OTHER SECURITIES (42+45)	20	-	20
42	a) securities issued by municipalities and other government institution (excluding government securities)	-	-	-
43	aa) available for sale	-	-	-
44	ab) for investment purposes	-	-	-
45	b) securities issued by others	20	-	20
46	ba) available for sale	20	-	20
47	Of which: - issued by subsidiaries	-	-	-
48	- issued by affiliated companies	-	-	-
49	- repurchased own shares	-	-	-
50	bb) for investment purposes	-	-	-
51	Of which: - issued by subsidiaries	-	-	-
52	- issued by affiliated companies	-	-	-
53	V/A. valuation difference of bonds and other securities	-	-	-
54	VI. SHARES AND OTHER SECURITIES (55+58)	7 641	-	2 198
55	a) shares available for sale	-	-	-
56	Of which: - issued by subsidiaries	-	-	-
57	- issued by affiliated companies	-	-	-
58	b) securities with variable yield	7 641	-	2 198
59	ba) available for sale	7 641	-	2 198
60	bb) for investment purposes	-	-	-
61	VI/A. valuation difference of shares and other securities	-	-	-
62	VII. SHARES FOR INVESTMENT PURPOSES (63+65)	401	-	245
63	a) shares for investment purposes	401	-	245
64	of which: - shares in financial institutions	-	-	-
65	b) revaluation of shares for investment purposes	-	-	-
66	of which: - shares in financial institutions	-	-	-
67	VII/A. valuation difference of shares for investment purposes	-	-	-
68	VIII. SHARES IN AFFILIATED COMPANIES FOR INVESTMENT PURPOSES (69+71+73)	-	-	-
69	a) shares for investment purposes	-	-	-
70	of which: - shares in financial institutions	-	-	-
71	b) revaluation of shares for investment purposes	-	-	-
72	of which: - shares in financial institutions	-	-	-
73	c) Share consolidation difference (73+74)	-	-	-
74	ca) Of which: - subsidiaries	-	-	-
75	cb) - affiliated companies	-	-	-
76	IX. INTANGIBLE ASSETS (77+78)	4 334	-	5 222
77	a) intangible assets	4 334	-	5 222
78	b) revaluation of intangible assets	-	-	-

		Adatok millió forintban		
a		Description	31/12/2013	31/12/2014
	b		c	e
			d	
79	K.	TANGIBLE ASSETS (80+85+90)	16 347	15 617
80	a)	tangible assets serving the activities of financial institutions	11 998	11 854
81	aa)	real estate	8 065	7 801
82	ab)	technical equipment, machinery and vehicles	3 761	3 811
83	ac)	construction-in-progress	172	242
84	ad)	prepayments on construction-in-progress	-	-
85	b)	tangible assets serving the non-financial activities	4 349	3 763
86	ba)	real estate	-	-
87	bb)	technical equipment, machinery and vehicles	4 349	3 763
88	bc)	construction-in-progress	-	-
89	bd)	prepayments on construction-in-progress	-	-
90	c)	revaluation of tangible assets	-	-
91	XI.	OWN SHARES	-	-
92	XII.	OTHER ASSETS (93+94+97)	7 168	9 703
93	a)	inventories	562	424
94	b)	other receivables	6 606	9 279
95		Of which: - subsidiaries	-	-
96		- affiliated companies	-	-
97	c)	Receivables from consolidated Tax	-	-
98	XIII.A.	valuation difference of other receivables	-	-
99	XIII.B.	positiv valuation difference of derivatives	149	2 088
100	XIII.	PREPAYMENTS AND ACCRUALS (101+102+103)	4 129	4 811
101	a)	income accruals	3 873	4 287
102	b)	expense accruals	256	524
103	c)	deferred expenses	-	-
104		TOTAL ASSETS (01+02+06+28+41+54+62+68+76+79+91+92+100)	905 371	895 455
		-CURRENT ASSETS		
105		(i.+ii.a)+iii.c+iii.a)+iii.ba)+iv.a)+iv.b)+v.a)+v.ba)+vi.a)+vi.ba)+xi.+xii.+iii/A.)+iii/A.)+iva.)+va.)+vi/A.)+xii/A.)+xii/B.) Items of which related to current assets)	583 393	540 828
		- FIXED ASSETS		
106		(ii.b)+iii.bb)+iv.ab)+v.ab)+v.bb)+vi.bb)+viii.+ix.+x.+ii/A.)+iii/A.)+iva.)+va.)+vi/A.)+xii/A.)+xii/B.) Items of which related to fixed assets)	317 849	349 816

				in million HUF	
a	Description		31/12/2013	Previous year Adjustments	31/12/2014
		b	c	d	e
107	I.	LIABILITIES TO FINANCIAL INSTITUTIONS (108+109+120)	73 015	-	116 400
108	a)	on sight	11	-	138
109	b)	liabilities deposited for a set period of time	73 003	-	116 261
110	ba)	due within one year	2 598	-	22 767
111		Of which: - subsidiaries	-	-	-
112		- affiliated companies	-	-	-
113		- National Bank of Hungary	1 908	-	22 383
114		- receivables to KELER	-	-	-
115	bb)	due more than one year	70 405	-	93 494
116		Of which: - subsidiaries	-	-	-
117		- affiliated companies	-	-	-
118		- National Bank of Hungary	42 424	-	67 040
119		- receivables to KELER	-	-	-
120	c)	liabilities from investments services	1	-	1
121		Of which: - subsidiaries	-	-	-
122		- affiliated companies	-	-	-
123		- receivables to KELER	-	-	-
124	II/A.	valuation difference of liabilities to financial institutions	-	-	-
125	II.	LIABILITIES TO CUSTOMERS (126+130+140)	643 494	-	588 530
126	a)	saving deposit	-	-	-
127	ba)	on sight	-	-	-
128	bab)	due within one year	-	-	-
129	bac)	due more than one year	-	-	-
130	b)	other liabilities from financial services	640 876	-	585 540
131	ba)	on sight	259 644	-	303 619
132		Of which: - subsidiaries	-	-	-
133		- affiliated companies	-	-	-
134	bb)	due within one year	182 775	-	155 617
135		Of which: - subsidiaries	2 255	-	258
136		- affiliated companies	-	-	-
137	bcb)	due more than one year	198 457	-	126 304
138		Of which: - subsidiaries	167 583	-	115 738
139		- affiliated companies	-	-	-
140	c)	liabilities from investments services	2 618	-	2 990
141		Of which: - subsidiaries	-	-	-
142		- affiliated companies	-	-	-
143	ca)	liabilities to investment in stock exchange activity	-	-	-
144	cb)	liabilities to DTC investments	-	-	-
145	cc)	liabilities to customers from investment services	2 618	-	2 990
146	cd)	liabilities to KELER	-	-	-
147	ce)	liabilities to other investment services	-	-	-
148	II/A.	valuation difference of liabilities to customers	-	-	-
149	III.	ISSUED BONDS AND OTHER, INTEREST-BEARING SECURITIES (150+157+164)	-	-	-
150	a)	issued bonds	-	-	-
151	aa)	due within one year	-	-	-
152		Of which: - subsidiaries	-	-	-
153		- affiliated companies	-	-	-
154	ab)	due more than one year	-	-	-
155		Of which: - subsidiaries	-	-	-
156		- affiliated companies	-	-	-
157	b)	other issued negotiable, interest-bearing securities	-	-	-
158	ba)	due within one year	-	-	-
159		Of which: - subsidiaries	-	-	-
160		- affiliated companies	-	-	-
161	bb)	due more than one year	-	-	-
162		Of which: - subsidiaries	-	-	-
163		- affiliated companies	-	-	-
164	c)	Securities according to the accounting standards, but according to the Securities Law other negotiable, interest-bearing documents	-	-	-
165	ca)	due within one year	-	-	-
166		Of which: - subsidiaries	-	-	-
167		- affiliated companies	-	-	-
168	cb)	due more than one year	-	-	-
169		Of which: - subsidiaries	-	-	-
170		- affiliated companies	-	-	-
171	IV.	OTHER LIABILITIES (172+176+179)	11 893	-	11 519
172	a)	due within one year	11 893	-	11 519
173		Of which: - subsidiaries	-	-	-
174		- affiliated companies	-	-	-
175		- other contributions of members of saving societies	-	-	-
176	b)	due more than one year	-	-	-
177		Of which: - subsidiaries	-	-	-
178		- affiliated companies	-	-	-
179	c)	Liabilities from consolidated Tax	-	-	-
180	IV/A.	negativ valuation difference of derivatives	53	-	39
181	V.	ACCRUALS (182+183+184)	14 187	-	11 344
182	a)	income accruals	718	-	725
183	b)	expense accruals	13 469	-	10 619
184	c)	deferred income	-	-	-
185	VI.	RESERVES (186+187+188+189)	4 577	-	52 057
186	a)	Reserves for pension and severance payments	-	-	-
187	b)	Reserves on contingent and future liabilities	4 577	-	3 436
188	c)	general risk reserve	-	-	-
189	d)	other reserve	-	-	48 621
190	VII.	SUBORDINATED DEBT (191+196+197)	4 011	-	150
191	a)	subordinated loan	3 861	-	-
192		Of which: - subsidiaries	-	-	-
193		- affiliated companies	-	-	-
194	aa)	Equity consolidation difference	150	-	150
195		Of which: - subsidiaries	150	-	150
196	b)	other contributions of members of saving societies	-	-	-
197	c)	other subordinated debt	-	-	-
198		Of which: - subsidiaries	-	-	-
199		- affiliated companies	-	-	-

		in million HUF		
a	Description	31/12/2013	Previous year Adjustments	31/12/2014
	b	c	d	e
200	VIII. SHARE CAPITAL	19 346	-	19 346
201	from which: - repurchased own shares on face value	-	-	-
202	IX. ISSUED, UNPAID SHARE CAPITAL [-]	-	-	-
203	X. SHARE PREMIUM (204+205)	-	-	-
204	a) premium from issue of shares	-	-	-
205	b) other	-	-	-
206	XI. GENERAL RESERVE	10 814	-	-
207	XII. RETAINED EARNINGS	97 759	-	111 210
208	XIII. CAPITAL ENGAGED	2	-	-
209	XIV. VALUATION RESERVE	-	-	-
210	a) valuation reserve of revaluation	-	-	-
211	b) valuation reserve of valuation at fair market value	-	-	-
212	XV. NET PROFIT (LOSS) FOR THE YEAR (+/-)	13 095	-	- 27 911
213	XVI. CHANGES IN SUBSIDIARIES' EQUITY (+,-)	13 125	-	12 771
214	XVII. CHANGES DUE TO THE CONSOLIDATION (+,-)	-	-	-
215	a) from debt consolidation	-	-	-
216	b) from internal profit consolidation	-	-	-
217	XVIII. MINORITY INTEREST	-	-	-
218	TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS (107.+125.+149.+171.+181.+185.+190.+200.+202.+203.+206.+207.+208.+209.+212.+213.+217.)	905 371	-	895 455
219	- SHORT TERM LIABILITIES (I.a)+I.ba)+I.c)+1/A)+II.a)+II.ab)+II.bb)+II.c)+II/A)+III.a)+III.ba)+III.ca)+IV.a)+IV/A)	459 593	-	496 690
220	- LONG TERM LIABILITIES (I.bb)+II.ac)+II.bc)+III.ab)+III.bb)+III.cb)+IV.b)+VII.)	272 873	-	219 948
221	- SHAREHOLDER'S FUNDS (VIII.-IX.+X.+XI.+XII.+XIII.+XIV.+XV.)	154 141	-	115 416

Off-Balance Sheet Items

	Description	31/12/2013	Previous year Adjustments	31/12/2014
01	Commitments and contingent liabilities	241 257	-	242 732
02	Futures liabilities	20 183	-	170 591
03	Total off-balance sheet liabilities	269 440	-	413 323
04	Total off-balance sheet receivables	32 814	-	178 948

Budapest, 18 March, 2015

György Zolnai
Chief Executive Officer

Urs Eichenberger
Chief Finance Officer

PROFIT AND LOSS STATEMENT (FINANCIAL INSTITUTIONS)

in million HUF

a	b		c	d	e
	Description		2013	Previous year Adjustments	2014
1	1.	Interest income (02+05)	73 877		58 053
2	a)	a) interest income from fixed interest-bearing securities	8 985		2 744
3		Of which: - subsidiaries	-		-
4		- affiliated companies	-		-
5	b)	b) other interest income	64 892		55 309
6		Of which: - subsidiaries	-		-
7		- affiliated companies	-		-
8	2.	Interest expense	16 773		8 453
9		Of which: - subsidiaries	3 942		2 822
10		- affiliated companies	-		-
11		Net interest income (01-08)	57 104		49 600
12	3.	Dividend received (13+14+15)	140		-
13	a)	a) joint ventures	-		-
14	b)	b) affiliated companies	-		-
15	c)	c) other	140		-
16	4.	Fee income (17+20)	27 211		31 008
17	a)	a) fee income of other financial services	25 062		28 187
18		Of which: - subsidiaries	-		-
19		- affiliated companies	-		-
20	b)	b) fee income of investment services	2 149		2 821
21		Of which: - subsidiaries	-		-
22		- affiliated companies	-		-
23	5.	Fee expense (24+27)	5 827		6 250
24	a)	a) fee expense of other financial services	5 787		6 207
25		Of which: - subsidiaries	-		-
26		- affiliated companies	-		-
27	b)	b) fee expense of investment services (excluding expense of trading activities)	40		43
28		Of which: - subsidiaries	-		-
29		- affiliated companies	-		-
30	6.	Net income of financial services (31-35+39-44)	3 053		4 376
31	a)	a) income of other financial services	14 703		16 370
32		Of which: - subsidiaries	-		-
33		- affiliated companies	-		-
34		- valuation difference	180		2 141
35	b)	b) expense of other financial services	11 646		12 181
36		Of which: - subsidiaries	-		-
37		- affiliated companies	-		-
38		- valuation difference	147		187
39	c)	c) income of investment services (income of trading activities)	7		203
40		Of which: - subsidiaries	-		-
41		- affiliated companies	-		-
42		- release of provision on securities available for sale	-		-
43		- valuation difference	-		-
44	d)	d) expense of investment services (income of trading activities)	11		16
45		Of which: - subsidiaries	-		-
46		- affiliated companies	-		-
47		- provision charge on securities available for sale	-		-
48		- valuation difference	-		-
49	7.	Other income (50+53)	45 050		60 274
50	a)	a) income of non-financial and non-investment services	40 396		55 451
51		Of which: - subsidiaries	-		-
52		- affiliated companies	-		-
53	b)	b) other income	4 654		4 823
54		Of which: - subsidiaries	-		-
55		- affiliated companies	-		-
56		- release of provision on inventories	98		25
57	ba)	c) profit increasing item due to consolidation	-		-

		in million HUF		
a	Description	2013	Previous year Adjustments	2014
	b	c	d	e
58	8. Operating costs (59+67)	35 639		38 628
59	a) personal type costs	22 076		22 665
60	aa) salaries and wages	15 776		16 148
61	ab) other personal type costs	1 355		1 365
62	of which: - social securities	242		234
63	- pension related costs	148		143
64	ac) affix of wages	4 945		5 152
65	of which: - social securities	4 216		4 380
66	- pension related costs	4 082		4 243
67	b) other operating costs (materials)	13 563		15 963
68	9. Depreciation	3 061		3 335
69	10. Other expenses (70+73)	59 421		76 466
70	a) expenses of non-financial and non-investment services	38 034		52 519
71	Of which: - subsidiaries	-		-
72	- affiliated companies	-		-
73	b) other expenses	21 387		23 949
74	Of which: - subsidiaries	-		-
75	- affiliated companies	-		-
76	Provision charge on inventory	17		12
77	ba) c) profit decreasing item due to consolidation	-		-
78	11. Provision charge on receivables and on contingent and future liabilities (73+74)	23 312		19 433
79	a) provision charge on receivables	20 788		18 545
80	b) provision charge on contingent and future liabilities	2 524		888
81	12. Release of provision on receivables and on contingent and future liabilities (82+83)	15 943		12 533
82	a) release of provision on receivables	11 561		10 533
83	b) release of provision on contingent and future liabilities	4 382		2 000
84	12/A) General risk reserve difference of charge and release	-		-
85	13. Provision charge on securities portfolio	-		1
86	14. Release of provision on securities portfolio	-		-
87	15. NET INCOME OF FINANCIAL SERVICES	21 241		13 676
88	of which: - NET INCOME OF FINANCIAL AND INVESTMENT SERVICES (11+12+16-23+30+49-58-68-69-78+81-85+87)	18 879		10 744
89	- NET INCOME OF NON-FINANCIAL AND NON-INVESTMENT SERVICES (50-70)	2 362		2 932
90	16. Extraordinary revenues	45		13
91	17. Extraordinary expenditures	150		50 592
92	18. Net profit (loss) of extraordinary items (90-91)	- 105		- 50 579
93	19. Profit before taxation (±87±92)	21 136		- 36 903
94	20. Taxation	7 076		1 822
95	a) Tax difference due to consolidation	-		-
96	21. Profit after taxation (±93-94)	14 060		- 38 725
97	22. Charge and release of general reserves (+,-)	965		- 10 814
98	23. Dividend and profit-sharing payable	-		-
99	Of which - subsidiaries	-		-
100	- affiliated companies	-		-
101	24. Net profit (loss) for the year (±96±97-98)	13 095		- 27 911

Budapest, 18 March, 2015

György Zolnai
Chief Executive Officer

Urs Eichenberger
Chief Finance Officer

Budapest Bank Group

*Budapest Bank Zrt.
and Subsidiaries*

Notes to the Consolidated Financial Statements

31 December 2014

Budapest, 18 March, 2015

György Zolnai
Chief Executive Officer

Urs Eichenberger
Chief Finance Officer

This is the translation of the Financial Statements that were prepared by the Bank.

BUDAPEST BANK-GROUP

IV. GENERAL NOTES

IV/1. A BRIEF OVERVIEW OF BUDAPEST BANK AND BUDAPEST BANK-GROUP

Budapest Hitel és Fejlesztési Bank Zrt. ("Budapest Bank", or the "Bank" located: 1138 Budapest, Váci út 193., <http://www.budapestbank.hu/>) was established on January 1, 1987, when the two-tier banking system emerged in Hungary. Budapest Bank was established as a joint venture by the government, state - owned enterprises as well as co-operatives.

In December 1995 Budapest Bank was privatised and acquired by General Electric Capital, EBRD from the State Privatisation and Asset Management Company Ltd. (ÁPV Rt.)

During the year 2001, General Electric Capital became the majority shareholder of the Bank by purchasing 33.57% equity stake owned by EBRD and 23.76% equity stake held by ÁPV Rt., as well as 13.44% equity stake owned by the small shareholders holding less than 5% stake each. The Budapest Bank Zrt is consolidated to the General Electric Company (Fairfield 3135 Easton Turnpike). Its consolidated Annual Report is available on <http://www.ge.com/>.

After 2001 additional shares were purchased over time from the minority shareholders of less than 5% ownership. At December 07, 2011 the majority shareholder made a voluntary public bid for purchasing the minority equity stake, which has increased the shareholding of GE Capital International Financing Corporation to 99.84 % in 2012. During 2012 the majority shareholder has bought out the remaining minority shareholders stake based on pre-emption right described in the capital market act 76/D § 1, becoming 100 % shareholder of the Bank. During 2013 GE Capital International Financing Corporation merged to the GE Global Financing Holdings Inc, which became the 100% shareholder of the Bank.

The annual general meeting has changed the Bank's operational form to private limited company. The share capital of the bank as of December 31, 2014 amounted to HUF 19,346 million. The Bank is licensed to conduct the full range of the activities of a credit institution including transactions denominated in Hungarian Forint and foreign currency alike. The branch network of the Bank currently consists of 100 branches and 1 Money Plus centre.

GE Capital signed an agreement with the Hungarian Government about the sale of Budapest Bank on February 13, 2015. The actual buyer on behalf of the Government is the Corvinus International Investment Ltd owned by the Hungarian Development Bank Ltd. The actual ownership change may occur after June 30, 2015. According to the share purchase agreement GE Capital will reorganize the legal structure of the Bank:

- the Bank established the CDM Bank ("CDM") on December 18, 2014
- during the year 2015 CDM will take over the assets and liabilities of the Bank as part of a combined demerger and merger
- the Bank as "de jure" successor will sell CDM - holding all activities of Budapest Bank - to the Hungarian Government
- CDM will continue "de facto" the activity of Budapest Bank as a new legal entity

Budapest Bank performs a part of its services via wholly owned subsidiary companies that comprise members of the Bank-group and carry out specialised activities in their capacity as independent business organisations.

Budapest Auto Finance Ltd. is engaged to provide consumer auto loans and finance lease.

Budapest Equipment Finance Ltd. (formerly known as SBB Solution Ltd.) provides operative leases to corporate customers.

Budapest Leasing Ltd. pursues finances leases to corporate customers.

Budapest Fund Management Ltd. manages mutual investment funds.

CDM Ltd. (CDM Hitel- és Fejlesztési Bank Zrt.) was established on December 18, 2014. An investment of HUF 2,1 billion was transferred on December 30, 2014. The Registry Court registered the CDM Bank on January 16, 2015 as a 100% owned investment of Budapest Bank, meaning that the HUF 2,1 billion investment is booked as "Other Receivables" in Budapest Bank-group's financial statement.

A brief overview of the business activities of the subsidiary companies is set forth below:

1) **Budapest Auto Finance Ltd. (Budapest Autófinanszírozási Zrt.)** was established by the Bank in 1997 with a registered capital of HUF 50 million as a wholly-owned subsidiary company of Budapest Bank. The company provides private persons as well as business organizations with credit and leasing facilities for the purchase of new and second-hand cars. As of the end of 2014 the balance sheet total of Budapest Auto Finance Ltd. was HUF 75,218 million, its registered capital was HUF 181 million, the company's shareholders' equity was HUF 2,026 million, and the net loss was HUF 21,204 million.

2) **Budapest Equipment Finance Ltd (Budapest Eszközfinanszírozó Zrt.)** was created in August 2013 by merging Budapest Fleet Ltd. (Budapest Flotta Zrt.) and Equipment Finance Ltd (Eszközfinanszírozó Kft.) to SBB Solution Ltd. (SBB Solution Zrt.). The company deals with operative equipment financing. As at the end of 2014 the balance sheet total of Budapest Equipment Finance Ltd. was HUF 7,158 million, company's registered capital amounted to HUF 9 million, its shareholders' equity was HUF 4,156 million, and the net profit was HUF 108 million.

3) The principal activity of **Budapest Leasing Company Ltd. (Budapest Lízing Zrt.)** is to purchase and lease long-life assets (mainly production equipment) to corporate customers. The Bank established Budapest Leasing Company Ltd. in 1992. At the end of 2014 the balance sheet total was HUF 42,159 million, the company's registered capital amounted to HUF 62 million, its shareholders' equity was HUF 6,269 million, and its result was HUF 461 million profit.

4) **Budapest Fund Management Ltd. (Budapest Alapkezelő Zrt.)** was established in 1992. It manages the increasing number of investment funds grounded by the company. As of the end of 2014 the balance sheet total of Budapest Fund Management Ltd. amounted to HUF 2,547 million, its registered capital was HUF 500 million, its shareholders' equity was HUF 2,363 million. The company's profit is 0, since it paid out its total net profit - HUF 1,665 million – plus HUF 5,335 million retained earnings as 2014 dividend to the Bank.

IV/2. THE PRINCIPLES OF THE ACCOUNTING POLICY OF BUDAPEST BANK-GROUP

The Banking-group performs its activities, keeps its books and records pursuant to the provisions of the laws and regulations set forth below:

Act CCXXXVII. of 2013 on credit institutions and financial enterprises,
Act IV. of 2006 on corporates,
Act C. of 2000 on accounting (Law),
Act CXX. of 2001 on capital market,
Government Decree no. 250/2000 (XII.24.) about the specific aspects of the financial statements and accounting responsibilities of credit institutions and financial enterprises.

The Accounting Policy of the Banking-group is based upon the 14 basic principles of accounting as set forth in the Act on Accounting. Independent audit is obligatory for the Banking-group based on the 155. § of the Act of Accounting. The official auditor of the Bank is the KMPG Hungary Kft. (1139 Budapest Váci út 99.), Agócs Gábor (id. number: 005600). The Annual report of the Bank is available on <http://www.budapestbank.hu/>. The Banking-group booked audit fees of HUF 80,5 million for the financial year 2014.

The Bank set its balance sheet preparation day to January 12 of the year following the statement date, except for the dividend payment of the subsidiaries, which is March 18th.

Pursuant to the provisions of relevant laws, errors identified in the course of audits performed shall be considered to be material for the Banking-group, if the aggregate impact of such errors, either positive or negative ones, are in excess of HUF 5 billion. Errors are considered to be material in all cases when during the audits in a given year the aggregate impact of such errors effecting the Banking-group's net income or shareholders' equity, either positive or negative ones, are in excess of 2% of total assets.

Changes in previously published data shall be considered to be material for the Banking-group if the sum of such errors reach the materiality limit.

Valuation principles:

Cash and equivalents

The Banking-group aggregates the amount of cash on hand, (including foreign currency), the electronic money, the checks, bank deposits at National Bank of Hungary and at other banks and the cash settlements accounts amongst the cash balances in the balance sheets.

Securities

In this section the Bank-group includes securities purchased for non-investment purpose and securities representing lending relations as well as investments by shares. Securities bought for non-investment purposes are recorded at purchase value less the accumulated interest which is part of the purchase price. The interest included in the purchase price is charged against interest income.

For trading securities (treasury bills and government bonds) the bank uses **mark to market valuation**. For these papers no provision can be made.

The valuation of securities available for sale and held for investment is based on purchase price. For these papers individual rating of the securities is made. For long time and material negative difference between the book value and the market value a reserve is made. For long time and material positive value the difference is released from the reserve.

Receivables from financial institutions and customers

In this category only the receivables from the banking activity are recorded in the Bank-group consolidated financial statement. In this line the following are included:

- Placements at other banks,
- Receivables customers,

The Bank-group records the receivables denominated in HUF at historical cost. The valuation rules of the receivables denominated in foreign currency is disclosed in the chapter called Valuation of the receivables and liabilities denominated in foreign currencies

In case of participation in syndicated loans, the Bank-group sets forth only the amount of the loan extended by itself (without the obligation of counterclaim).

On the basis of debtor rating, the Bank-group accounts for reserve if, the loss difference between the book value of the receivables and the amount expected to be recovered proves to be long lasting and significant. If the amount of the receivables expected to be recovered significantly exceeds the book value less reserve of the receivables, the difference will be released from the reserve.

Inventories

The Bank-group includes inventories in the other assets of the balance sheet. Amongst the inventories, it sets forth the assets that directly or indirectly serve the financial activity (for less than one year). The Banking-group sets forth the inventories at historical cost in the relevant inventory accounts.

Repossessed assets for receivables that became the property of the Bank-group and are kept for future resale purposes are accounted at a value at which the Bank-group settled the value of the receivables with the customer before write off.

Reserve for inventory is accounted by the Bank-group if net book value of the asset is higher than the expected return. The reserve on inventories received by the Banking-group as settlement of receivables is accounted as other expense. The release of this reserve is accounted for as decrease of other expense, if these assets are classified and reserved during the year.

Investments

Financial assets (investments by shares, securities, long term loans, long term bank deposit) that the Bank-group acquires with the purpose to gain long term income (dividend, interest) or to achieve influencing, controlling or directing positions shall be stated as investments in the Bank-group's balance sheet. Valuation adjustments of the invested financial assets are also included in investments.

In compliance with the law the Bank-group capitalises the invested financial assets at historical acquisition cost in its books. The interest included in the purchase price is charged against interest income of the invested financial assets.

The Bank-group recognizes reserve for the difference between the book value of the asset and its market value if it is long term and material. According to the accounting policy the material amount is defined as a difference exceeding 25% and minimum 100 million HUF between the book value and the market value, for a period of more than one year.

Intangible assets

The Bank-group classifies hereto the intangible assets, the advances provided for intangible assets as well as the valuation adjustment of the intangible assets. The intangible assets comprise the value of rights, business goodwill and intellectual property. The Bank-group sets forth the capitalized value of the foundation, reorganisation and the capitalized value of research and development as well among the intangible assets.

The calculation of the amortisation is carried out with the straight-line method, based on the useful life. The Banking-group uses the amortisation periods stipulated by the Law in the case of the business goodwill, the capitalized value of the foundation and of the reorganisation.

Fixed Assets

The fixed assets of the Bank-group are accounted at gross acquisition cost less the residual value that can be expected at the end of the useful service life, the accumulated depreciation of tangible assets under the plan and the over-plan depreciation. In addition to this, it shall be increased with the amount of the release of the over-plan depreciation.

Since 2008, the Bank and its subsidiaries created a VAT group and these entities partially reclaim VAT based on a predefined ratio. Non reclaimed VAT is expensed.

The fixed assets that have not been put into operation are accounted for as capital projects in progress.

The depreciation charges under the plan shall be determined and accounted for in considering the expected useful life of the relevant assets by using the straight-line depreciation method.

The depreciation keys of individual types of are as follows:

Buildings, fixtures	2 %
Real estate not owned by the Banking-group	6 %
Machines, equipment	14.5 %
Computer equipment	33 %
Vehicles	20 %

The Banking-group accounts for over-plan depreciation as other expenditure, if the book value of the tangible assets remains considerably higher than the market value of these assets.

Liabilities to credit institutions and customers

These include liabilities originating from financial services arisen from liquidity and risk management activity, as well as liabilities originating from investment services.

Accrual

The Banking-group records the interest, the interest type income and the fees for the year as accruals, if received before the balance sheet preparation day.

The interest and interest type fees for the period, that are not due before the balance sheet preparation day, can only be recorded as accrual in the balance sheet, if the debtor that they are related to are classified as performing or special watch.

The interests and interest type expenses related to the reporting year paid till the balance sheet preparation day and also the interest due by the balance sheet cut-off date but not yet paid out are recorded as accrued interest expense by the Bank-group.

Valuation of the receivables and liabilities denominated in foreign currencies

The foreign currency cash on hand balances, the foreign exchange nostro accounts, the receivables, the securities, other financial assets and the liabilities denominated in foreign currency are recorded by the Bank-group in the original currencies and converted into HUF each day at the official foreign exchange rates disclosed by the National Bank of Hungary.

The above assets and liabilities are stated in the balance sheet at the HUF values converted at the official foreign exchange middle rates specified by the NBH, as of the balance sheet cut-off date for the reporting year. When the difference between the book value before the evaluation on the balance sheet cut-off date and the HUF amount of the evaluation on the balance sheet cut-off date adds up to a loss or gain, this balance is recorded in the "net income of financial services" as exchange rate gain or loss.

Allowances for losses and risk reserve

In accordance with the provisions of the Act on Credit Institutions and Financial Enterprises (Hpt.) the Bank-group can make risk provision for the identified interest and exchange rate risks as well as for the off-balance sheet risk.

The Bank-group calculates the allowance for losses in accordance with its debtors' rating and receivable valuation (as specified in the related CEO directives in effect) each month, in its so-called debtors' rating and portfolio system and books the increase/decrease to the allowance in order to arrive at the amount specified by the rating and valuation.

During the valuation the Bank-group reduces the value of the risk-weighted assets and off-balance sheet items by the value of the accepted collaterals. The resulting net risk multiplied by the reserve % assigned to the worst receivable of the debtor will provide the necessary amount of allowance for losses.

According to the Government Decree no. 250/2000 (Appendix 7, chapter II.11.), the Bank calculates the allowance of losses for small value receivables on a pool basis. Receivables on a pool basis are individually recorded; allowance for losses for them is accounted individually and assigned to the receivable. At the end of receivable they are cancelled together from the books. Small-amount receivables by debtors are determined in HUF 200 million by the bank. The Bank-group has made all the necessary provisions and reserves.

In the future the Bank-group will not generate the so-called General Risk Provision. The Bank has transferred the General Risk Provision to the retained earnings as of 31st December 2013, which was allowed by the 234/Q paragraph of the credit institutions and financial enterprises law. Also the tax was accounted for the transaction.

The Bank-group applies the rules regulated by the 7 appendix of the government decree 250/2000 for determination the impairment amount for restructured loans in its 2014 financial statement. In summary these loans are not reclassified into better qualification category, which is better than the category used before restructuring.

The outstanding contractual restructured receivable was 122.7 billion HUF, the book value was 79.8 billion of as of 31st December 2014.

During 2014 based on paragraph 107 (3) of Act CXII. on credit institutions and financial enterprises, on paragraph 7 (11) of Government Decree no. 250/2000 and on paragraph 41 (1) of Act C. of 2000 on accounting (Law), the members of the Bank-group have created a general reserve for the performing commercial loans/leases to cover future losses.

Shareholders' equity

The shareholders' equity is comprised of the registered (subscribed) capital, the capital reserve, the retained earning, the capital engaged, the general reserve and the profit of the year (as per the balance sheet).

The shareholders' equity includes also the general reserve retained from the profit after taxes, prior to the payment of dividends. This reserve is generated in accordance with the rules laid out in Article 83 of the Htp. Constitution of the 10% General Reserve is considered individually on a yearly basis. No additional reserve was booked above the mandatory 10 % reserve. Since the net profit became negative in excess of the amount of the general reserve in 2014, the total general reserve was released.

The components of the Banking-group's shareholders' equity are stated in the balance sheet at book (carrying) value.

Derivatives

The Bank applies a mark to market valuation in the accounting policy since 1st January 2008, for off balance sheet receivables and liabilities arisen from non-hedge trading derivatives. No risk reserve or provision is made in addition to the mark to market valuation.

Future or forward trades with customers are hedged by the Bank by deals made with its parent company meaning that the settlement of these trades are done in accordance with the regulations of the Government Decree no. 250/2000 (XII.24.) about the specific aspects of the financial statements and accounting responsibilities of credit institutions and financial enterprises. Swap deals between HUF and foreign currencies that are not closed until the closing date of the Balance sheet are not considered hedges.

Contingent and future liabilities

The contingent and future liabilities of the Banking-group are recorded as off-balance sheet items (in the '0'-account class).

Contingent liabilities are mostly liabilities assumed with respect to third parties, which are already in effect on the balance sheet cut-off date but their recognition in the balance sheet depends on future events.

The certain (future) liabilities are comprised of irrevocable commitments that are already in effect on the balance sheet cut-off date but relevant conditions of the contracts have not yet been met, as a consequence, they are not stated in the balance sheet.

Interests accrual and suspension

Interests and other financial service fees due by the balance sheet cut-off date but not received by the balance sheet preparation date are not stated by the Bank-group as revenues, they are stated as suspended items and recorded only in off balance sheet accounts. The same suspending procedure is applied for interests receivable for the reporting period but not yet due by the balance sheet date where the underlying receivable is assigned to any valuation category of other than performing or special watch . No provision is made by the Bank-group for suspended interest.

THE CONSOLIDATION ACCOUNTING POLICY OF BUDAPEST BANK-GROUP

According to Government Decree 250/2000. (XII.24.) about the annual reporting and book keeping of financial institutions, Budapest Bank Zrt. is required - since 1994 - to prepare consolidated annual reports as well as a Consolidation Accounting Policy.

The Consolidation Accounting Policy of Budapest Bank is based on the provisions of the Act, on the management objectives of Budapest Bank and on the basic accounting principles. The Bank -group developed a reporting and accounting information system that ensures the provision of a true and fair view of the joint financial, equity and income position of the parent company and its subsidiaries.

The consolidated annual report is comprised of the following elements:

- consolidated balance sheet,
- consolidated profit and loss statement,
- consolidated footnotes.

The objective of the preparation of the consolidated balance sheet is to provide information - by eliminating assets and liabilities resulting from the relationships between the parent company and the subsidiaries - for the shareholders of the Bank-group and its management, the business partners, customers, investors and creditors, on the actual equity and financial position of the Bank-group and on changes in this position.

The consolidated profit and loss statement provides information - by eliminating the revenues and expenditures between the members of the Banking-group - on the performance (profitability) of the Banking-group.

The consolidated footnotes contains numerical data and narrative explanations and analyses which, in addition to the balance sheet and the profit and loss statement in line with the international requirements, are necessary for the shareholders, management, investors and creditors of the Banking-group.

The following special balance sheet items are required in the consolidated report:

Goodwill

This is the line where the calculated goodwill is stated. If the amount paid for an acquisition is larger than the amount of the shareholders' equity purchased, the resulting difference is the goodwill. Items can be booked hereto only at the first acquisition or at the first step in case of a step by step acquisition.

Corporate tax receivable originating from consolidation

Where the amount of the tax payable according to the profit and loss statements of the entities involved in consolidation is larger than the tax payable according to the consolidated profit and loss statement the difference is stated by the Banking-group in this line, as carried-over tax receivable.

Change of subsidiaries' shareholders' equity (+/-)

The Bank-group reports here the Bank' share of the changes of the shareholders' equity - regulated by the Law - of subsidiaries subsequent to the first consolidation.

Changes resulting from consolidation (+/-)

During the consolidation the difference, if any, between the receivable of one entity involved in consolidation and the liability of another entity involved in consolidation is to be stated in the "difference from debt consolidation" line in the consolidated annual balance sheet.

The gain or loss originating from a transaction between two entities involved in consolidation is to be stated in the "the difference in internal profit" line of the consolidated annual balance sheet.

Minority shares

The Bank-group states here the amounts of shares in the shareholders' equity of subsidiaries which - as of the balance sheet date - are not held by the Bank as parent company. The shareholders' equity of a subsidiary is divided in accordance with the relevant percentage of the shares held by the shareholders.

At present Budapest Bank holds 100 % of each of the subsidiaries involved in consolidation.

Negative goodwill

Where the difference between the purchase price of the investment and the share of the shareholders' equity of the subsidiary is a negative figure, a negative goodwill is recorded.

Corporate tax liability originating from consolidation

Where the amount of the tax payable according to the profit and loss statements of the entities involved in consolidation is smaller than the tax payable according to the consolidated profit and loss statement the difference is stated as carried-over tax liability arisen from consolidation.

The following special net income items – different from the stand alone financials - are required in the consolidated report:

Consolidation difference - increasing the profit - resulting from debt consolidation

If receivables and liabilities are eliminated under identical titles that originate from business transactions between entities involved in consolidation, and the amounts are different due to different evaluation rules laid out in the accounting act, a positive consolidation difference is recorded.
If the current year difference differs from prior year's number the positive change is recorded in this line.

Consolidation difference - decreasing the profit - resulting from debt consolidation

The amount originating from the results described above, in terms of a negative difference is stated in this line.

Dividends, profit sharing received from associated companies

Here are included the amounts of the dividends received (receivable) by the parent company (in this case the Bank) during the current year from its participation in associated entities along with the changes of the shareholders' equity of the associated companies during the current year.

Dividends and profit sharing received from other equity investments

This line of the consolidated profit and loss statement shows the amounts of dividends received (receivable) from equity investments other than subsidiaries or associated companies.

Corporate tax difference originating from consolidation (+/-)

The difference between the sum of the individual corporate taxes and the tax calculated on the tax base in the consolidated profit and loss statement is to be stated here either it is a positive or negative difference.

Use of retained earnings for dividends, profit sharing

The use of the retained earnings for dividends, profit sharing' is excluded in the consolidated profit and loss statement.

Additional Footnotes:

As established in the Accounting Policy of Budapest Bank Zrt. the following specific tables covering consolidation in the consolidated footnotes:

- the subsidiaries of Budapest Bank Zrt. involved in consolidation,
- the (direct and indirect) capital share of Budapest Bank Zrt. in the subsidiaries involved in consolidation
- the share belonging to Budapest Bank Zrt. as parent company.

Definition of consolidation:

In the course of consolidation the Bank carries out the following steps:

- 'preparation' of individual balance sheets and profit and loss statements
- capital consolidation
- debt consolidation
- elimination of internal profits
- consolidation of revenues and expenditures - capital consolidation of associated companies
- establishment of tax difference originating from consolidation

IV/3. CHANGES AND MAJOR ECONOMIC EVENTS IN 2014

In accordance with the provisions of Law XXXVIII. of 2014 (Curia legislation about consumer loans) and Law XL. of 2014 (Settlement law) the group established a HUF 48,6 billion reserve for its consumer loans and recorded it as extraordinary expense.

According to Law XXXVII. of 2014 (Changes in the currency of Consumer loans and Regulation regarding interest rate issues) the Bank treats its entire CHF mortgage portfolio as a HUF nominated portfolio in an economic sense. The actual HUF conversion - in line with the above legislation - is expected to take place at a pre-defined fixed rate during 2015. The difference, resulting from the fixed rate of 256,47 HUF/CHF and the National Bank year-end spot rate, amounts to HUF 2 billion which was reversed and deferred at year end. The open position due to this mismatch was closed by FX contracts made with the National Bank and GE Financial Market.

The Bank-group's management has reviewed the legal cases and where losses seem to be likely; the appropriate provisions have been made. Management considers that the provision generated for the major legal cases provides a sufficient coverage.

HUF 470 million was transferred to the National Deposit Insurance Fund in the year 2014. HUF 35 million was paid in the Investor Protection Fund. Budapest Bank, as the member of the Bank Resolution Fund, transferred HUF 59 million to the fund in 2014.

As of March 13, 2014 the National Bank of Hungary penalized 35 banks in the total sum of 1.2 billion HUF, for charging unlawful fees and charges. Budapest Bank received a HUF 93 million penalty from the National Bank of Hungary. The decision applied for consumer customers only, not for micro or corporate clients. The refund liability is required only for the transactional fee related fee increases. The Bank has repaid the fees ordered by the National Bank of Hungary to the relevant customers in the amount of HUF 834 million.

The year 2014 report of Budapest Bank-group is signed by Mr. György Zolnai, Chief Executive Officer of the Bank (1026 Budapest, Orsó u. 35.) and Mr. Urs Eichenberger, Chief Finance Officer of the Bank (1051 Budapest, Dorottya u. 6 V.e. 526 ajtó).

Zoltán Szűcs is responsible for managing and leading the accounting duties. (Registry number: MK178499 in the Registry of the Accountant listed by Ministry of Finance.)

Budapest Bank Group

V / 1. Subsidiaries, owned directly or indirectly by Budapest Bank Zrt., which are involved in the consolidation, associated and other companies, not involved in the consolidation

31 December 2014

	Company			Purchase value (in HUF MM)	Voting rights
	Name	Address (seat)			
1. Participation in subsidiaries involved in the consolidation	Budapest Autófinanszírozási Zrt.	1138 Budapest, Váci út 193.	10 250	100%	
	Budapest Lízing Zrt.	1138 Budapest, Váci út 193.	6 380	100%	
	Budapest Alapkezelő Zrt.	1138 Budapest, Váci út 193.	10	100%	
	Budapest Eszközfinanszírozó Zrt.	1138 Budapest, Váci út 193.	5 887	100%	
2. Other companies, not involved in the consolidation	Garantiqa Hitelgarancia Zrt.	1082 Budapest, Kisfaludy utca 32.	190	2,42%	
	Kisvállalkozás-fejlesztő Pénzügyi Zrt.	1052 Budapest, Szép u. 2.	50	1,14%	
	Swift	Avenue Adele 1 B 1310 La Hulpe Belgium	12	0,02%	
	Magyar Sepa Egyesület	1051 Budapest, József Nádor tér 5-6.	-	9,09%	
	Park Teniszkлуб Zrt.	1114 Budapest, Bartók Béla út 15/d.	-	0,30%	

Budapest Bank Group

V / 2. Budapest Bank ZRt. equity participation in the subsidiaries, which are involved in the consolidation

31 December 2014

Subsidiary	BB Zrt. direct participation in the subsidiary		Share capital HUF MM	Shareholder's fund HUF MM	Net profit (loss) for the year / *
	HUF MM	%			
Budapest Autófinanszírozási Zrt.	10 250	100	181	2 026	(21 204)
Budapest Lízing Zrt.	6 380	100	62	6 269	461
Budapest Alapkezelő Zrt.	10	100	500	2 363	-
Budapest Eszközfinanszírozó Zrt.	5 887	100	9	4 156	108
Total:	22 527		752	14 814	(20 635)

Budapest Bank Group

V / 3. Equity consolidation adjustments of Budapest Bank Zrt. as parent company

31 December 2014

Subsidiary	BB Zrt.'s participation in the subsidiary %	The subsidiaries' equity without the profit of the year before payment of Dividend 31 december 2013 HUF MM (b)*	Purchase price of the shares HUF MM (c)	Equity consolidation difference 1994 HUF MM (d)	Modification of positive equity consolidation difference due to new shares HUF MM (e)	Depreciation of positive equity consolidation HUF MM (f)	Equity consolidation difference HUF MM (g=d+e-f)	Changes in the shareholders' equity of subsidiary before payment of Dividend /* 31 december 2013 HUF MM (h*=b'-c+g-f)
Budapest Autófinanszírozási Zrt.	100.00%	33 229	10 250	-	-	-	-	32 979
Budapest Lízing Zrt.	100.00%	5 506	6 380	133	-	133	-	(572)
Budapest Alapkezelő Zrt.	100.00%	7 598	10	(4)	-	-	(4)	7 694
SBB Solution Zrt.	100.00%	4 043	5 887	(1 441)	-	-	(1 441)	(1 985)
Total:		40 783	22 527	-17	0	133	-150	18 106

Positive equity consolidation difference: 0
Negative equity consolidation difference: -150

Budapest Bank Group

V / 4.a. Gross value of intangible and tangible assets in 2014

in HUF MM

Description	Changes in Gross Value				
	Opening balance	Increase during the year	Decrease during the year	Reclass during the year	Closing balance
I. Total intangible assets:	20 077	2 235	1 249	-	21 063
a/ Rights and licenses	856	-	33	(808)	823
b/ Intellectual properties	18 887	2 235	882	808	20 240
c/ Capitalised value of foundation/restructuring	334	-	334	-	-
II.1. Tangible assets serving financial institutions' activities	28 067	3 023	4 852	-	26 238
a/ Properties and related rights	12 883	402	409	-	12 876
b/ Technical equipment, machinery and vehicles	15 012	1 761	3 653	-	13 120
c/ Assets under construction	172	860	790	-	242
d/ Advances for assets under construction	-	-	-	-	-
II.1. Tangible assets related to non-financial services	7 465	1 250	2 048	-	6 667
a/ Properties and related rights	-	-	-	-	-
b/ Technical equipment, machinery and vehicles	7 465	1 250	2 048	-	6 667
c/ Assets under construction	-	-	-	-	-
d/ Advances for assets under construction	-	-	-	-	-

Budapest Bank Group

V / 4.b. Accumulated depreciation and current year depreciation on intangible and tangible assets in 2014

in HUF MM

Description	Accumulated depreciation							Closing balance
	Opening balance	Increase during the year	Decrease during the year	Reclass during the year	Planned depreciation	Extraordinary depreciation		
I. Total intangible assets:	15 743	1 348	1 250		1 341	7	15 841	
a/ Rights and licenses	850	6	33	(808)	6	-	15	
b/ Intellectual properties	14 559	1 342	883	808	1 335	7	15 826	
c/ Capitalised Value of foundation/ restructuring	334	-	334	-	-	-	-	
II.1. Tangible assets serving financial institutions' activities	16 069	2 127	3 812		2 127		14 384	
a/ Properties and related rights	4 818	507	250	-	507	-	5 075	
b/ Technical equipment, machinery and vehicles	11 251	1 620	3 562	-	1 620	-	9 309	
c/ Assets under construction	-	-	-	-	-	-	-	
d/ Advances for assets under construction	-	-	-	-	-	-	-	
II.2. Tangible Assets not directly used in banking activities	3 116	1 271	1 483		1 271		2 904	
a/ Properties and related rights	-	-	-	-	-	-	-	
b/ Technical equipment, machinery and vehicles	3 116	1 271	1 483	-	1 271	-	2 904	
c/ Assets under construction	-	-	-	-	-	-	-	
d/ Advances for assets under construction	-	-	-	-	-	-	-	

Note: The depreciation of non-financial companies is included in the Expenses of non-financial and non-investment services P/L line. The depreciation charges under the plan and accounted for in light of the expected useful life of the relevant assets by using the straight-line depreciation method.

Rights related to real estates:
Right of lease
Right of usage

Gross Value (HUF MM)
68
2

Cumulated Depreciation (HUF MM)
68
1

Budapest Bank Group
V / 5. Inventory

Description	in HUF MM	
	As of 31 December 2013	As of 31 December 2014
Precious metals for sale	-	-
Office materials	-	-
Printed materials	6	-
Stock	17	3
Mediated services	39	15
Stock purchased in the scope of Lease contracts	441	400
Repossessed cars, leased assets	74	26
Provision on Stock/Equipment against receivables	(15)	(20)
Other	-	-
Total :	562	424

Budapest Bank Group

V / 6. Receivables to financial institutions and customers in maturity split

in HUF MM

Description	Total of 31 December 2013	Total of 31 December 2014 1 = 2+3+4+5+6	Breakdown of the portfolio of 31 December 2014 in maturity split					
			On sight	within 3 months	within 3 months and 1 year	within 1 year and 5 years	5 years	
I. Receivables to financial institutions	58 879	114 826	5 024	109 802	-	-	-	-
On sight	3 624	5 024	5 024	-	-	-	-	-
Other receivables to financial institutions	55 255	109 802	-	109 802	-	-	-	-
- Within one year of which: to subsidiaries affiliated companies National Bank of Hungary	55 255	109 802	-	109 802	-	-	-	-
- Over one year of which: to subsidiaries affiliated companies National Bank of Hungary	8 200	69 500	-	69 500	-	-	-	-
II. Receivables against customers	566 560	581 363	95 979	52 114	134 655	165 022	133 593	133 593
Receivables from financial services	566 307	580 778	95 394	52 114	134 655	165 022	133 593	133 593
- Within one year of which: to subsidiaries affiliated companies	277 998	282 163	95 394	52 114	134 655	-	-	-
- Over one year of which: to subsidiaries affiliated companies	288 309	298 615	-	-	-	165 022	133 593	-
Receivables from investment services	253	585	585	-	-	-	-	-
Total	625 439	696 189	101 003	161 916	134 655	165 022	133 593	133 593

Budapest Bank Group

V / 7. Assets in Euro and non-Euro currencies expressed in HUF

Description	31 December 2014					31 December 2013	
	EUR	USD	HUF	Other	Total	Total	Total
1. Cash	656	108	27 479	77	28 320	29 761	29 761
2. State Bonds	-	-	131 042	-	131 042	209 982	209 982
3. Receivables :	86 996	16 446	470 686	131 340	705 468	632 045	632 045
a) On sight	1 654	525	2 391	454	5 024	3 624	3 624
b) Maturing within one year	47 916	15 800	333 677	3 851	401 244	339 859	339 859
- to financial institutions	23 113	13 527	70 500	2 662	109 802	55 255	55 255
- to customers	24 802	2 272	253 932	1 157	282 163	277 998	277 998
- other receivables	1	1	9 245	32	9 279	6 606	6 606
c) Maturing over one year	37 421	121	134 038	127 035	298 615	288 309	288 309
- to financial institutions	-	-	-	-	-	-	-
- to customers	37 421	121	134 038	127 035	298 615	288 309	288 309
d) From investment services	5	-	580	-	585	253	253
4. Securities (bonds)	-	-	20	-	20	20	20
5. Shares and other securities	-	-	2 198	-	2 198	7 641	7 641
6. Shares for sale/ for investment purposes	12	-	233	-	245	401	401
7. Shares in affiliated companies	-	-	-	-	-	-	-
8. Intangible Assets	-	-	5 222	-	5 222	4 334	4 334
9. Tangible Assets	-	-	15 617	-	15 617	16 347	16 347
10. Inventories	-	-	424	-	424	562	562
11. Positive valuation difference of derivatives	-	-	2 088	-	2 088	149	149
12. Prepayments	64	3	4 361	383	4 811	4 129	4 129
Total: (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 + 12)	87 728	16 557	659 370	131 800	895 455	905 371	905 371

Budapest Bank Group

V / 8. Reserves movements from 1 January 2014 to 31 December 2014

Description	in HUF MM					
	Opening balance	Reserve (write-off)	Charge	Reserve (release)	Foreign Exchange	Closing balance
1. Reserve for pension and severance	-	-	-	-	-	-
2. Reserve on contingent and future liabilities	4 577	(32)	888	(2 000)	3	3 436
3. General risk reserve	-	-	-	-	-	-
4. Other reserve	-	-	48 621	-	-	48 621
Total:	4 577	(32)	49 509	(2 000)	3	52 057

Budapest Bank Group

V / 9. Provision charge/release on assets from 1 January 2014 to 31 December 2014

in HUF MM

Description	Opening balance	Charge	Provision release of sold receivables	Provision release of written-off receivables	Release	Foreign Exchange	Closing balance
1. Provision on securities	-	-	-	-	-	-	-
2. Provision on other financial investments	6	-	-	-	-	-	6
3. Provision on receivables	118 705	18 545	(6 172)	(2 352)	(10 533)	2 739	120 932
of which against:							
Financial Institutions	114 517	18 109	(5 162)	(2 352)	(9 961)	2 739	117 890
Customers	3 547	376	(1 010)	-	(485)	-	2 428
Receivables on Finance lease	544	11	-	-	(28)	-	527
Other Receivables	97	49	-	-	(59)	-	87
Inventory financing related receivables							
4. Provision on inventories, which were received against receivables	93	15	-	-	(27)	-	81
Total:	118 804	18 560	(6 172)	(2 352)	(10 560)	2 739	121 019

Budapest Bank Group
V / 10. Securities breakdown and custody securities

31 December 2014

Description	Securities fully owned by BB Zrt					Securities owned by third parties					in HUF MM
	Balance Sheet line	Face Value	Book Value	Listed	Market Value*	Form	Place	Face Value	Form	Place	
Government bonds	II. Securities	27 617	30 117	-	30 211	DEMAT	KELER	423	DEMAT	KELER	
Discount T-bills	II. Securities	102 136	100 925	100 925	101 428	DEMAT	KELER	1 182	DEMAT	KELER	
Bonds of National Bank of Hungary	II. Securities	-	-	-	-	DEMAT	KELER	-	DEMAT	KELER	
Pawnletters	V. Bonds and other securities	-	-	-	-	-	-	-	DEMAT	KELER	
Investment fund quotas	VI. Shares and other securities	1 327	2 197	-	2 197	DEMAT	KELER	168 847	DEMAT	KELER	
Compensation Coupon	VI. Shares and other securities	49	20	20	20	-	-	1	Physical	Vault	
Shares	VII-VIII. Shares for investment purposes and in affiliated companies for investment purposes	190	190	-	190	Physical	Vault	573	DEMAT	KELER	
Shares	VII-VIII. Shares for investment purposes and in affiliated companies for investment purposes	62	55	-	55	DEMAT	KELER	70	Physical	Vault	
Other security	V. Bonds and other securities	1	1	-	18	Physical	Vault	2 504	-	-	
Total:		131 382	133 505	100 945	134 119			173 600			

Note: the financial assets due to customers on the bankaccounts managed within the Bank regarding to commission investment activity is 2990 HUF MM at 31 December 2014.

Budapest Bank Group

V / 11. Liabilities to financial institutions and customers in maturity split

in HUF MM

Description	Total of 31 December 2013	Total of 31 December 2014	Breakdown of the portfolio of 31 December 2014 in maturity split					
			On sight	within 3 months	within 3 months and 1 year	within 1 year and 5 years	Over 5 years	
			2	3	4	5	6	
I. Liabilities to financial institutions	73 015	116 400	139	13 607	9 160	39 079	54 415	
On sight	11	138	-	-	-	-	-	
Deposited from financial services	73 003	116 261	-	13 607	9 160	39 079	54 415	
- Within one year of which: to subsidiaries affiliated companies National Bank of Hungary	2 598	22 767	-	13 607	9 160	-	-	
- Over one year of which: to subsidiaries affiliated companies National Bank of Hungary	1 908	22 383	-	13 519	8 864	-	-	
	70 405	93 494	-	-	-	39 079	54 415	
	-	-	-	-	-	-	-	
	42 424	67 040	-	-	-	23 557	63 483	
From investment services	1	1	1	-	-	-	-	
II. Liabilities to customers	643 494	546 530	306 609	107 427	48 190	10 566	115 738	
Other liabilities from financial services	640 876	545 540	303 619	107 427	48 190	10 566	115 738	
- On sight	259 644	303 619	303 619	-	-	-	-	
of which: to subsidiaries affiliated companies	-	-	-	-	-	-	-	
- Within one year	182 775	155 617	-	107 427	48 190	-	-	
of which: to subsidiaries affiliated companies	2 255	258	-	258	-	-	-	
- Over one year	198 457	126 304	-	-	-	10 566	115 738	
of which: to subsidiaries affiliated companies	167 583	115 738	-	-	-	-	115 738	
From investment services activity	2 618	2 990	2 990	-	-	-	-	
III. Subordinated Debt	4 011	150	-	-	-	-	150	
Total:	720 520	705 080	306 748	121 034	57 350	49 645	170 303	

Budapest Bank Group

V / 12. Liabilities in Euro and non-Euro currencies, expressed in HUF

in HUF MM

Description	31 December 2014					31 December 2013	
	EUR	USD	HUF	Other	Total	Total	Total
	Non-EUR						
1. Liabilities on sight	55 159	7 252	239 851	1 495	303 757	259 655	
- to financial institutions	128	-	9	1	138	11	
- to customers	55 031	7 252	239 842	1 494	303 619	259 644	
2. Short-term liabilities	21 720	9 778	156 316	2 089	189 903	197 266	
- to financial institutions	-	-	22 767	-	22 767	2 598	
- to customers	20 736	9 554	123 365	1 962	155 617	182 775	
- on issued securities	-	-	-	-	-	-	
- other liabilities	984	224	10 184	127	11 519	11 893	
3. Long-term liabilities	13 300	117	90 643	115 738	219 798	268 862	
- to financial institutions	13 166	117	80 211	-	93 494	70 405	
- to customers	134	-	10 432	115 738	126 304	198 457	
- on issued securities	-	-	-	-	-	-	
- other liabilities	-	-	-	-	-	-	
4. Liabilities from Investments services	560	119	2 312	-	2 991	2 619	
- to financial institutions	-	-	1	-	1	1	
- to customers	560	119	2 311	-	2 990	2 618	
5. Negative valuation difference of derivatives	-	-	39	-	39	53	
6. Accruals	211	24	9 946	1 163	11 344	14 187	
7. Provision	26	-	52 031	-	52 057	4 577	
8. Subordinated debt	-	-	150	-	150	4 011	
9. Shareholders' fund	-	-	115 416	-	115 416	154 141	
Total: (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	90 976	17 290	666 704	120 485	895 455	905 371	

Budapest Bank Group

V / 13. Breakdown of Prepayments and Accruals as of 31st December 2014

in HUF MM

Nr.	Description	As of 31 December 2013	As of 31 December 2014	Nr.	Description	As of 31 December 2013	As of 31 December 2014
	Prepymenets				Accruals		
1.	Accrued interest	2 540	2 288	1.	Accrued interest	9 968	4 103
2.	Accrued commission	389	426	2.	Accrued commission	18	31
3.	Accrued costs and expenses	256	524	3.	Accrued costs and expenses	4 165	4 973
4.	Accrued interest on Securities	360	920	4.	Accrued interest on Securities	7	146
5.	Other	584	653	5.	Accrued Income	0	0
				6.	Other	29	2 091
	Total:	4 129	4 811		Total:	14 187	11 344

Budapest Bank Group
V / 14. Income and expenditure of investment related services

in HUF MM

Nr.	Description	Income		Expenditure	
		2013	2014	2013	2014
1.	Commissionaire activities	2 040	2 670	40	43
2.	Commercial activities	7	203	11	16
3.	Safe custody activities	109	151	-	-
4.	Other activities	-	-	-	-
	Total:	2 156	3 024	51	59

Budapest Bank Group
V / 15. Changes in issued own shares

31 December 2014

Description	Type of share	Face value HUF	Number of shares	Value HUF MM
Opening total January 1, 2013				19 346
Closing total December 31, 2013				19 346
Breakdown of closing total:				
Ordinary common stock	Registered share	1 000	19 346 000	19 346

Notes:

Preference shares were withdrawn and 1 HUF'000 nominal value ordinary common stock were issued.
GE Capital Global Financing Holdings Inc has 100% shareholding ownership.

Budapest Bank Group

V / 16. Interest and fees on non-performing loans which have not been credited as income

in HUF MM

Description	Interest, fees and commissions in suspense As of 31 December 2013	Interest, fees and commissions in suspense As of 31 December 2014
Base interest	26 245	29 146
Late payment interest	5 946	6 901
Fees	2 000	2 089
Commissions	2 721	3 540
Total:	36 912	41 676

Budapest Bank Group

V / 17. Open position of currency and interest rate SWAP deals

As of 31 December 2014

Currency swaps - matured after closing day - for hedging the Bankgroup's Balance Sheet position, non-exchange traded

Deal Type	Customer Name	Buy		Sell		Maturity Date	Fair Value M Ft
		Starting Amount	Maturity amount	Starting Amount	Maturity Amount		
FX Swap	GE Financial Market	CHF	3	USD	3	2014.12.15	19
FX Swap	Magyar Nemzeti Bank	HUF	20 083	EUR	65	2014.11.12	427
FX Forward	GE Financial Market	HUF	29 661	EUR	96	2014.11.12	(19)
CCIRS	Magyar Nemzeti Bank	EUR	96	CHF	115	2014.11.14	797
CCIRS	GE Financial Market	HUF	30 897	EUR	100	2014.11.12	795
CCIRS	Magyar Nemzeti Bank	EUR	100	CHF	120	2014.11.14	18
							2 046

Budapest Bank Zrt. has currency swap contracts with its parent company. Due to the repayment of the Parent Company loans the lack of Liabilities in foreign currency was arisen, that's why the Bank exchanged surplus HUF to CHF/EUR or other foreign currency with short-term (1-month) contracts during the year 2013.

The Budapest Bank Zrt. participated in the unconditional EUR sale asset tender (where an FX-swap and two currency interest rate swap (CIRS) deal was concluded), announced by the National Bank of Hungary (HNB). The tender was to make the necessary steps to eliminate the potential FX risk of the consumers having foreign debt. The HNB undertook the EUR currency provision under the tender. The outstanding of Budapest Bank Zrt. was mainly denominated in CHF, so the EUR source provided by HNB during the tender was converted to CHF against the parent company by the Bank, for the same duration as the HNB tender. The HNB FX-swap deal is hedged by a delivery forward, while the HNB CIRS deals are hedged by a cross currency interest rate swap (CCIRS) in EUR-CHF currencies.

Based on Accounting Policy Budapest Bank applies fair market value accounting from 1st of Jan, 2008 regarding to off B/S items qualified as financial instruments for trading purposes, non-hedging derivative instruments. Write offs and provision can not be accounted on these deals.

Non-delivery and delivery financial asset deals are regarded as derivative instruments. Derivative deals can be split into additional 2 groups, they can be trading purposing and for hedging activities. In case of applying fair value accounting non-hedging derivatives are qualified solely as trading purposing deals.

Fair value of forward legs of non-delivery forwards and delivery currency swaps is determined in the following way: The Bank determines the forward leg of each deals then the difference between spot rate and market rate of the discounted amount from maturity date to value date. Market rate is the officially announced HNB currency rate. The basis of the discount factor are market interests, which are BUBOR or LIBOR depending on currency and duration. The formula of the discount factor: $1 + k/36500 \cdot n$ (k=BUBOR or LIBOR, n=number of days from valuation to maturity). Discounted foreign currency amount is converted into HUF using HNB rates at valuation date. Differences between discounted amounts give the fair value of each deals.

Calculation of fair value on CCIRS consists of two parts: 1) for notional as a cross currency swap the Bank applies the same method as currency swap; 2) for interest rate swap the Bank applies the present value calculation of the difference between future cash inflow & outflow based on actual market interest rate at valuation date. The total fair value of CCIRS contains the discounted amount of cross currency and interest rate swap.

The closed currency swap deals made -5 million HUF interest income in 2014. In the end of 2014 the fair value of the open currency swap deals (including FX Swap, CIRS and CCIRS) was 2 046 million HUF. Forwards did not have significant impact neither on cash flow or on the result. The fair value of the open forward deals (delivery and non-delivery) was 3 million HUF at the end of 2014.

Budapest Bank Group

V / 18. Changes of Shareholders' Equity in 2014

Description	in HUF MM				
	Opening value	Increase	Decrease	Transfer	Closing value
Share capital	19 346	-	-	-	19 346
Issued, unpaid share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Retained Earnings	97 759	13 451	-	-	111 210
Valuation Reserve	-	-	-	-	-
Capital Engaged	2	-	2	-	-
General Reserve	10 814	-	10 814	-	-
Profit for the year	13 095	(27 911)	13 095	-	(27 911)
Changes in Subsidiaries Equity	13 125	-	354 **	-	12 771
Changes due to Consolidation	-	-	-	-	-
SHAREHOLDERS' FUND	154 141	(14 460)	24 265	-	115 416

Note:

*increase of retained earnings includes the reversed capital engagede and the changes in subsidiaries equity.

** Budapest Fund paid dividend from retained earning.

Budapest Bank Group

**V / 19. Foreign currency receivables and liabilities
from unsettled spot deals at year end**

As of 31 December 2014

in HUF MM

Currency	Foreign currency receivables	Foreign currency liabilities
AUD	-	-
CAD	-	22
CHF	77	287
CZK	-	1
DKK	-	1
EUR	1 452	485
GBP	-	38
HUF	1 013	1 556
JPY	-	-
NOK	-	-
PLN	-	104
SEK	5	2
USD	342	393
Total	2 889	2 889

Budapest Bank Group

V / 20. Listed securities by Balance Sheet categories at book value

In HUF MM

Description	Book value	
	31 December 2013	31 December 2014
I.) Government Securities	40 324	100 925
a) available for sale	40 324	100 925
b) for investment purposes	-	-
II.) Bonds and other securities	20	20
a) securities issued by municipalities and other government institution (excluding gove	-	-
aa) available for sale	-	-
ab) for investment purposes	-	-
b) securities issued by others	20	20
ba) available for sale	20	20
Of which: -issued by subsidiaries	-	-
- issued by affiliated companies	-	-
- repurchased own shares	-	-
bb) for investment purposes	-	-
Of which: -issued by subsidiaries	-	-
- issued by affiliated companies	-	-
III.) SHARES AND OTHER SECURITIES	-	-
a) shares available for sale	-	-
Of which: -issued by subsidiaries	-	-
- issued by affiliated companies	-	-
b) securities with variable yield	-	-
ba) available for sale	-	-
bb) for investment purposes	-	-
IV.) SHARES FOR INVESTMENT PURPOSES	-	-
a) shares for investment purposes	-	-
of which: - shares in financial institutions	-	-
b) revaluation of shares for investment purposes	-	-
of which: - shares in financial institutions	-	-
V.) SHARES IN AFFILIATED COMPANIES FOR INVESTMENT PURPOSES (69+71)	-	-
a) shares for investment purposes	-	-
of which: - shares in financial institutions	-	-
b) revaluation of shares for investment purposes	-	-
of which: - shares in financial institutions	-	-
Listed securities total:	40 344	100 945

Budapest Bank Group

VI. Additional information

VI / 1. Financial ratios*

		2013	2014
<u>Profitability Ratios</u>			
Marge	$\frac{\text{Profit after tax}}{\text{Revenue}}$	$\frac{14\,060}{176\,976} = 7,94\%$	$\frac{-38\,725}{178\,454} = -21,70\%$
ROA	$\frac{\text{Profit after tax}}{\text{Average total assets}}$	$\frac{14\,060}{915\,490} = 1,54\%$	$\frac{-38\,725}{900\,413} = -4,30\%$
ROE (1)	$\frac{\text{Profit after tax}}{\text{Shareholders' funds}}$	$\frac{14\,060}{154\,141} = 9,12\%$	$\frac{-38\,725}{115\,416} = -33,55\%$
ROE (2)	$\frac{\text{Profit after tax}}{\text{Share capital}}$	$\frac{14\,060}{19\,346} = 72,68\%$	$\frac{-38\,725}{19\,346} = -200,17\%$
ROE (3)	$\frac{\text{Net income of financial services}}{\text{Shareholders' funds}}$	$\frac{18\,879}{154\,141} = 12,25\%$	$\frac{10\,744}{115\,416} = 9,31\%$
<u>Capital coverage Ratios</u>			
Gearing	$\frac{\text{Balance sheet total}}{\text{Shareholders' funds}}$	$\frac{905\,371}{154\,141} = 5,87$	$\frac{895\,455}{115\,416} = 7,76$
<u>Liquidity and Coverage</u>			
Liquidity ratio	$\frac{\text{Liquid assets}}{\text{Short term liabilities}}$	$\frac{583\,393}{459\,593} = 1,27$	$\frac{540\,828}{496\,690} = 1,09$
Loans in percentage of deposits	$\frac{\text{Total loans and leases}}{\text{Total deposits}}$	$\frac{625\,439}{716\,509} = 87,29\%$	$\frac{696\,189}{704\,930} = 98,76\%$
<u>Asset Quality Ratios</u>			
Risk Provision and reserve %	$\frac{\text{Provision and reserve}}{\text{Balance sheet total}}$	$\frac{123\,381}{905\,371} = 13,63\%$	$\frac{173\,076}{895\,455} = 19,33\%$
Risk Provision and reserve Coverage	$\frac{\text{Provision and reserve}}{\text{Shareholders' funds}}$	$\frac{123\,381}{154\,141} = 80,04\%$	$\frac{173\,076}{115\,416} = 149,96\%$
<u>Effectivity Ratios</u>			
Profit per employee	$\frac{\text{Profit after taxation}}{\text{Average no. of employees}}$	$\frac{14\,060}{2\,852} = 4,93$	$\frac{-38\,725}{2\,813} = -13,77$
Wage Cost effectiveness	$\frac{\text{Profit after taxation}}{\text{Total salaries&wages}}$	$\frac{14\,060}{15\,776} = 89,12\%$	$\frac{-38\,725}{16\,148} = -239,81\%$

* Balances in million HUF

Budapest Bank Group
VI/2. Portfolio quality

							HUF Millions
Description	DPD 0-30	DPD 31-90	DPD >90	Total gross receivables	Reserves	NPL (DPD >90) / receivables	Reserve coverage
31 December 2014							
1. Commercial receivables	310 333	2 001	31 170	343 504	30 622	9,07%	8,91%
- Corporate loans and leases	238 915	656	24 527	264 098	23 445	9,29%	8,88%
- Autofinance loans and leases	62 480	1 015	5 436	68 931	5 977	7,89%	8,67%
- Loans to private individuals	8 938	330	1 207	10 475	1 200	11,52%	11,46%
2. Consumer receivables	238 940	12 811	100 943	352 694	89 527	28,62%	25,38%
- Mortgages	131 008	4 491	56 433	191 932	42 587	29,40%	22,19%
- Consumer loans (PL, SF, CC, OD)	61 181	1 364	23 050	85 595	23 865	26,93%	27,88%
- Autofinance loans and leases	46 751	6 956	21 460	75 167	23 075	28,55%	30,70%
3. Other receivables	5 309	7	168	5 484	170	3,06%	3,10%
Total :	554 582	14 819	132 281	701 682	120 319	18,85%	17,15%
31 December 2013							
1. Commercial receivables	284 814	1 773	34 751	321 338	35 060	10,81%	10,91%
- Corporate loans and leases	225 748	57	26 161	251 966	25 760	10,38%	10,22%
- Autofinance loans and leases	51 482	1 239	7 093	59 814	7 785	11,86%	13,01%
- Loans to private individuals	7 584	477	1 497	9 558	1 515	15,66%	15,85%
2. Consumer receivables	252 546	15 565	93 952	362 063	82 990	25,95%	22,92%
- Mortgages	130 550	4 325	50 296	185 171	35 876	27,16%	19,37%
- Consumer loans (PL, SF, CC, OD)	64 141	1 894	26 238	92 272	27 467	28,43%	29,77%
- Autofinance loans and leases	57 855	9 346	17 418	84 620	19 647	20,58%	23,22%
3. Other receivables	1 199	15	8	1 222	13	0,65%	1,06%
Total :	538 559	17 353	128 711	684 623	118 063	18,80%	17,24%

Budapest Bank Group

VI / 3. Off-balance sheet items

in HUF MM

Description	As of 31 December 2013	As of 31 December 2014
Commitments and contingent liabilities	241 257	242 732
- unused overdraft facilities, non-disbursed approved loans	126 411	122 071
- guarantees of indebtedness	42 633	45 067
- other commitments	71 858	75 157
- letters of credit	355	437
Futures liabilities	28 183	170 591
- payment liabilities on swap transactions	-	1 220
- of which subsidiaries	-	68
- spot transactions	3 600	2 890
- transactions with securities	-	-
- liabilities on swap and CCIRS transactions	20 783	143 288
- of which subsidiaries	20 783	62 504
- liabilities on forward transactions without capital movements	12	11
- liabilities on forward transactions with capital movements	3 788	23 182
- other off-balance sheet liabilities	-	-
Total off-balance sheet liabilities:	269 440	413 323
Off-balance sheet receivables		
- receivables on swap transactions	-	212
- spot transactions	3 600	2 889
- prompt security transactions	4 467	7 918
- receivables on swap and CCIRS transactions	20 882	144 707
- receivables on forward transaction without capital movements	12	11
- receivables on forward transaction with capital movements	3 792	23 150
- other off-balance sheet receivables	61	61
Total off-balance sheet receivables:	32 814	178 948

Note:

Value of assets obtained as collateral or guarantee deposit related to financial services is 398 806 million HUF (excluding assigned revenue and receivable assignment) as of 31 December 2014.

Budapest Bank Group
VI / 4. Extraordinary income and expense

in HUF MM

Nr	Description	Amount	
		2013	2014
1.	Given donations	(115)	(118)
2.	Received donations	1	-
3.	Write-off of receivables and losses	(4)	(14)
4.	Debt assumption and waived claims	(30)	(251)
5.	New government bill reserve	-	(48 551)
6.	Loss of remitted receivable	-	(1 658)
7.	Other	43	13
	Total:	(105)	(50 579)

Budapest Bank Group

VI / 5. Corporate tax base adjustments in 2014

		in HUF MM	
Profit before tax decreasing items	Profit before tax increasing items		
1. Depreciation based on Tax Law	1. Depreciation, amortisation based on Accounting Law	5 129	5 551
2. Reversed provision for future liabilities and contingencies	2. Provision charged for future liabilities and contingencies	1 570	48 710
3. Reversed provision on receivables, investments - acceptable by Tax Law	3. Penalties paid to authorities	260	138
4. Dividend received	4. Written-off amount of uncollectible receivables, waived claims		23
5. Released reserve	5. Tax audit and self revision expenses		745
6. Tax audit correction items accounted as revenue	6. Provision on receivables, investments charged in the current tax year	780	8 097
7. Usage of previous years' accrued losses	7. Other	371	114
8. Other		47	
Total	Total	8 157	63 378

Budapest Bank Group

VI / 6. Corporate tax calculation

in HUF MM

Nr	Description	31 december 2014						Based on the consolidated income
		Based on the standalone financial statements of the group members						
		Budapest Bank Zrt.	Budapest Autófinanszírozási Zrt.	Budapest Eszközfinanszírozó Kft.	Budapest Lízing Zrt.	Budapest Alapkezelő Zrt.	Total	
1.	Profit before tax	(19 736)	(20 626)	130	475	1 999	(37 758)	(36 903)
2.	Decreasing items of the corporate tax base	12 476	313	1 903	445	20	15 157	8 157
3.	Increasing items of the corporate tax base	37 035	24 214	2 008	106	15	63 378	63 378
4.	Tax base	4 823	3 275	235	138	1 994	10 465	18 318
5.	Corporate tax charge	871	577	24	14	334	1 820	1 820
6.	Other taxes	3	-	(1)	-	-	2	2
7.	Corporate tax charge after deduction of incentives	874	577	23	14	334	1 822	1 822
8.	Bank tax	*	*	-	*	**	*	*
9.	Total tax charge	874	577	23	14	334	1 822	1 822

Comments:
 The corporate tax is not 19% of tax base due to progressive taxing
 * Bank tax is part of the income before tax

Budapest Bank Group

VI / 7. Breakdown of costs according to cost types

in HUF MM

Nr.	Description	2013	2014
1.	Material expenses	1 052	1 035
2.	Wage cost	15 776	16 148
3.	Other personal type payments	407	395
4.	Other fees	97	102
5.	Benefit in kind which do not increase the corporate tax base and representation cost	832	850
6.	Benefit in kind which increases the corporate tax base	2	2
7.	Other payments	17	16
8.	Personal expenses (2.+3.+4.+5.+6.+7.)	17 131	17 513
9.	Pension and health contribution **	4 301	4 478
10.	Health contribution	160	175
11.	Employer contribution	4	4
12.	Educational contribution	227	233
13.	Other personal type expenses	253	262
14.	Social security expenses (9.+10.+11.+12.+13.)	4 945	5 152
15.	Cost of transport and storage	212	220
16.	Rental fees	1 883	2 237
17.	Maintenance cost	2 949	2 697
18.	Marketing cost	1 036	1 199
19.	Training cost	136	166
20.	Travelling and delegation cost	102	122
21.	Post and telephone costs	1 064	1 030
22.	Intellectual services	2 719	4 781
23.	Other services used	2 410	2 476
24.	Material type services used (15.+16.+17.+18.+19.+20.+21.+22.+23.)	12 511	14 928
25.	Depreciation	3 061	3 335
26.	Other costs	-	-
27.	Subcontractors performance	-	-
28.	Reinvoiced capital work in progress	-	-
29.	Loss related to injury	-	-
30.	Cost of good sold	36 782	50 195
31.	Depreciation	453	1 319
32.	Assets received against receivables	-	-
33.	Material cost	9	9
34.	Personal cost	299	363
35.	Social security type costs	85	106
36.	Cost of used services	236	340
37.	Other costs	170	187
38.	Expenses of non-financial and non-investment services (27-37.)*	38 034	52 519
39.	Total (1.+ 8.+ 14.+ 24.+ 25.+26.+38.) :	76 734	94 482

*Breakdown of costs according to cost types of Non-Financial Subsidiaries. Costs of Non-Financial Subsidiaries are showed in the line of Expenses of non-financial and non-investment services in the Profit and Loss Account Statement.

** Solidarity Tax from 2012

Budapest Bank Group
VI / 8. Other income and expense

Nr.	Description	in HUF MM	
		2013	2014
1.	Other income and expense related to financing activity	939	1 362
2.	Non-recoverable VAT	(2 956)	(2 878)
3.	Local taxes	(2 989)	(3 105)
4.	Insurance fee related to products	701	960
5.	Subcontractor activity / recharged invoices	88	24
6.	Membership fees, commissions	(569)	(825)
7.	Other income and expense related to previous years	695	769
8.	Other income and expense related to fixed assets	99	(87)
9.	Banking Tax*	(999)	(4 627)
10.	Transaction duty	(11 416)	(10 056)
11.	Income from non-financial corporations	2 592	4 344
12.	Operation expense of non-financial corporations	(1 346)	(2 682)
13.	Other income and expense	790	607
	Total	(14 371)	(16 194)

Notes:

To define the other income and expense the parenthetical item serves as expense, the positive sign shows income.
* Last year Banking Tax of Budapest Bank (3 628 million HUF in 2014) were on Taxation line in the P&L with a similar amount, but this year the Profit before taxation is loss therefore the tax has been an Other Income & Expense line in the P&L.

Budapest Bank Group

VI / 9. Cash-flow statement

in HUF MM

	Description	2012	2013
01.	Interest income	73 877	58 053
02.	+ Income on other financial services	39 765	44 558
03.	+ Other income (without provision)	1 013	1 791
04.	+ Income on investment related services	2 156	3 024
05.	+ Income on non-financial and non-investment related services	40 396	55 452
06.	+ Dividends received	140	-
07.	+ Extraordinary income	45	13
08.	- Interest expenses	(16 773)	(8 453)
09.	- Expenditures on of other financial services	(17 433)	(18 388)
10.	- Other expenditures (without provisions)	(25 912)	(29 408)
11.	- Expenditure on investment related services	(50)	(59)
12.	- Expenses on non-financial and non-investment related activity	(38 034)	(52 519)
13.	- Operating costs	(35 638)	(38 628)
14.	- Extraordinary expenditures	(150)	(2 042)
15.	- Taxes	(7 076)	(1 822)
16.	- Dividends paid	-	-
17.	OPERATING CASH FLOW (Lines 1-16)	16 326	11 572
18.	± Change in liabilities	(28 084)	(15 829)
19.	± Change in receivables	10 010	(74 855)
20.	± Change in inventories	(94)	150
21.	± Change in securities among current assets	(10 967)	106 042
22.	± Change in investments	17 632	(21 504)
23.	± Change in construction (including advances)	(71)	(70)
26.	± Change in intangible assets	(2 189)	(2 078)
24.	± Change in tangible assets (excluding constructions)	(2 489)	(1 345)
25.	± Change in prepayments	2 660	(681)
27.	± Change in accruals	(4 532)	(2 843)
28.	+ Stock issue at selling price	-	-
29.	- Capital decrease	-	-
30.	± Change in retained earnings	179	-
31.	+ Cash and cash equivalents received based on law	-	-
32.	+ Cash and cash equivalents given based on law	-	-
33.	- Cancelled own shares	-	-
34.	NET CASH FLOW (Lines 18-33)	(1 619)	(1 441)
35.	Of which: - change in cash (in HUF and foreign currency)	(321)	18
36.	- money in account	(1 298)	(1 459)

Budapest Bank Group

VI / 10. Loans to members of the Board of Directors and Supervisory Board

Megnevezés	Disbursement	Repayment	Outstanding debt at year end HUF MM	Main conditions
1. Interest free employee loans - Board of Directors - Supervisory Board	- -	- -	- -	Long-term loan Real Estate collateral
1. Subtotal:	-	-	-	
2. Employee loans on preferential rate - Board of Directors - Supervisory Board	- 7	- -	- 6	Long-term loan Real Estate collateral
2. Subtotal:	7	-	6	
3. Mortgage - Board of Directors - Supervisory Board	- -	- -	- -	Long-term loan Real Estate collateral
3. Subtotal:	-	-	-	
4. Personal Loan - Board of Directors - Supervisory Board	1 -	- -	0 -	Long-term loan No collateral
4. Subtotal:	1	-	0	
Total:	8	-	6	

The members of the Board of Directors and Supervisory Board have 2.610.000 Ft credit line on current account and 8.000.000 Ft credit line on credit card under standard contract terms of Budapest Bank.

Budapest Bank Group

VI / 11. Salaries and Wages

31 December 2014

in HUF MM

Description	Type of employee		Total:
	Blue collar	White collar	
1. Salaries and wages	-	17 423	17 423
a. Payroll cost	-	16 148	16 148
b. Other personal related payments	-	1 275	1 275
2. Salaries and wages paid on sick leave	-	90	90
Total (1 + 2):	-	17 513	17 513

Budapest Bank Group

VI / 12. Number of employees

31 December 2014

PERIOD	Average Number of employees		
	Manual worker	White collar	Total
2013	-	2 852	2 852
2014	-	2 813	2 813

Budapest Bank Group

VI / 13. Large loans

in HUF MM

	31. December 2013	31. December 2014
The total of large loans as at balance sheet closing date	22 166	22 287
Number of clients, having large loans	1	1

Budapest Bank Group

VI / 14. Remuneration of the Board of Directors and the Supervisory Board

31 December 2014

Description	Number of people entitled to remuneration	Amount of remuneration in HUF MM
Work Council	-	-
Board of Directors	-	-
Supervisory Board	3	11
Total :	3	11

VII.
CONSOLIDATED BUSINESS REPORT

BUDAPEST BANK-GROUP

31 DECEMBER 2014.

CONSOLIDATED BUSINESS REPORT

31 December 2014

CAPITAL POSITION OF THE BANK-GROUP

The capital position of the Bank-group is stable. At the end of 2014, the shareholders' equity, together with the HUF 27.9 billion current year loss, amounted to HUF 115.4 billion.

At 31 December 2014 General Electric (GE Capital Global Financial Holdings, Inc.) held 100% of the shares.

HUF 111.2 billion retained earnings accumulated in the course of previous years. As the income after tax was negative over the magnitude of the total general reserve, the full general reserve was used.

In 1994, the Bank-group issued HUF 3.8 billion bonds qualified as subordinated debt capital, to the Hungarian State, maturing in 2014. The bond was repaid in 2014.

ASSET QUALITY

The total assets of the Bank-group decreased by 1% during the financial year, from HUF 906 billion to HUF 895 billion.

The low-risk government securities, the inter-bank placements and cash amounted to HUF 274 billion, as of December 31, 2014, representing 31 % of the total assets.

Financing receivable from customers increased by 3% to HUF 581 billion at the end of the year. During 2014 the Bank-group continually focused on small and medium-size (SME-s) loans. Supporting this focus the Bank-group has joined the MNB Funding for Lending (Growth Loan) Program in 2013, as a result of the program the small and medium-size portfolio continues to grow. The gross small and medium-size portfolio before provision increased to 248 billion HUF, which demonstrates the importance of the segment in the Bank-group's strategy.

The gross consumer portfolio of the Bank-group (including the total portfolio of Autofinance subsidiary) amounted to 378 billion HUF.

Provisions on receivables increased from HUF 119 billion to HUF 121 billion, which reflects a favourable level of 17% credit risk provision to customer receivable ratio at the end of the year 2014. During 2014 the delinquent loans ratio did not change significantly.

CONSOLIDATED BUSINESS REPORT

31 December 2014

MANAGEMENT AND BUSINESS POLICY

Although consumer deposits and a self-funding strategy are important objectives for the Bank-group, deposits decreased to HUF 193 billion during 2014 due to the decrease in BUBOR rate. The mortgage portfolio increased slightly to 192 billion HUF due to the facts that HUF mortgage loans remained in focus and the HUF depreciated slightly. The unsecured consumer portfolio (including credit card, private loan, sales finance) decreased by 9% to HUF 78 billion. Due to the decline in the autofinance market the auto portfolio of Budapest Autófinanszírozási Zrt. has decreased to 100 billion HUF in HUF terms by the end of 2014.

The Bank-group has made a financial service agreement with Telenor Hungary Zrt in the second half of 2014. As a result of the cooperation customers can use financial services with credit card and mobile applications. In the commercial segment the Funding for Lending (Growth Loan) Program for the small and medium-size portfolio resulted in HUF 45 billion new loans during the year.

In the consumer segment the most important success was the HUF 123 billion growth of funds under management.

The Bank-group continues to focus on technology innovations: from September 2014 the online investment system started, where customers can manage their investment portfolio in a simple, easy to understand, well designed and customer friendly way. Besides other options customers can overview their investment portfolio in a dynamic and quick way and they can also graphically display the data. From the 1st of December 2014, all new, newly produced and renewed debit cards have a payPass/payWave function. From February 2015 credit cards will also be issued this way.

The Budapest Bank network had 101 units at the end of the year including 100 branches and 1 Money Plus centre which serves private banking customers. Branches in the area of Budapest are considered as sites, while branches outside of the Budapest area are considered as branch offices. The Bank made significant investment into the Békéscsaba Operation Centre in the past years. This includes training and educational expenditures, digitalization, office equipment, creation of work places and IT infrastructure. The number of employees at the end of 2014 was 701 in Békéscsaba including the branch employees. Pursuant to the relevant laws, a Workers' Council (Üzemi Tanács) operates in the Budapest Bank-group. Employment decisions are made with the agreement of the Workers' Council.

Budapest Bank received the "Bank of the year" professional recognition from Mastercard in the bank of the year competition for the second time of the row. Three other recognitions were also rewarded to the Bank-group: The Offset loan (egyenlítő hitel) became the "Consumer loan product of the year", Zoltán Takács the commercial sale leader of Budapest Bank became the "Young banker of the year", and Budapest Bank won second place in the "Socially responsible bank of the year" category.

During 2014 the Bank-group has paid major attention to rationalising operational costs, which will remain management focus in 2015 as well.

CONSOLIDATED BUSINESS REPORT

31 December 2014

EARNINGS

The annual net income after tax of the Bank-group was a HUF 38.7 billion loss, which is a significant HUF 52.8 billion decrease versus prior year.

There are several factors behind the change. The net interest income decreased by 13% (by HUF 7.5 billion) compared to prior year.

Net fee and commission income increased, net financial income increased significantly, while other income stagnated. The overall result of the three was an increased of 29%, causing a HUF 2.9 billion increase in profit.

The Bank-group changed the overall interest rates in respect of both commercial and consumer term and saving deposits, in line with the prime bank and money market rate changes, continuously keeping an eye on existing and new customer's interests and transparency in pricing strategy.

Interest rates of commercial loans followed market trends (basically applying reference market rates in pricing), while in case of personal loans and mortgage products rates changes were performed on a selective way, keeping transparency for our customers in pricing strategy. Significant part of the HUF mortgage portfolio was linked to the BUBOR interest rate.

During the year operational and depreciation expenses increased by 8% (by HUF 3 billion) compared to prior year.

During 2014 the net of the new provision charges and releases of provision (including reserve changes) resulted HUF 0.5 billion worth of expense compared to 2013.

The extraordinary items showed a HUF 50.6 billion loss compared to prior year. Based on the XXXVII of 2014 law and the XL of 2014 law the Bank-group made HUF 48.6 billion additional reserves for the losses expected on consumer loan as extraordinary expense. As part of the new restructuring program there was a release of claims to customers in the amount of HUF 1.7 billion by the Bank in 2014.

Overall: excluding one-offs and extraordinary items, the Bank-group operated in a profitable way in 2014 also.

CONSOLIDATED BUSINESS REPORT

31 December 2014

ASSET-LIABILITY MANAGEMENT AND THE LIQUIDITY POSITION OF THE BANK-GROUP

In the course of the year, the outstanding customer receivables increased by 3%.

26% of total assets are denominated in currencies other than HUF mainly in CHF, EUR and USD.

The Bank-group participated in the Funding for Lending program of the National Bank of Hungary. The outstanding balance disbursed to corporate customers was HUF 89.4 billion at year end.

The Bank-group continued to have a high level of liquidity; as a result it is an inter-bank lender in the Hungarian financial market.

26% of total liabilities are denominated in currencies mainly in CHF, EUR and USD.

The financing of foreign currency loans and any foreign currency mismatch were fully closed by the FX swaps with the parent company. Based on the LXXVII of 2014 law (on settling question of change in currency and interest rate rule of consumer loans) the Bank considers its full CHF mortgage portfolio as HUF. This open FX position was closed with FX derivatives made with the National Bank of Hungary and GE Financial Market.

Changes in currency rates did not affect the Bank-group significantly due to the lack of material open positions in the balance sheet and off balance which reflect the Bank's overall risk avoiding behaviour and policy.

The interest rate gap of assets and liabilities was managed by the harmonic, risk avoiding pricing and portfolio management, within the predetermined limits of the Bank-group.

Overall, the Bank-group managed to maintain a very strong liquidity-, cash-flow- and interest rate risk management. The Bank-group has made all the necessary provisions and reserves.

Budapest, 18th March 2015

Zolnai György
CEO

Urs Eichenberger
CFO