

Deloitte.

Deloitte Auditing
and Consulting Ltd.
Transparency report



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Introduction

As an audit firm that carries out statutory audits of the annual accounts of, among others, public-interest entities, Deloitte Auditing and Consulting Ltd. (hereinafter: "Deloitte Ltd.", "Company" or "audit firm") is publishing this annual transparency report in compliance with Section 55 of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

All information provided in this report relates to the situation of the Company on 31 December 2014, except if indicated otherwise.

Budapest, March 31, 2015

(The original Hungarian version is signed)

Horváth Tamás

Deloitte Auditing and Consulting Ltd.



1. Description of the legal and ownership structure

Legal structure:

The audit firm operates as a limited liability company (Kft.), established under Hungarian law, with registered office at 1068 Budapest, Dózsa György út 84/C and registration number 01-09-071057.

Ownership Structure:

On 31 December 2014 the registered capital and voting rights of Deloitte Auditing and Consulting Ltd. are held by:

- Deloitte Pannonadria Holdings Limited (a Malta registered holding company): 98.5% with 490 voting rights;

and the following individuals:

- Gábor Gion (registered statutory auditor in Hungary and member of the Hungarian Chamber of Auditors): 0.75% with 270 voting rights;
- Tamás Horváth (registered statutory auditor in Hungary and member of the Hungarian Chamber of Auditors): 0.45% with 120 voting rights;
- Kornél Bodor (registered statutory auditor in Hungary and member of the Hungarian Chamber of Auditors): 0.3% with 120 voting rights

2. Description of the network and the legal and structural arrangements

About Deloitte

“Deloitte” is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory and tax services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited (DTTL), an English company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and each DTTL member firm are separate and distinct legal entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts or omissions and not those of each other. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates, and/or other entities.

See www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

About Deloitte Central Europe

Deloitte Central Europe is a regional organisation of entities organised under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu Limited. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities. The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region’s leading professional services firms, providing services through more than 4 700 people in more than 37 offices in 17 countries.

Deloitte in Hungary

In Hungary, the services are provided by Deloitte Auditing and Consulting Limited (Deloitte Ltd.), Deloitte Advisory and Management Consulting Private Limited Company (Deloitte Co. Ltd.) and Deloitte CRS Limited (Deloitte CRS Ltd.), (jointly referred to as “Deloitte Hungary”) which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Hungary is one of the leading professional services organizations in the country providing services in four professional areas - audit, tax, consulting and financial advisory services - through approximately 400 national and specialized expatriate professionals. (Legal services to clients are provided by cooperating law firm Deloitte Legal Szarvas, Erdős and Partners Law Firm.)

DTTL’s leadership bodies

The DTTL Board of Directors is the highest governing body of DTTL. DTTL’s highest management body is the DTTL Executive, which is led by the DTTL Chief Executive Officer

The Executive

The Executive comprises DTTL's most senior leaders. It is responsible for establishing DTTL's vision and strategy. Its members include senior DTTL and member firm leaders from various regions around the world. The group works in a collegial style and reaches decisions through consensus.

DTTL Chief Executive Officer Barry Salzberg leads and manages the DTTL Executive. He sets the strategic course of DTTL and has executive authority for the management of DTTL. Salzberg began his four-year term of office at the start of DTTL's 2012 fiscal year on 1 June 2011. His appointment was ratified by the partners of DTTL's member firms. Salzberg chooses the members of the Executive subject to approval by the Governance Committee of the DTTL Board of Directors.

The Board of Directors and the Governance Committee

The Board of Directors is DTTL's highest governing body. The Board addresses DTTL's most important governance issues, such as global strategies, major transactions, and the election of the CEO. Among the Board's committees is a standing Governance Committee, which exercises oversight of DTTL's management.

Steve Almond is the current Chairman of the DTTL Board. Like Salzberg, he began his four-year term of office on 1 June 2011.

Board members are designated by individual member firms that are themselves selected based on size, the number of significant clients they serve, and other factors and approved by the member firms. The Board also includes regional seats, ensuring smaller member firms are represented. Members of the DTTL Board are senior member firm partners or principals and are usually on the executives or boards of their member firms.

Determinations regarding the allocation of DTTL Board seats are made every four years with an interim review after two years. Board composition is multicultural with proportionate representation of member firms.

In FY2013 there were three women board members. Gender is considered by member firms as they elect individuals to these positions. There is an increased female presence in the boardroom in FY2014, FY2015 with four women board members including recently elected CEO of U.S. member firm. Moreover, the CEOs of the Canada, France, UK, and U.S. member firms, who hold board seats, have exercised their rights, under DTTL's constitutional documents, to designate alternates, all of whom in FY2014 are women.

Members of the Governance Committee are drawn from the 12 member firms that are considered to have the greatest impact on the network based on a number of metrics including, but not restricted to, revenue. The Committee engages in open discussions of issues and matters within its purview and makes recommendations to the Board of Directors. Each committee member has one vote on matters considered by the committee, except for the CEO, who is ex-officio. To avoid conflicts of interest, no member of the Governance Committee may also serve on the Executive, except for the CEO.

The Board's other sub-committees are responsible for considering and recommending action on a wide range of issues falling within their remit.

The Board performs an annual self-assessment to gather feedback on its collective performance from individual Board members and to identify potential areas for operational improvements.

3. Management structure

The audit firm is managed by the managing directors, appointed by the members meeting.

The managing directors retain competence for the general strategy of the audit firm and for establishing its annual accounts and the overall management of the audit firm. The daily management of the audit firm is carried out by its managing directors.

The audit firm's managing directors:

- Gerard Lucey
- Alastair Teare
- Gábor Gion (member of the Hungarian Chamber of Auditors)
- Tamás Horváth (member of the Hungarian Chamber of Auditors)
- Kornél Bodor (member of the Hungarian Chamber of Auditors)
- Zsuzsanna Szépfalvi Nagyváradiné (member of the Hungarian Chamber of Auditors)
- Gábor Molnár (member of the Hungarian Chamber of Auditors)
- Péter Pádár (member of the Hungarian Chamber of Auditors)

The Company has no Board of Directors or Supervisory Board.

The audit firm's supreme body is the members Meeting that is convened at least once annually.



4. Internal quality control

The audit firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority and it is set out in the Deloitte Policies Manual (Audit). The firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. This manual includes policies and procedures addressing leadership responsibilities for the system of quality control within the audit firm, ethical requirements, client and engagement acceptance and continuance, human resources, engagement performance and monitoring.

This internal quality control system has two monitoring systems:

- the engagement quality control review and
- the annual quality assurance review.

Engagement quality control review

Statutory audit reports on the annual accounts or consolidated accounts relating to a public interest entity, among others, are subject to an engagement quality control review by a partner of the audit firm with sufficient and appropriate experience and professional qualifications, prior to issuance of the report. The engagement quality control reviewer is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team.

The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed, and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

For engagements that have been identified as having much greater than normal engagement risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special review partner is independent of the engagement. Normally this partner possesses specialized industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialized resources.

The audit report may only be issued if the reviewer is satisfied that the audit engagement team has made appropriate judgements and conclusions, and has complied with Hungarian National Standards on Auditing, or International Standards on Auditing and other relevant rules and regulations.

Annual Quality Assurance Review

In accordance with DTTL policies, the audit practice of the Firm is subject to a quality assurance review, or "practice review" as it is commonly referred to, at intervals not to exceed three years. Compliance with this policy is achieved by an annual practice review covering the audit practice over a three-year cycle.

The annual practice review program is designed to cover a number of practice offices each year. Every practice office is subject to a practice review at intervals not to exceed three years. Normally, the performance of every audit partner is assessed during the three-year cycle, and at least one engagement for each partner is selected to achieve this goal. Consideration is also given to assessing the performance of managers, particularly those managers who are candidate for partner nomination.

The Audit Firm is responsible for the practice review. DTTL provides guidance and oversight regarding

the practice review plan and procedures. The general coordination and administration of the practice review program is the responsibility of the Audit Firm's practice review director, in conjunction with the regional practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "concurring partner") every year. The concurring partner who is assigned this responsibility works closely with the Firm's practice review director and the regional practice review director in overseeing the planning and performance of the practice review.

Types of Engagements Reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements. Some sensitive and complex engagements (e.g., first-year engagements, situations where there is a change in control, or deteriorating financial condition) are also selected. All major industries served by the Firm or practice office are considered.

Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice offices within our Firm. The assignment of reviewers is based on skill level, industry knowledge, and experience on transnational engagements.

The reviews of individual engagements consist of discussions with the partner and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements,
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Firm's policy manuals,
- Monitor compliance with applicable local laws, and
- Assess the overall quality of service provided to clients.

The overall risk management and quality control policies and procedures of practice offices within our Firm are also reviewed, including the following:

- Risk management program, including engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development
- Public filings in other countries
- Information technology specialist reviews
- Assignment of professional staff to audit engagements
- Consultation with Firm experts
- Consultation with outside experts
- Engagement quality control reviews

The findings and recommendations resulting from the practice reviews are presented in a practice review report and management letter to the Audit Firm's leadership. The purpose of the management letter is to provide suggestions for improvement in response to findings noted. The Audit Firm addresses findings in the practice review management letter by drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations contained in the practice review management letter, where applicable.

In addition, the Audit Firm communicates to the relevant partner and other appropriate personnel deficiencies (if any) noted as a result of the practice review and recommendations for appropriate remedial action. The Firm also communicates on an annual basis the results of the practice review and ongoing consideration and evaluation of its system of quality control to its partners and other appropriate individuals within the Audit Firm.

Managing Directors' statement on the effectiveness of functioning of quality system

The managing directors of the audit firm are satisfied that the internal control system, as described above, is effective in providing reasonable assurance that the audit firm and its personnel comply with applicable professional standards and regulatory and legal requirements and that audit reports issued are appropriate in the circumstances.

5. The last independent quality assurance review

The last Annual Quality Assurance Review (“Practice Review”) was performed in 2013 and resulted “compliant” rating.

In 2012 the Public Oversight of Auditors performed a quality assurance review over the internal quality control system of Deloitte Ltd., and it received a “compliant” rating.

All registered statutory auditors that have been subject to a quality assurance review by the Hungarian Chamber of Auditors and/or by the Public Oversight of Auditors in their capacity as auditors received a “compliant” rating in 2014 and previous years.



6. Clients

Public-interest entities means:

a) those entities whose transferable securities are admitted to trading on a regulated market of any Member State of the European Economic Area;

b) any other entities other than those referred to in Paragraph a), designated by law as public-interest entities, which are of significant public relevance.

Public-interest insurance company means any insurance company that operates in the form of a public limited company, and any insurance company whose annual gross premium revenue for the preceding financial year reached 1 billion and 500 million forints.

Public-interest credit institution means any credit institution that operates in the form of a public limited company, and any credit institution whose balance sheet total for the preceding financial year reached five hundred billion forints.

Public-interest investment company means any investment company that operates in the form of a public limited company, and any investment company whose balance sheet total for the preceding financial year reached five hundred billion forints.

The audit firm has carried out statutory audits for the following public-interest entities during the 2014 financial year:

Companies:

- ANY Nyrt .
- FHB Nyrt
- FHB Bank Zrt
- MetLife Zrt.
- MKB Zrt.
- Magyar Takarekszovetkezeti Bank Zrt
- OTP Bank Nyrt.
- OTP Jelzálogbank Zrt
- RÁBA Nyrt.
- UniCredit Bank Zrt
- UniCredit Jelzálogbank Zrt.

Investment Fund Management Companies managing Listed Investment Funds:

- Concorde Alapkezelő Zrt.
- MKB Alapkezelő Zrt.
- OTP Alapkezelő Zrt.
- OTP Ingatlan Befektetési Alapkezelő Zrt.

7. Statement concerning the Company's independence practices

The Company itself maintain written independence policies and procedures, which include the performing of certain independence compliance checks on an annual basis.

- Each professional should sign an individual independence confirmation each year. It is performed as of 31 May. In addition, similar independence confirmations are obtained from new employees and employees leaving the Company.
- All managerial personnel and above should enter their financial interests to Global Independence Monitoring System. Each person's portfolio is checked against an electronic list of audit clients to check whether this ownership is allowed under the relevant independence rules;
- All professionals should complete an e-learning on independence rules and;
- Client and engagement acceptance processes are used to verify that independence is not impaired.

In addition to the continuous monitoring of compliance with independence policies, independence inspection and testing procedures are performed annually on a sample of professionals and senior officers.

For 2014, an internal confirmation of independence compliance by employees of the Deloitte Ltd. was performed as of 31 May 2014 and an internal Independence compliance Testing and Inspection for selected employees was finalized by 30 November 2014.

8. Continuing education of registered statutory auditors

All registered auditors in the Company maintain their continuous professional qualification through a mixture of internal courses as well as educational courses organized by the Chamber of Hungarian Auditors.

Continuing education

Continuing education is a key policy of the Company, as this is an important means of developing knowledge and maintaining and improving the quality of our services. The Deloitte Learning intranet provides a starting point, including technical training (GAAP, GAAS, professional rules, tax, IT), management and interpersonal skills, business economics and industry-specific courses.

The continuing education program is comprised of both Deloitte-organised training sessions as well as external training, among others by the Institute of Auditors. Certain courses are mandatory and others are optional, such that each auditor or trainee auditor can personalise their learning programme.

During the first years, most training is comprised of mandatory courses on technical topics including Deloitte methodologies and processes but afterwards the optional part increases given that individual needs become more diverse. An individual learning programme is required as from senior 2 level (approximately four years' experience).

More experienced auditors are expected to update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group. There is also the possibility to follow longer term education, such as MBA programmes. There is also a system of accreditation for SEC registrants whereby a training course needs to be completed before an auditor may perform certain tasks.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential within the Company.

All registered statutory auditors comply with the mandatory further education requirements prescribed by the Chamber of Hungarian Auditors.

9. Financial information representing the significance of the audit firm

The breakdown of the audit firm's 2014 unaudited net sales:

	<i>thHUF</i>
Statutory audit	2 923 265
Other assurance services	372 104
Other	884 300
Total:	4 179 669

Deloitte Ltd. provides no tax advisory services.



10. Basis for the remuneration of registered statutory auditors

The remuneration of each partner in the audit firm comprises two elements – role compensation and performance compensation – both of which are related to the contributions made in their respective roles. Their role compensation is dependent on the scope and impact of their responsibilities. Their performance compensation is related to the achievement of goals set each year.

Partners are evaluated once annually and their role and performance compensation is adjusted upwards or downwards on the basis of their past and planned contributions.

The remuneration of registered statutory auditors that are not partners, but employed by Deloitte Ltd. is based on an annual performance evaluation process, which take into account among others the following factors: professional, methodological skills, experience, integrity, professionalism, leadership and management skills.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.hu/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, financial advisory, enterprise risk and legal services (legal services to clients are provided by cooperating law firm Deloitte Legal Szarvas, Erdős and Partners Law Firm) to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

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