UniCredit Bank

Annual Report 2006

Contents

Financial highlights

Overview UniCredit Group Hungary – IFRS Consolidated, HUF million	2006	2005
Profit figures		
Operating profit (HUF million)	25 140	22 502
Profit before tax (HUF million)	24 398	24 050
Profit after tax (HUF million)	**19 110**	**19 443**
Indicators		
Return on equity after taxes (ROE)	16,02%	17,87%
Return on assets after taxes (ROA)	1,57%	1,96%
Cost-income ratio (as percentage of operating income)	48,13%	47,57%
Net fee income (as percentage of operating income)	32,82%	30,37%
Balance sheet figures		
Balance sheet total (HUF million)	**1 334 675**	**1 035 129**
Loans to customers (HUF million)	793 207	683 304
Deposits from customers (HUF million)	751 079	559 087
Shareholder's equity (HUF million)	127 859	118 910
Indicators prescribed by HFSA (PSZÁF)		
Regulatory capital *	123 923	119 318
Adjusted regulatory capital *	87 937	89 600
Adjusted balance-sheet total	923 123	829 958
Capital adequacy ratio	9,70%	10,80%
Adjusted regulatory capital index	13,42%	14,38%
Headcount	**1 520**	**1 366**
Number of units in network	76	54
Number of branches	74	52

* The regulatory capital contains the retained profit for the year.

Highlights of 2006

- Market share increased from 5.5 to 6.3 percent in 2006.
- Total assets grew by 29 percent.
- The Bank maintained its more than 8 percent share on the corporate loans market, likewise the more than 10 percent share on the deposit market.
- Record growth was achieved in 2006 in terms of the number of retail customers, which rose by 63 percent.
- 23 new branches were opened, bringing the total number of branches welcoming customers nationwide to 74.

Management report on the 2006 business year

- Banking activities on 20 major markets
- More than 35 million clients
- More than 7,000 branches
- More than 134,000 staff
- Global player in asset management
- Market leader in Central and Eastern Europe
- Fourth largest banking group in the euro area and sixth largest in Europe in terms of market capitalisation

UniCredito Italiano S.p.A. and the HypoVereinsbank AG - Bank Austria Creditanstalt AG Group merged in 2005, which led to HVB Bank Hungary Zrt. assuming the name of UniCredit Bank Hungary Zrt. from 1 February 2007.

Thanks to the expansive business strategy pursued by the shareholders, UniCredit Bank Hungary Zrt. achieved outstanding results in the course of 2006, similar to previous years. Total assets in the audited, consolidated annual financial statements compiled in accordance with the International Financial Reporting Standards (IFRS) rose dynamically by 28.9 percent, up from HUF 1,035,129 million in 2005 to HUF 1,334,675 million. This pace of growth is almost one and a half times the average expansion rate posted by the Hungarian banking system. The consolidated profit before tax was roughly the same as in the previous year, while the profit after tax reached HUF 19,110 million, which is slightly below the record level of HUF 19,443 million posted in 2005.

For the Hungarian bank, 2006 was a year of adjusting to the culture of the UniCredit international financial group, the change in chief executive officer and organisational restructuring.

UniCredit Group is one of the major players in the European financial system. Based on market capitalisation it is the fourth largest bank in the euro area and the sixth largest in Europe. It commands a significant market share in Italy, Germany and Austria, while it has the most expansive subsidiary network in Central and Eastern Europe, with 65,000 staff in 3,000 branches serving 24 million clients throughout 17 countries.

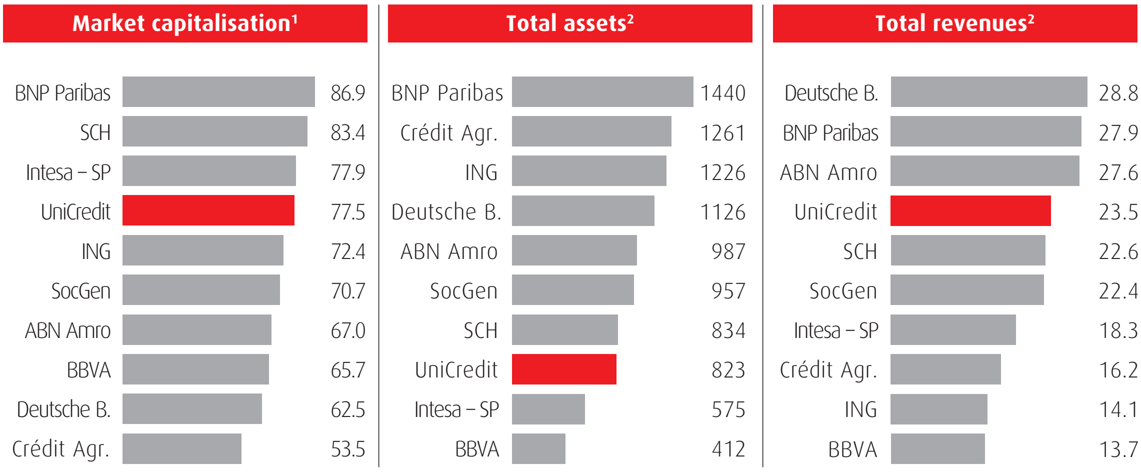
UniCredit Group is a global player in asset management, with its investment funds marketed under the name of Pioneer Funds. This means Hungarian clients have access to the international investment markets as well.

The position of the Group within the European Union has provided an unique opportunity for integration on the banking and financial markets as well as making efficient use of synergies in banking operations.

Economic and financial environment

2006 was a very challenging year both for Hungarian society and the economy. Expectations regarding the parliamentary elections in the spring as well as the budget austerity and stability package that followed directly after fuelled wide-scale uncertainty among economic players and prompted investors of FDI and portfolio capital to play a waiting game. The deterioration in the business climate was only intensified by the series of interest hikes in the leading currencies around the world in the spring, which diverted international investment from the emerging markets into the major currencies.

Presence in the euro area



Source: individual companies' financial statements, Euronext website
[1] Figures in EUR bn as at 15 May 2007; [2] Figures in EUR bn as at 31. December 2006

The approval at the beginning of October 2006 of the Convergence Programme submitted to the EU Commission in Brussels reassured the Hungarian currency market, international investors returned and the forint exchange rate first strengthened and then stabilised.

The pace of growth in the Hungarian economy slowed as a result of the unstable business expectations and the austerity measures formulated in the budget stability programme, while investments also stalled and household consumption was subdued. The main driving force behind the 3.9 percent real annual increase in GDP was the extraordinarily dynamic export activity, which rose by 15.9 percent, fuelled by the 10.3 percent growth in industrial output. The decline in imports (annual average growth of 12.3 percent) linked to investments and internal consumption resulted in a gradual narrowing of the export-import gap in the balance of trade, which suggests that the balance of payments will slowly improve. The expansion in household consumption was rather modest, totalling 1.5 percent, despite the fact that the growth in household consumer loans has broken all previous records. The pace of investments in the national economy fell short of 1 percent in real terms, including a fall of 5.2 percent in public investments. The postponement of investments in the corporate sector swelled the volume of corporate bank deposits, and by the end of the year the corporate sector had become a net saver.

The consolidated Hungarian general government deficit calculated under European Union standards (ESA95) surged to 9.2 percent of GDP in 2006. This is partly attributable to overspending in connection with the parliamentary elections, and partly due to one-off items included in the budget (motorway construction, private pension fund payments, debt settlements of state-owned companies, etc.).

The growing deficit of the budget, which has been struggling against unresolved structural imbalances for years, peaked in 2006, rendering stability measures imperative directly after the elections in order to avoid the country slipping into a serious financial crisis. The set of draconian measures announced after the parliamentary elections were designed first to restrain the annual deficit and then reduce it gradually until 2009, as determined in the Convergence Programme, promising to bring long-term stability to public finances by means of these radical reform measures. The budget deficit target of 3 percent as well as the inflation goal for 2009 have been set with a view to fulfilling the Maastricht criteria, meaning that the euro could realistically be introduced in Hungary sometime between 2011 and 2014. The stability and budget reform package launched in the summer of 2006 comprises a restructuring of the tax system as well as the health care, pension and education systems, a reduction in state subsidies, running state-owned companies under market norms and a modernisation of the public administration system. The immediate measures endeavoured to control the 2006 deficit by raising regulated prices and increasing various taxes on private and corporate income. These measures hit both households and the corporate sector very hard, and are leaving their mark on economic developments in 2007 as well. The higher inflation is sapping the strength of real incomes and subduing real household consumption – and therefore domestic demand and investments too. The introduction of the tax on interest and capital gains in the summer of 2006 prompted a major reorganisation in the portfolios of household savings, principally in favour of investment funds and insurance products.

Growth in the banking sector is likely to slow during 2007, before Hungary rejoins the dynamic development of the region after stability has been achieved. The growth potential of the Hungarian economy will remain significant after the year of adjustments, and this will be fuelled by foreign direct investment and EU-funded developments in the future.

The stability programme brought the falling trend in consumer inflation to an end, and the energy price hikes which took effect in August were the trigger for surging inflation from September. The 2006 consumer price index averaged out at 3.9 percent, which is more than one and a half percent higher than previous forecasts.

The continued and significant increase in inflation in the first quarter of 2007 was a key development, up from 6.5 percent posted in December, and 2007 average inflation is estimated at 7 percent. The strong inflation meant that interest hikes from the central bank were unavoidable. The 6 percent rate of base interest rose to 8 percent by the end of the year, and assuming that the one-off impacts pushing prices up prove to be temporary and there is no price-wage spiral triggered by wages, then after inflation peaks around the middle of the summer in 2007 the banking sector can expect measured interest cuts.

Market expectations surrounding the outcome of the parliamentary elections spared the budget deficit and the forint exchange rate until June 2006, but the latter was powerless against the global fluctuations in exchange rates caused by the series of interest hikes in leading currencies around the world – US dollar, the euro and the Swiss franc. The currency market reacted to the budget deficit figures announced by the new government after it took office by withdrawing capital en masse and the forint – for the first time in the five years since it became fully convertible – weakened to the middle of its intervention band, to 282 HUF/EUR. Foreign direct investment only returned to the country's government bond market at the beginning of October, after the EU Commission in Brussels approved Hungary's Convergence Programme. The forint ended the year at 252.38 HUF/EUR, around the closing rate recorded in 2005.

Growth in the Hungarian banking system was unbroken in 2006 as well: total assets of the sector increased by 18.7 percent, while profit before tax was up by 14 percent. However, without the recording of an extraordinary profit item the latter would have been 6-7 percent. At any rate, profitability at most of the leading banks remained high, while all pressed forward with accelerated branch network development plans. One of the main sources of this continued profitability was the restructuring in placements from low-interest-margin corporate lending to household loans providing wider interest margin. And this was despite the fact that new household loans in 2006 were largely denominated in foreign currencies – particularly the Swiss franc.

Fee incomes expanded at roughly the same rate as net interest income. However, trading became increasingly risky on the highly volatile money markets, and the need to allocate reserves rose in relation to securities portfolios as well as corporate and household loan portfolios. In addition to the investment and wage cost demands of developing the branch networks, marketing costs were also substantial amidst the sharp market competition. Consequently, the overall 10 percent increase in operating income was insufficient to compensate for the 12 percent rise in operating expenditure, and therefore, in line with general expectations, the profitability of the banking system dropped considerably from the record levels posted in the previous year.

The Budapest stock exchange index, the BUX, closed the year 2006 with growth of 19.53 percent. Global and local market events triggered wild price swings in the middle of the year, but the market quietened down by the end of the year and with the benign international investment climate foreign investors again began to show great interest in the Hungarian stock exchange.

Performance and results of UniCredit Bank Hungary Zrt. in 2006

In the 2006 fiscal year the consolidated balance sheet total of UniCredit Bank Hungary in accordance with IFRS rose 28.9 percent to HUF 1,334,675 million, and therefore the Bank's share of the market increased from 5.5 percent to 6.3 percent.

The main driving force behind this growth is lending, with loans extended to private individuals growing particularly rapidly, funded by the ample resources provided by the growth in corporate and household deposits: loans extended to clients rose by 16.1 percent during the year, while deposits placed by clients exceeded the previous year's figure by 34.3 percent. Looking more closely at lending, the volume of loans granted to private individuals increased by 73.2 percent, while thanks to the attractive product-construction the volume of long-term deposits swelled within total deposits. This latter factor is all the more remarkable in light of the sharp competition evident on the banking market for clients, where results could only be achieved by means of sophisticated and innovative product development as well as higher quality services supplementing these products. Over and above the commercial banking market, there are many other financial service providers, such as leasing companies, factoring firms and insurance companies, offering competitive products to corporate and private clients which constitute an ever greater challenge to traditional banking products. Since Hungary joined the European Union in the spring of 2004 there has been an increasing number of foreign financial enterprises and banks entering the local market, even though their presence has yet to bring about a significant change in the existing market structure.

Under the framework of the Strategic Expansion Programme launched by the shareholders, UniCredit Bank opened 23 new branches in Budapest and around the country in 2006, which have successfully been integrated into the structure of the Bank both in terms of material infrastructure as well as staff. The increase in the number of clients was also boosted by taking over the retail client portfolio of ING Bank, which brought roughly another 10,000 clients to the division. The number of retail customers rose by 63 percent during the year to 185,000. UniCredit Bank reacted swiftly to the tax changes announced at the beginning of the summer, and within a few weeks was able to increase its market share with successful fixed deposit and investment products. The intensive marketing drives helped to improve the reputation and awareness of the Bank on the Hungarian market. There was also major progress achieved in modernising sales channels: the construction of own and external partner networks quickened and the capacity of the Call Centre was expanded, as did the product range for Internet Banking and SMS systems.

Corporate lending is traditionally the strongest division of UniCredit Bank, and it implemented similar developments in response to the changing market conditions. Particular attention was paid to municipal clients, the main recipients of development funding from the European Union. There was also a shift in focus among corporate clients, where the emphasis was placed on developing and selling products that met the specific business requirements of small and medium-sized enterprises. For large corporate clients, the division continued to develop cross-border services, structured, project and real estate financing products as well as electronic banking programmes, building on the excellent properties of the banking group. In selling exchange-rate and interest hedging products the Treasury sales department has been working effectively with other members of the group, UniCredit Jelzálogbank Zrt., UniCredit Factoring Zrt. and UniCredit Leasing Zrt. providing complementary products and services to the customers.

The net income of UniCredit Bank rose by 14.2 percent during the year in comparison to the previous year. Operating costs rose at a more moderate rate of 14.9 percent alongside the opening of 23 new branches. Operating profit was also up HUF 2,638 million to HUF 25,140 million.

Profit before tax totalled HUF 24,398 million, which is 1.4 percent higher than in the previous year. However, profit after tax was HUF 19,110 million and fell just short of the 2005 figure due to the tax changes introduced from 1 September 2006.

Report on the Divisions

Corporate Division

The corporate division of UniCredit Bank provided its traditionally high standard of services to its expanding clientele in the 2006 business year. The division continuously developed its products and services in line with the requirements of its clients and the changing market conditions.

In addition to its customary high quality of traditional account management, lending and investment services, a major part of its product spectrum was constituted by innovative and tailored structured financing schemes, treasury products facilitating corporate risk management and services offered to local governments.

The corporate division successfully combined its 16 years of local market knowledge with the international background of UniCredit Group, the largest banking group in Central and Eastern Europe. Its European cross-border services were expanded further. Building on the unique opportunities of the banking group and its international experience, one of the major achievements here was the new cross-border service model and financial service packages offered to international companies and corporations with operations in at least two countries of the UniCredit bank network. The service package offered at the level of the banking group provides expert banking assistance in cross-border international finance issues. With these services the Corporate Division has been able to support its clients effectively in their foreign trade activities and payment relations, while by putting together the best financing structures it has helped partners in achieving their development goals.

The expansion of the branch network which is continuing in 2007 has enabled UniCredit Bank to move closer to its clients in a geographical sense as well. Further development has also been carried out on the user-friendly electronic client programmes (Spectra, Multicash), introducing a SpectraNet Internet banking service that is specifically aligned to the needs of companies and provides maximum security.

One of the key focal points in 2006 was local government clients. A Municipal Competence Centre was established in order to be able to provide these key clients with products and services that meet the specific features of their operations.

Some of the many new and updated products worthy of note include Hitelautomata Extra, the corporate credit card, and the development of complex financing schemes for state and EU funding.

In 2006 the considerable growth in business volumes continued in the corporate banking division. The Bank's corporate loan portfolio was successfully expanded, in particular with respect to foreign currency loans. The loan portfolio continues to be of excellent quality, reaching a total of HUF 513.8 billion by the end of the year (half of which is foreign currency loans). UniCredit Bank continues to play an active and effective intermediary role in state- and EU-funded aid schemes, offering pre-financing where required. With the help of agreements concluded with the Hungarian Development Bank and financial organisations of the European Union (EIB, EIF) the Bank is still able to offer loans under the best conditions to small and medium-sized enterprise clients. In addition to this, however, sticking to traditions it has also paid close attention to the structured, project and real estate financing requirements of large corporate clients.

The trade finance department supported the foreign trade relations and commodity turnover of clients operating on EU and other international markets by providing special services and innovative products. The main purpose here was to boost the exports of clients involved in such activities whilst continuously reducing their risks.

Corporate clients had a range of attractive investment and deposit products to choose from. Based on a one-stop shop customer service model, UniCredit Bank still provided security services directly to its corporate clients.

By the end of the year the volume of corporate deposits totalled HUF 364.4 billion (of which 45 percent was denominated in foreign currencies). This means that corporate client deposits on average covered 60 percent of the resources required to extend corporate loans.

One of the major challenges facing corporate clients in 2006 was managing exchange rate and interest risks, a task that was addressed by the modern treasury products of UniCredit Bank.

Approximately 80 percent of UniCredit Bank's international payment transactions and nearly 66 percent of local payment transactions were effected by corporate clients. More than 90 percent of the payment transactions were carried out electronically through the local and international electronic payment systems of the Bank.

The Corporate Division was able to increase its revenues despite the intensifying market competition. A large part of these revenues was constituted by sight deposits as well as fee income related to transaction services, including international payments. The cost efficiency and profitability indicators of the division are extremely good by international standards.

Real Estate Financing Division

Compared to 2005 the number of new residential projects began to decline in 2006. The presence of Irish and UK investors remained stable on the market, while the activity of Spanish investors intensified, on the other hand the Hungarian investors with low reserves who recently entered the market experienced a decline in their market share. Some of the large investors started new, large scale gigantic developments. The marketability of present residential projects differs strongly from one another.

Continuing the trend from the previous year, loan maturities rose further: the average term of two years in 2005 shifted towards three years in 2006.

The majority of the end-buyers on the residential real estate market are still Hungarians, but foreigners are also keen on purchasing residential units (primarily for investment purposes). To finance the purchasing of residential units the leasing has gained popularity among Hungarian end-buyers, however the focus has remained on „traditional" bank loan products, state subsidised financing constructionskeeping their key role.

Increasing development activity characterised the market of commercial real estate finance, while investors' activity also remained intensive: a major factor here has been the stable interest shown towards the local market by large real estate funds. The competition between investors for the best quality properties in Hungary resulted in a further decrease in yields, yet they are still higher than those commonly seen in Western European countries.

Top spot on the podium regarding the development of commercial real estate in 2006 went to the office buildings' market: there was a substantial increase in supply but this was absorbed by equally rising demand. The growth of the indutrial properties market slightly exceeded the increase of the rented areas, therefore the volume of vacant space grew in 2006. New developments on the retail properties market were dominated by simpler buildings (power centers, strip malls, etc.), and smaller buildings („mini hypermarkets"), often situated in the countryside.

In comparison to 2005 year-end the portfolio of the Real Estate Financing Division expanded by 9.9 percent, with total income exceeding the previous year's figure by 23 percent.

The share of residential real estate loans within the total property financing portfolio continued to rise in 2006, up from 17 percent in the 2005 year-end portfolio to 25 percent by the end of 2006, yet the dominance of commercial real estate loans still prevailed.

There was no major change in the loan portfolio during 2006 in terms of maturity: 99 percent of the real estate financing portfolio is made up of long-term loans, while short-term lending constitutes merely 1 percent.

One of the particular features of the Real Estate Financing Division is that a major portion of its revenues is realized through loans. 74 percent of the total revenue in 2006 was derived from lending activities, with the remainder being made up of other income of the division including the income realized on deposit.

Retail Customers and Small Enterprises Division

2006 was a particularly successful year for the retail customers and small enterprises division of UniCredit Bank, which managed to increase its market share significantly by outstripping its dynamic growth recorded in previous years. In addition to the outstanding organic growth, taking over the retail client portfolio of ING Bank Hungary as of 1 July 2006 further strengthened the Bank's position on the retail market.

The strategic shareholders of UniCredit Bank are committed to making the Hungarian bank one of the leaders on the market, similarly to other interests of the banking group in neighbouring countries. To this end, the speed of the branch expansion programme was accelerated in 2006, call centre services were developed, and the new branch model was applied providing a higher quality of service to clients in the branches.

Expanding and broadening sales network

Swift, competent service and a range of products that meets demands enable UniCredit Bank to provide a more comprehensive spectrum of services to its clients. Within the framework of its previously announced branch expansion programme, the Bank increased its number of branch offices by 23 in 2006, bringing the total number by the end of the year to 74. As a result of these developments, the Bank is now able to welcome clients in Szentendre, Cegléd, Jászberény and Gyöngyös, there are now two branches each in Szeged and Győr, while 17 branches were opened in Budapest. This extension of the branch network will continue at a similar rate in 2007.

In addition to its widening branch network UniCredit Bank is also focusing strongly on providing a more comprehensive service to clients outside of its bank branches. It has further developed the capacities of the Call Centre and expanded its Internet Banking and SMS systems with new services. The Bank's own nationwide mobile sales network launched in 2005 has gone from strength to strength and in 2006 played an increasingly important role in acquiring new clients. In addition to developing this sales network, close attention was paid to strengthening and expanding national and local partner networks. As a result of this, the Bank's own and the external partner networks are making an increasing contribution to the success of sales activity.

New products and advanced services for clients

In line with its business objectives, UniCredit Bank brought out many new products and new or revamped services for its clients in 2006. Last year, in connection with the change in interest tax level, the special offer of a two-year fixed deposit was extremely successful in the latter part of the summer. Investment funds with capital guarantees were really popular among clients targeting higher returns.

Close attention was paid to lending and especially mortgage lending in accordance with strategic objectives. One of the most successful loan products of the division was any-purpose mortgage loans, which were offered several times during the year in various special offers and proved to be particularly successful in the summer campaign. Revolving personal loans were a new product launched onto the market in 2006.

UniCredit Bank began offering 'Hitelautomata Extra' to its small enterprise clients, a particularly attractive overdraft facility that does not require material collateral, which was promoted with a successful advertising campaign. A new overdraft facility product was introduced for general practitioners, in addition to existing products. Another new loan product combined with Fundamenta Lakáskassza savings was rolled out for condominiums and housing associations, with the option of a state interest subsidy, and designed to finance the renovation of condominium buildings.

Electronic sales channels are also being developed and revamped on a continuous basis. More than 100,000 clients use the telephone banking service, while other electronic sales channels (Internet, Electronic Banking) are used by around 50,000. The revamped Internet Banking service (SpectraNET) offers a unique and wide range of functions for clients. The number of MasterCards and Visa cards issued by UniCredit Bank rose by 59 percent, up to 113,000 together with corporate cards. The number of the credit cards introduced by the bank in 2005 has also risen dynamically, and since last year these cards have also been available for small and medium-sized enterprise clients. Thus the number of credit cards issued by the end of 2006 exceeded 30,000. Looking more closely at credit cards, those issued in conjunction with Fundamenta proved to be particularly successful and popular. In the coming years UniCredit Bank is counting on continued dynamic growth in the volume of credit cards and the transactions they are used for.

Business achievements, results

UniCredit Bank's retail customers and small enterprises division successfully achieved its extremely dynamic objectives for 2006. The number of clients at the division rose strongly by 63 percent, reaching 185,000 by year-end. UniCredit Bank was successful in all three main areas of the local retail banking market. The expansion rate of its portfolio of household loans was far above the market average, whereby the 87 percent growth dominated by the demand for any-purpose mortgage loans resulted in a total volume of HUF 120 billion. The share of household savings kept in bank deposits rose slightly in 2006, yet at the same time there was substantial growth in savings invested in securities, principally those of investment funds. The change in the structure of household savings was due to the changes in interest tax introduced as of 1 September 2006. With good offers for deposit products UniCredit Bank was able to significantly increase its share in the evolving deposit market, yet the securities portfolio of its clients also rose, which is thanks to the popular investment funds of the Bank and other institutions. In 2006 the joint portfolio of fixed deposits placed by retail customers and small enterprises at UniCredit Bank as well as sight deposits on current accounts rose by 45 percent reaching HUF 288 billion by the end of the year, far outstripping market growth. The securities portfolios of clients at the division swelled by 36 percent during the year, reaching a total of HUF 189 billion at the end of 2006, two thirds of which comprised investment funds.

International Markets Division

UniCredit Bank's International Markets Division closed 2006 with outstanding results in all segments, thus strengthening its already strong position among Hungarian capital market institutions.

The political and economic events caused hectic movements in the individual market sectors. This volatility coupled with the active interbank foreign currency trading activity paved the way for stabilising the high market share from previous years – alongside the substantial increase in market volumes – whilst also achieving record revenues.

There was dynamic development on the securities market (money market, government securities market and in bond and share trading). There was a perceptible increase in the competition for institutional clients in 2006; their interest rose and the additional turnover they generated impacted positively on results.

The sales market volatility (in terms of both exchange rates and interest) reminded the corporate sector of the need to conclude hedging transactions. Thanks to the new hedging products and services as well as the proactive client acquisition activity (regional sales network, numerous workshops and road-shows), Treasury Sales managed to close an extremely successful year despite the increasing competition: the number of corporate clients was raised by 25 percent, with income rising almost 40 percent.

In 2006 the most important task for Asset-Liability Management (ALM) was ensuring the long-term liquidity of UniCredit Bank, which was achieved whilst continuously improving cost levels. The large-scale volatility in medium- and long-term forint yields enabled ALM through informed investment decisions to contribute to the stable, long-term interest income of the Bank. In accordance with the strategy of the banking group, the standardisation of ALM activity has begun with the integration of UniCredit Mortgage Bank Treasury.

The equities section of the Budapest Stock Exchange made excellent progress. The BUX index closed the year at 24,844.32 points, which corresponds to growth of 19.5 percent on 2005. Turnover rose on the equities market, but the pace of growth was far lower than in the previous year. The index reached its historical high in May 2006 at 25,415.64 points, but the Budapest exchange was hit hard by the global capital exodus that affected the stock markets. In just one month the index lost twenty-five percent of its value, bottoming out at 18,461.79 points in the middle of June. UniCredit Bank's equities department handled the fourth largest turnover volume in the section, working principally for foreign institutional investors. UniCredit's equity market turnover in 2006 exceeded the market average by far, growing by almost 50 percent.

Similarly to previous years, the Custody division of UniCredit Bank can also look back on successful 12 months. Contrary to expectations the interest tax introduced during the year did not restrain turnover on the Budapest Stock Exchange. Local investors quickly recognised that it was not worthwhile taking their savings abroad to avoid the interest and capital gains tax introduced from September, because such taxes are applied in almost all countries. With a relatively low risk, closed-end capital guarantee investment funds offered a far higher return than deposits, while open-end investment funds offered good long-term savings alternatives. Interest tax only had to be paid on the yield generated by investment units purchased after September 1st, while those purchased prior to that date remain tax-free until they are redeemed. Consequently, the number of individual funds as well as the level of assets managed by the funds rose, which played an instrumental role in the increase of the value of assets under custody for institutional clients of the Bank from HUF 3,898 billion to HUF 4,120 billion in just one year. The Bank could clearly maintain its leading position on the market in this division.

Human Resources

The main task in 2006 was supporting the implementation of the Expansion Strategy as well as promoting integration processes within UniCredit.

UniCredit Group believes that committed, open and pro-active co-operation between its staff is a key factor in ensuring successful business in the long run. A significant part of this approach is assessing employee satisfaction, the results of which determine the paths of development for future operations.

An important element of the Company's strategy is still to recruit appropriately qualified staff and retain them in the long run. Attention was paid not only to selecting experienced personnel, but in line with the market (regulatory) environment a trainee programme was also launched for new graduates, which within the framework of a special internal training programme offers young career starters the chance to delve into the banking profession and the local culture.

UniCredit Bank introduced an Integrated Grading and Career Planning system to make the framework of possible career paths within the Bank more transparent. The system defines not only vertical but also horizontal career paths between different positions. This so-called career map helps staff in planning their long-term future within the Bank, whilst it also assists management in their plans for replacing and reinforcing staff.

In addition to external resources, supporting the internal mobility of staff members plays a key role in ensuring employment requirements are met within the Bank, and therefore internal opportunities are explored first when positions are either created or become vacant, and only then does any external search begin. In 2006 UniCredit Bank posted 173 job openings internally, giving staff additional chances to progress and develop.

With a view to creating a uniform management culture and approach, UniCredit Bank launched a Management Training programme in the previous year, which continued this year. Based on the previously formulated management principles the programme prepares both existing and newly appointed managers for their leadership tasks.

The training of staff and keeping their knowledge up to date remains an important strategic tool in achieving business success. In the course of 2006, a total of 7,473 people took part in various training courses over 1,538 training days to enhance the efficiency and standard of work.

Jelzálogbank (Mortgage Bank)

At the end of 2005 the HVB Group – and thus Jelzálogbank – became part of the UniCredit family, and at the beginning of 2007 Jelzálogbank assumed the UniCredit name as well.

Jelzálogbank works closely with UniCredit Bank Hungary Zrt., especially with the Bank's division that specialises in real estate financing. Thanks to this, all of the commercial banking services of UniCredit Bank are available to the clients of the Jelzálogbank as well.

Jelzálogbank is principally engaged in long-term lending, where the primary security for transactions is a first-ranking mortgage registered on the financed property located in Hungary, or an independent mortgage right.

The growth in mortgage lending in Hungary between 2000 and 2005 was remarkable, even by international standards. Over the last five years, the highest rate of expansion by far in housing loans was recorded in 2003. From the second half of 2004 the changes to the conditions of loan subsidies slowed this growth, while the decline in housing loans extended in forints was accompanied by an increase in foreign currency lending, a trend that still prevails today.

Based on a strategy newly devised in 2006 Jelzálogbank intends expanding its product range with several new products.

Jelzálogbank conducted the following business activities in 2006:

- commercial real estate financing (office buildings, hotels, shopping centres, etc.),
- private real estate financing,
- land development loans,
- independent mortgage right purchase agreements with commercial banks (refinancing),
- mortgage bond issues.

The commercial real estate financing department in Jelzálogbank provides loans for business properties in close collaboration with the real estate financing division at UniCredit Bank, during which Jelzálogbank offers finance to its corporate clients to realise their property investments. The aim of the loan can be retaining ownership of property, construction for sale or development, furthermore property investments for business or renting purposes.

The loan portfolio of the commercial real estate financing division fell moderately in 2006. This division accounted for 14.9 percent of Jelzálogbank's entire loan portfolio as of 31 December 2006.

Jelzálogbank offers housing finance to private individuals who wish to buy new apartments or houses built for sale by construction companies which have entered into a co-operation agreement with Jelzálogbank. 90 percent of the Jelzálogbank's retail loans are still extended in Hungarian forints.

In terms of the growth rate of the loan portfolio, the division engaged in financing the real estate purchases of private individuals proved to be the most successful in 2006. This division produced growth of 31.3 percent in its loan portfolio in the twelve months of 2006, constituting 20.3 percent of the total mortgage bank lending portfolio. Under its new strategy Jelzálogbank wants to maintain its above-market-average growth in this special segment, but under the slogan of the „bank of new housing" it genuinely wants to provide an extensive range of products under good conditions to buyers of new houses and flats.

Jelzálogbank extends land development loans to agricultural producers (farmers, private entrepreneurs, young farmers) who would like to draw long-term loans to buy arable land. These land development loans can be used with subsidised interest provided the arable land to be purchased is accepted as security. This product is offered to potential clients by Jelzálogbank through the branch network of UniCredit Bank.

Within the framework of independent mortgage right purchase agreements with commercial banks Jelzálogbank offers its business partners refinancing in forints and foreign currency (euro) for housing and business property financing.

Traditionally, the most successful area of Jelzálogbank is the division that refinances the housing loans of partner banks. The loan portfolio of the refinancing division dropped slightly in 2006 in comparison to the previous year, but it still accounts for almost two thirds of the bank's entire lending portfolio (64.8 percent). The reason for the decline is that in many cases the retail customers of partner banks have switched from loans previously denominated in forints to foreign currency loans, which resulted in a substantial sum of early repayments at Jelzálogbank.

The funds for the four core areas of Jelzálogbank that achieve dynamic growth are predominantly sourced through the issue of mortgage bonds.

Mortgage bonds are issued within the framework of a so-called „Mortgage Bond Programme" during which Jelzálogbank raises funds from the capital market in order to provide its clients with stable, long-term housing loans at low interest rates as well as enabling its clients to fully exploit the interest subsidies provided by the state.

Jelzálogbank generally issues mortgage bonds every month, which can take on several forms. In case of a private placement mortgage bonds are sold to a specific groups of investors. Public placements of Jelzálogbank generally take place within the framework of an issue programme, during which the basic conditions of the mortgage bond issue are recorded in an issue prospectus. In the autumn of 2006 Jelzálogbank launched a Mortgage Bond Issue Programme worth HUF 50 billion.

As of 31 December 2006 the aggregate nominal value of mortgage bonds issued by Jelzálogbank denominated both in forints and foreign currency and not yet repaid totalled HUF 70.85 billion.

The total assets of Jelzálogbank as of 31 December 2006 exceeded HUF 100 billion (HUF 102.7 billion).

The pre-tax profit in accordance with IFRS totalled HUF 2,364 million as of 31 December 2006, with a profit after tax of HUF 1,814 million.

The average headcount of the Jelzálogbank in the 2006 financial year was 36.

Financial Report

Independent Auditor's Report

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AUDITOR'S REPORT ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholder of UniCredit Bank Hungary Zrt.

We have audited the consolidated financial statements of UniCredit Bank Hungary Zrt. ("the Bank"), for the year ended 31 December 2006, from which the attached summarised consolidated financial statements set out on pages 23 to 46 were derived, in accordance with International Standards on Auditing. In our report dated 29 March 2007, we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

Without qualifying our opinion on the summarised consolidated financial statements, we draw attention to the fact that we have not audited the Euro amounts in the accompanying summarised consolidated financial statements, which are presented solely for the convenience of users.

For a better understanding of the Bank's financial position and the results of its operations for the year and the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report thereon.

29 March 2007

KPMG Hungária Kft.

John Varsanyi
Partner

Consolidated balance sheet

Consolidated balance sheet as at 31 December 2006	Note	2006 HUF million	2006 EUR million	2005 HUF million	2005 EUR million
Assets					
Cash, nostros and placements with the Central Bank	9	69 551	264.2	77 922	312.4
Financial assets at fair value through profit or loss	12	38 884	147.7	27 118	108.7
Placements with, and loans and advances to other banks	10	196 395	746.0	89 975	360.8
Loans and advances to customers	11	793 207	3 013.2	683 304	2 739.9
Interest receivable and other accruals		13 952	53.0	8 586	34.4
Deferred tax assets		38	0.1	79	0.3
Other assets		1 266	4.8	2 376	9.6
Available for sale financial assets	13	154 095	585.4	43 925	176.1
Held to maturity investments	14	31 562	119.9	67 708	271.5
Equity investments	15	3 589	13.6	3 109	12.5
Property, plant and equipment	16	27 795	105.6	26 282	105.4
Intangible assets	17	4 341	16.5	4 745	19.0
Total assets		**1 334 675**	**5 070.0**	**1 035 129**	**4 150.6**
Liabilities					
Financial liabilities at fair value through profit or loss	12	19 954	75.8	6 866	27.5
Deposits and loans from other banks	18	330 097	1 253.9	246 929	990.1
Deposits from customers	19	751 079	2 853.1	559 087	2 241.8
Issued mortgage bonds	20	51 898	197.1	57 433	230.3
Subordinated loans	21	17 212	65.4	17 241	69.1
Other provisions		3 764	14.3	1 675	6.7
Interest payable and other accruals		13 966	53.1	8 797	35.3
Deferred tax liabilities		167	0.6	141	0.6
Other liabilities	22	18 679	71.0	18 050	72.4
Total liabilities		**1 206 816**	**4 584.3**	**916 219**	**3 673.8**
Shareholder's Funds					
Share capital	23	24 118	91.6	24 118	96.7
Capital reserve		3 900	14.8	3 900	15.6
General reserve		11 510	43.7	9 750	39.1
General risk reserve		11 517	43.8	10 270	41.2
Valution reserves		580	2.2	741	3.0
Retained earnings		76 234	289.6	70 131	281.2
Total Shareholder's Funds		**127 859**	**485.7**	**118 910**	**476.8**
Total Liabilities and Shareholder's Funds		**1 334 675**	**5 070.0**	**1 035 129**	**4 150.6**

The accompanying notes (1-27) form an integral part of these consolidated financial statements.
HUF/EUR exchange rate: 249.394 (31.12.2005); 263.247 (31.12.2006).

Consolidated income statement

Consolidated income statement for the year ended 31 December 2006	Note	2006 HUF million	2006 EUR million	2005 HUF million	2005 EUR million
Interest and similar income	5	73 134	277.8	60 166	241.2
Interest expense and similar charges	5	(39 258)	(149.1)	(32 360)	(129.8)
Dividend income	5	796	3.0	921	3.7
Net interest income		**34 672**	**131.7**	**28 727**	**115.2**
Impairment and losses on credit products	25	(3 597)	(13.7)	(2 921)	(11.7)
Net interest income after risk provisions		**31 075**	**118.0**	**25 806**	**103.5**
Fee and commission income		24 745	94.0	19 700	79.0
Fee and commission expense		(6 468)	(24.6)	(4 894)	(19.6)
Net fee and commission income		**18 277**	**69.4**	**14 806**	**59.4**
Net trading income	6	2 745	10.4	5 224	20.9
General administrative expenses	7	(26 663)	(101.2)	(23 196)	(93.0)
Net other operating income / (expenses)	8	(294)	(1.1)	(138)	(0.6)
Operating profit		**25 140**	**95.5**	**22 502**	**90.2**
Capital gains / (losses)		(742)	(2.8)	1 548	6.2
Profit before tax		**24 398**	**92.7**	**24 050**	**96.4**
Income tax expense	24	(5 288)	(20.1)	(4 607)	(18.5)
Net profit for the year		**19 110**	**72.6**	**19 443**	**78.0**

The accompanying notes (1-27) form an integral part of these consolidated financial statements.
HUF/EUR exchange rate: 249.394 (31.12.2005); 263.247 (31.12.2006).

Consolidated statement of changes in Shareholder's equity

Consolidated statement of changes in Shareholder's equity as at 31 December 2006 HUF million	Ordinary Shares	Capital Reserve	Retained Earnings	General Reserve	General Risk Reserve	Valuation reserves	Total
Balance 1 January 2005	**24 118**	**3 900**	**53 915**	**7 971**	**8 822**	**–**	**98 726**
Gains and losses recognised directly in equity in accordance with IAS 39	–	–	–	–	–	741	741
Net profit for the year	–	–	19 443	–	–	–	19 443
Appropriations Transfers from retained earnings	–	–	(3 227)	1 779	1 448	–	–
Balance 31 December 2005	**24 118**	**3 900**	**70 131**	**9 750**	**10 270**	**741**	**118 910**
Gains and losses recognised directly in equity in accordance with IAS 39	–	–	–	–	–	(161)	(161)
Dividend paid	–	–	(10 000)	–	–	–	(10 000)
Net profit for the year	–	–	19 110	–	–	–	19 110
Appropriations Transfer from retained earnings	–	–	(3 007)	1 760	1 247	–	–
Balance 31 December 2006	**24 118**	**3 900**	**76 234**	**11 510**	**11 517**	**580**	**127 859**

The accompanying notes (1–27) form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Consolidated statement of cash flows for the year ended 31 December 2006	Note	2006 HUF million	2005 HUF million
Cash flows from operating activities:			
Profit before tax		24 398	24 050
Items not involving movement of cash:			
Depreciation and amortisation		3 263	2 740
Scrapped and transferred fixed assets		5	7
Profit on disposal of property, plant and equipment		56	40
Net impairment and losses in credit products		1 173	2 447
Foreign exchange (gain)/loss on subordinated loans		(29)	464
Taxation paid	24	(5 288)	(4 607)
Cash flows from operating profits before changes in operating assets and liabilities		**23 578**	**25 141**
(Increase) in financial assets at fair value through profit or loss		(11 766)	(16 021)
Decrease in deferred tax assets		62	–
Decrease in other assets		815	699
(Increase)/Decrease in interest receivable		(5 366)	2 190
Increase/(Decrease) in interest payable		5 169	(2 016)
Increase in deferred tax liabilities		1	–
Increase in other liabilities		629	7 456
(Increase)/Decrease in deposits with Central Bank		12 925	(7 210)
(Increase) in loans and advances to customers		(108 859)	(88 087)
(Increase)/Decrease in deposits with other banks		(109 592)	62 416
Increase in deposits from customers		191 992	94 082
Increase/(Decrease) in deposits from other banks		83 168	(48 830)
Increase in financial liabilities at fair value through profit or loss		13 088	6 517
Net cash from operating activities		**72 266**	**11 196**

Consolidated statement of cash flows for the year ended 31 December 2006	Note	2006 HUF million	2005 HUF million
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	8	162	187
Purchase of property, plant and equipment		(3 370)	(12 093)
Purchase of intangible assets		(1 225)	–
(Increase) in equity investments		(599)	(281)
Increase in held to maturity investments		36 146	7 816
(Increase) available for sale financial assets		(110 041)	(43 355)
(Decrease)/Increase in mortgage bonds issued		(5 535)	12 409
Net cash used in investing activities		**(84 462)**	**(35 317)**
Cash flows from financing activities:			
Dividend paid in 2006		(10 000)	–
Net cash from financing activities		**(10 000)**	**–**
Net Increase/(Decrease) in cash		**1 382**	**1 020**
Cash at the beginning of the year		3 438	2 418
Cash at the end of the year		4 820	3 438

The accompanying notes (1-27) form an integral part of these consolidated financial statements.

Notes to the Financial Statement

1. General

UniCredit Bank Hungary Zrt. ("UniCredit" or "the Bank") is registered as a joint-stock company under Hungarian law and is licensed to conduct universal banking activities in Hungary. The Bank's name changed from HVB Bank Hungary Zrt. to UniCredit Bank Hungary Zrt. on 1 February 2007. The address of the Bank's registered office is H-1054 Budapest, Szabadság tér 5-6. The Bank is a wholly owned subsidiary of Bank Austria Creditanstalt AG Austria, with the ultimate parent company being UniCredito Italiano Spa.

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

The financial statements were authorised by the Board of Directors of the Bank on 29 March 2007.

2. Significant accounting policies

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

a.) Statement of compliance

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

b.) Basis of preparation

These consolidated financial statements consolidate the results of the following entities: UniCredit Bank Hungary Zrt. and UniCredit Jelzálogbank Zrt. (together the "Group").

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

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

c.) Consolidation methodology

All companies that are material and are directly or indirectly controlled by the Bank have been consolidated into these consolidated financial statements. The consolidated financial statements of the Bank, that are presented in accordance with IFRS are based on the stand-alone financial statements of all consolidated subsidiaries, which have been prepared in accordance with IFRS.

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

Shares in all other companies are classified as available for sale investments and recognised at their fair values, when that fair value is reliably measurable. Changes in fair value are thus directly recognised in equity. In cases where the fair value cannot be reliably determined, shares are carried at cost. In case of an impairment which falls within the scope of IAS 39.58, a loss is recorded in the consolidated income statement. As soon as the circumstances which lead to the impairment cease to exist, the loss is reversed.

d.) Consolidation procedures

When a subsidiary or associated company is acquired, the acquirer determines its goodwill, which is recognised in the balance sheet.

Intragroup receivables, liabilities, expenses and income are eliminated. Intragroup profits are also eliminated.

e.) Comparatives

In case certain balances would have been restated and reclassified to provide consistency for presentation purposes, it would be disclosed.

f.) Cash and cash equivalents

The amount of cash in the cash flow statement is equal to the cash on hand from balance sheet item Cash, Nostros and placements with Central Bank in Note 9.

g.) Financial instruments

i) Classification

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

Loans and receivables are loans and receivables created by the Group other than those created with the intention of short-term profit taking. Loans and receivables consists of loans and advances to banks and customers.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. These include certain debt instruments.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include certain debt and equity investments.

Hedging instruments. There are certain derivatives, that are designated as cash-flow hedges. They serve as hedges against the variability of cash flows within the framework of the Group’s asset-liability management activities. For the purpose of cash-flow hedge accounting, variable-rate interest receivables and payments on variable-rate assets and liabilities are swapped for fixed-rate interest payments, primarily by means of interest rate swaps. The effective portion of the changes in the fair values of derivatives designated as hedging instruments is recognised as a separate component of shareholder's equity (cash-flow hedge reserve) with no effect on income.

ii) Recognition and de-recognition

The Group recognises financial assets and liabilities from trade date. From this date any gains and losses arising from changes in fair value of the assets are recognised. All Loans and receivables are recognised when cash is advanced to the counterparty.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all financial assets and liabilities at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that, where no quoted market price exists in an active market and fair value cannot be reliably measured, these are stated at cost (including transaction costs) less impairment.

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

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash-flow techniques.

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

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

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets and financial liabilities at fair value through profit or loss are recognised in the income statement. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in the Available for sale reserve, whereas gains and losses arising from a change in the fair value of derivatives, designated as effective hedging instruments are recognised in the cash flow hedge reserve. Any permanent impairment loss on available for sale financial assets and hedging derivatives is recognised in the statement of income.

h.) Transactions in foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The accounting records of the Group are also maintained in this currency.

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

i.) Securities

Securities can be held for short-term profit taking, available-for-sale or held-to-maturity purposes. The principles governing the recognition and recording of each category of security are stated in Note 2.g.) above.

Investments that the Group holds for the purpose of short-term profit taking are classified as financial assets at fair value through profit or loss. Debt instruments that the Group has the intent and ability to hold to maturity are classified as held-to-maturity investments. Other investments are classified as available-for-sale financial assets.

j.) Equity investments

Equity investments that the Group holds for the purpose of short-term profit taking are classified as financial assets, at fair value through profit or loss. Other equity investments are classified as available-for-sale financial assets. The measurement of these equity investments is stated in Note 2.g.) expect for equity investments in associated companies that are measured based on Note 2.c.).

k.) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Property, plant and equipment are reviewed periodically and items which are considered to have no further value are depreciated in full.

l.) Intangible assets and goodwill

Intangible assets are stated at historical cost less accumulated depreciation. Intangible assets are reviewed periodically and items which are considered to have no further value are depreciated in full.

Goodwill (negative goodwill) arise on the acquisition of subsidiaries. Goodwill is measured at cost less accumulated impairment losses.

m.) Depreciation and amortisation

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

	Depreciation Rate %
Buildings	2 – 6
Office equipment	14.5 – 33
Motor vehicles	20

Property rights, being the right to use certain land and buildings, are amortised at a rate of 10% per year. It is the Group's policy to review the book value of the property rights periodically to ensure that such rights are not stated at amounts greater than their realisable value.

n.) Finance lease

Leases in terms of which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. The Group occasionally enters into finance lease obligations in order to finance certain fixed assets. These leases typically run for a period of 10 to 20 years, with the transfer of ownership of the leased asset occurring at the end of the lease term. Interest is charged over the period of the lease based on market related interest rates.

o.) Loans and advances

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

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

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

p.) Impairment and losses on credit products

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

q.) Mortgage bonds

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

r.) General reserve

In accordance with Section 75 of Hungarian Act No. CXII of 1996, a general reserve equal to 10% of the net post tax income is required to be made in the Hungarian statutory accounts. Increases in the general reserve, as calculated under Hungarian Accounting and Banking Rules are treated an appropriations from retained earnings, and are not charged against income.

s.) General risk reserve

Under Section 87 of Hungarian Act No. CXII of 1996 a General Risk Reserve of 1.25% of the risk weighted assets may be made. Under Hungarian law the amount of the general risk reserve is charged to the income statement and is a tax deductible expense. This amount has been reversed from the Hungarian statement of income in these IFRS financial statements and has been treated as an appropriation of retained earnings.

t.) Valuation reserve

The valuation reserves are part of the Shareholder's equity. Under the IFRS principles the valuation reserves include the Cash-flow hedge reserve and Available for sales instrument reserve less deferred tax in Note 2.g.) above.

u.) Derivative financial instruments

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

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

v.) Income

Net Interest income

Interest income and interest expense for the year are recognised on an accruals basis, together with the application of the effective interest rate method on all instrument measured at amortised cost. Interest income is not recognised on loans where there is a reasonable likelihood of non-collection.

Dividends

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

Net fee and commission income

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

Net trading income

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

Capital gain/(loss)

Capital gain/(loss) includes the net result arising from capital transactions from equity investments other than the Group holds for the purpose of short-term profit taking and are not classified as financial assets at fair value through profit or loss.

w.) Impairment

The carrying amount of the assets of the Group are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any resulting impairment loss is recognised in the income statement.

x) Income tax

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

y.) Currencies and Effective Interest Rates

The Group conducts transactions in the ordinary course of business in various currencies including HUF and uses various financial instruments at its disposal. Financial assets and financial liabilities on and off balance sheet are denominated in these currencies and unless otherwise stated are disclosed at fair value. Banking transactions unless otherwise stated are effected at market rates.

z.) Events after the balance sheet date

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

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

x.) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

3. Risk Management Policies

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

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

i) Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates affect the interest margins. Gaps in the value of assets, liabilities and off-balance sheet instruments that mature or reprice in a given period generate interest rate risk. The Group may reduce this risk by matching the repricing of assets and liabilities with derivatives as well as with pricing/maturity techniques.

Interest rate risk is limited by the each entity's Asset Liability Committee ('ALCO'), which establishes and delegates position limits and monitors such limits to restrict the effect of movements in interest rates on earnings (from the fluctuating value of on and off-balance sheet assets and liabilities). In controlling each entity's maturity structure, ALCO considers amongst others, macro and microeconomic forecasts, global capital market trends and forecasts, liquidity conditions and the anticipated direction of interest rate changes.

ii) Liquidity risk

The objective of prudential liquidity management is to ensure that the Group has the ability to generate sufficient funds to meet all cash flow obligations as these fall due. Effective liquidity management is critical to maintain market confidence, and protect the capital base while permitting effective growth. In managing its liquidity each entity takes into account various legal requirements and limitations.

Limits regarding the maximum net outflow of funds in a particular period are in place and are approved and monitored by ALCO.

Daily liquidity reports are provided to senior management to enable timely liquidity monitoring. Contingency plans are also in place to satisfy funding requirements in the event of a market disruption.

iii) Foreign exchange rate risk

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

ALCO establishes and is responsible for the monitoring of specific regulations based on statutory and internal limits relevant to the management of foreign exchange rate risk.

iv) Credit risk

Credit risk is the risk of financial loss occurring as a result of a default by a counterparty in their contractual obligation to the Group. Credit risk is primarily managed by the Credit Committee. The committee establishes credit regulations including the approval process, portfolio limit concentration guidelines, approval of discretionary limits, formulation of standards for the measurement of credit exposures and the risk rating of clients based on the assessment of management quality and financial statements. All outstanding loans are reviewed at least quarterly. Loans are classified based on a point rating system, which incorporates qualitative and quantitative factors.

4. Use of estimates and judgement

These disclosures supplement the commentary on risk management policy.

i.) Impairment for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.(o), (p) and risk management policy 3.(iv).

ii.) Financial assets and liabilities classification

The Group's accounting policies determine the different accounting categories for the classification of financial assets and liabilities. The criteria of them is described in accounting policies 2.(g.)(i)

iii.) Qualifying hedge relationships

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument. In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

5. Net interest income

(HUF million)	2006	2005
Interest and similar income		
Interest income from the Central Bank	6 283	4 040
Interest income from other banks	10 465	9 165
Interest income from customers	43 793	37 412
Interest income on securities	12 593	9 549
	73 134	**60 166**
Interest expense and similar charges		
Interest expense to the Central Bank	(5 108)	(3 770)
Interest expense to other banks	(4 448)	(2 340)
Interest expense to customers	(25 184)	(21 130)
Interest expense of bonds issued	(4 518)	(5 120)
	(39 258)	**(32 360)**
Dividend income	796	921
Net interest income	**34 672**	**28 727**

6. Net trading income

(HUF million)	2006	2005
Profit/(loss) on trading FRAs	130	(61)
Profit on trading securities	282	1 317
Profit on foreign exchange	2 223	4 508
Profit/(loss) on trading interest rate swaps	248	(367)
Other	(138)	(173)
	2 745	**5 224**

7. General administrative expenses

(HUF million)	2006	2005
Wages and salaries	9 412	8 141
Statutory social-security contributions	2 724	2 305
Other employee benefits	711	543
Employer's contributions	483	529
	13 330	**11 518**
Depreciation and amortisation	3 263	2 740
Other administrative expenses	10 070	8 938
	26 663	**23 196**

The number of employees was 1,520 at 31 December 2006 (2005: 1,366).

8. Net other operating income and expenses

(HUF million)	2006	2005
Operating income		
Service transfer fees received	505	360
Rental fees received	13	25
Proceeds on sale of property, plant and equipment	162	187
Other	322	211
	1 002	**783**
Operating expenses		
Service transfer fees paid	531	387
Taxes, penalties	15	1
Scrapped fixed assets	2	7
Cost of property, plant and equipment sold	218	227
Donations to non-profit organisations	183	121
Provisions for non-credit risk	308	150
Other	39	28
	1 296	**921**
Net other operating income / (expense)	**(294)**	**(138)**

9. Cash, nostros, and placements with the Central Bank

(HUF million)	2006	2005
(a) (a) Cash		
Cash on hand	4 820	3 438
(b) Nostros		
National Bank of Hungary	24 141	29 793
Other banks	7 663	4 491
	31 804	**34 284**
(c) Placements with the Central Bank		
Maturity less than one year	32 927	40 200
	69 551	**77 922**

10. Placements with, and loans and advances to other banks

(HUF million)	2006	2005
Maturity less than one year	175 333	53 505
Maturity more than one year	21 062	36 470
	196 395	**89 975**

11. Loans and advances to customers

(HUF million)	2006	2005
Private and commercial:		
Maturity less than one year	400 406	369 286
Maturity more than one year	402 383	324 511
	802 789	**693 797**
Provision for impairment and losses on credit products (Note 25)	(9 582)	(10 493)
	793 207	**683 304**

Analysis by industrial sector

(HUF million)	2006	%	2005	%
Real estate finance	166 074	20.69	156 508	22.56
Private clients	124 698	15.53	71 995	10.38
Financial activities	95 155	11.85	69 896	10.07
Trade	76 104	9.49	75 647	10.90
Community	62 547	7.79	52 574	7.58
Transportation	50 992	6.35	32 154	4.63
Electric energy industry	36 639	4.56	38 689	5.58
Chemicals / Pharmaceutical	33 489	4.17	47 692	6.87
Food processing	26 982	3.36	25 867	3.73
Construction	26 952	3.36	27 886	4.02
Machine industry	23 879	2.97	22 519	3.25
Light industry	16 723	2.08	13 630	1.96
Communication	13 073	1.63	24 537	3.54
Catering trade	10 616	1.32	9 905	1.43
Agriculture	8 418	1.05	7 600	1.10
Metallurgy	6 653	0.83	6 055	0.87
Mining	296	0.04	130	0.02
Other	23 499	2.93	10 513	1.51
	802 789	**100.00**	**693 797**	**100.00**

Collateral for the above loans consists mainly of bank guarantees, mortgages, cash and assignment of receivables.

12. Financial instruments at fair value through profit or loss

(HUF million)	2006	2005
Financial assets at fair value through profit or loss		
State treasury bills	2 280	4 638
State bonds	10 544	8 204
Other bonds	2 686	5 454
Other securities	49	32
Positive fair values of derivatives	23 325	8 790
	38 884	**27 118**

(HUF million)	2006	2005
Financial liabilities at fair value through profit or loss		
Negative fair values of derivatives	**19 954**	**6 866**

13. Available for sale financial assets

(HUF million)	2006	2005
State treasury bills	11 335	31 572
State bonds	136 434	11 113
Other bonds	6 326	1 240
	154 095	**43 925**

14. Held to maturity investments

(HUF million)	2006	2005
State bonds	26 043	56 490
MNB bonds	–	1 869
Other bonds	5 519	9 349
	31 562	**67 708**

The market value of the held-to-maturity securities portfolio as at 31 December 2006 is HUF 33,319 million (2005: HUF 70,758 million).

15. Equity investments

(HUF million)	2006	2005
Shares in unconsolidated subsidiaries	1 183	668
Shares in associated companies	2 225	2 141
Other companies	369	369
	3 777	3 178
Impairment losses (Note 25)	(188)	(69)
	3 589	**3 109**

As at 31 December 2006 and 2005 the equity investments in subsidiary and associated companies and other companies were as follows:

Name of investment	Book Value (HUF million) 2006	2005	Ownership Percentage 2006	2005
Non-consolidated subsidiaries:				
CELER Zrt.	62	–	100.00	–
UniCredit Factoring Zrt.	168	168	100.00	98.72
Sas-Reál Kft.	500	500	100.00	99.98
Arany Pénzügyi Lízing Zrt.	453	–	100.00	–
	1 183	**668**		
Associated companies:				
Giro Bankkártya Zrt.	329	281	25.42	25.42
Budapesti Értéktőzsde Zrt.	1 896	1 860	25.20	25.20
	2 225	**2 141**		
Related banking operations:				
Hitelgarancia Zrt.	20	20	0.42	0.42
GIRO Elszámolásforgalmi Zrt.	12	12	1.60	1.60
Fundamenta-Lakáskassza Ltp. Zrt.	303	303	7.38	7.38
Others	34	34	–	–
	369	**369**		
Total:	**3 777**	**3 178**		

All equity investments are in companies incorporated in Hungary, except for Fast Ventures B.V. (The Netherlands) and MasterCard International Inc. (United States of America).

Key financial information on the Bank's non-consolidated subsidiaries is as follows:

Non-consolidated subsidiary investments:

(HUF million)	Net assets 2006	2005	Profit after tax for the year 2006	2005
CELER Kft.	63	–	8	–
UniCredit Factoring Zrt.	72	188	(282)	10
Sas-Reál Kft.	502	501	1	1
Arany Pénzügyi Lízing Zrt.	482	–	179	–

16. Property, plant and equipment

Movement in property, plant and equipment (HUF million)	Acquisition cost at the beginning of the year	Accumulated depreciation and amortisation at the beginning of the year	Additions	Disposals net	Depreciation and amortisation	Carrying amount at the end of the year
2006						
Land and buildings	24 134	1 657	1 909	171	370	23 845
Office equipment	10 380	7 677	1 611	32	1 114	3 168
Motor vehicles	892	551	232	18	150	405
Capital work in progress	761	–	3 375	3 759	–	377
	36 167	**9 885**	**7 127**	**3 980**	**1 634**	**27 795**
2005						
Land and buildings	12 280	1 522	12 306	195	392	22 477
Office equipment	9 167	7 235	1 750	28	950	2 704
Motor vehicles	838	533	168	3	130	340
Capital work in progress	4 684	–	10 309	14 232	–	761
	26 969	**9 290**	**24 533**	**14 458**	**1 472**	**26 282**

17. Intangible assets

Movement in intangible assets (HUF million)	Acquisition cost at the beginning of the year	Accumulated depreciation and amortisation at the beginning of the year	Additions	Disposals net	Depreciation and amortisation	Carrying amount at the end of the year
2006						
Rental rights	111	84	11	–	9	29
Licenses	861	228	494	–	275	852
Software	6 016	3 335	1 255	–	1 345	2 591
Goodwill	1 535	131	–	535	–	869
	8 523	**3 778**	**1 760**	**535**	**1 629**	**4 341**
2005						
Rental rights	103	75	7	–	8	27
Licenses	805	187	253	–	238	633
Software	5 327	3 034	1 410	–	1 022	2 681
Goodwill	1 420	131	115	–	–	1 404
	7 655	**3 427**	**1 785**	–	**1 268**	**4 745**

18. Deposits and loans from other banks

(HUF million)	2006	2005
Maturity less than one year	199 314	121 329
Maturity more than one year	130 783	125 600
	330 097	**246 929**

19. Deposits from customers

(HUF million)	2006	2005
Maturity less than one year	646 349	548 275
Maturity more than one year	104 730	10 812
	751 079	559 087

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

20. Issued mortgage bonds

(HUF million)	2006	2005
Maturity less than one year	2 879	8 463
Maturity more than one year	49 019	48 970
	51 898	**57 433**

21. Subordinated loans

(HUF million)	2006	2005
Bank Austria Creditanstalt AG	8 569	8 583
Bank Austria Creditanstalt AG	8 643	8 658
Total subordinated loans	**17 212**	**17 241**

The amount due to the parent company consists of two separate loans, one of ATS 200 million received in July 1994 and another of DEM 38 million received in 1997. On 19 December 2001 the loans were consolidated and converted into EUR. The agreement contains an automatic annual extension clause subject to further written notice by the lender. Interest based on EURIBOR is payable quarterly in arrears.

22. Other liabilities

(HUF million)	2006	2005
Finance lease obligation	15 281	14 795
Other taxes payable	2 213	2 081
Other	1 185	1 174
	18 679	**18 050**

23. Share capital

(HUF million)	2006	2005
Authorised and issued share capital	24 118	24 118

Share capital consists of 4,823,644 ordinary shares with a par value of HUF 5,000 each.

100% of the issued shares are held by Bank Austria Creditanstalt AG.

The Board of directors has declared a dividend to the value of HUF 15,000 million, payable in 2007.

24. Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Bank as adjusted for relevant taxation regulations. The corporate income tax rate in Hungary for the year ended 31 December 2006 was 16%, and an additional 4% applicable to the profit earned from 1 September 2006 (2005: 16%).

(HUF million)	2006	2005
Current tax expense	5 225	4 678
Deferred tax charge	63	(71)
Total income tax expense in income statement	**5 288**	**4 607**

Reconciliation of effective tax rate

	2006 (%)	2006 (HUF million)	2005 (%)	2005 (HUF million)
Profit before tax		24 398		24 050
Income tax using the domestic corporate tax rate	17.3	4 221	16.0	3 848
Supplementary corporate tax for banks	8.0	1 954	6.9	1 658
Tax effects of income/expenses exempt from corporate tax	(1.4)	(347)	(1.3)	(310)
Income/expenses giving rise to permanent differences:				
Equity contribution in kind	0.1	29		
General Risk Reserve	(0.9)	(216)	(0.9)	(231)
Other	(1.4)	(339)	(1.5)	(358)
Changes in the equity of associated companies	(0.1)	(14)		
	21.6	**5 288**	**19.2**	**4 607**

In 2006, deferred taxes amounting to HUF 145 million were recognised directly in equity. Of the total amount, HUF 140 million was debited to the available for sale reserve and HUF 5 million was debited to the cash flow hedge reserve.

25. Impairments and provisions

Impairments and provisions on credit products

	Loans	Guarantees and unutilised loans	Credit risk total
Balance 31 December 2005	**10 493**	**1 088**	**11 581**
Write-offs	(3 446)	–	(3 446)
Amounts released	(2 594)	(628)	(3 222)
Additional impairment provisions	4 997	2 420	7 417
Merger effect	132	–	132
As at 31 December 2006	**9 582**	**2 880**	**12 462**
Net movement in impairment provisions	(911)	1 792	881
Write-offs	3 446	–	3 446
Merger effect	(132)	–	(132)
Net amount charged to the income statement	**2 403**	**1 792**	**4 195**
Receivables write-off	(728)	–	(728)
Effect of f/x rate fluctuation	130	–	130
Total charged to the income statement, excluding the effect of f/x rate fluctuation	**1 805**	**1 792**	**3 597**

Other impairments and provisions

	Equity investments	Other	Provision movement of non-credit risk items
Balance 31 December 2005	**69**	**676**	**745**
Write-offs	–	(2)	(2)
Amounts released	–	(134)	(134)
Additional impairment provisions	119	442	561
As at 31 December 2006	**188**	**982**	**1 170**
Net movement in impairment provisions	119	306	425
Write-offs	-	2	2
Net amount charged to the income statement	**119**	**308**	**427**

26. Commitments and contingent liabilities

At 31 December 2006, the Bank had the following commitments and contingent liabilities (at nominal values):

(HUF million)	2006	2005
Loan and overdraft facilities granted but not disbursed	369 419	325 426
Guarantees	152 307	132 638
Letters of credit	15 881	9 454
FX spot sales (notional)	76 727	89 927

As at 31 December 2006, the total face value of client assets held in safe custody by the Bank was HUF 2 070 380 million (2005: HUF 1 896 115 million).

27. Currency structure of assets and liabilities

The currency structure of assets and liabilities as at 31 December 2006 is as follows:

(HUF million)	Assets	Equity and liabilities	Off Balance sheet net position	Total Net foreign currency exposure long/(short)
Euro	424 666	381 736	(34 140)	8 790
United States Dollars	70 194	85 041	8 691	(6 156)
Swiss Francs	152 610	126 277	(26 133)	200
British Pounds	755	3 033	(236)	(2 514)
Japanese Yen	470	227	(2 766)	(2 523)
Polish Zloty	179	217	(8)	(46)
Czech Crowns	1 284	1 326	26	(16)
Slovakian Crowns	735	842	103	(4)
Slovenian Tolars	1 754	–	–	1 754
Other	688	736	(15)	(63)
Total foreign currency	**653 335**	**599 435**	**(54 478)**	**(578)**
Hungarian Forint	681 340	735 240	58 520	4 620
Total	**1 334 675**	**1 334 675**	**4 042**	**4 042**

The currency structure of assets and liabilities as at 31 December 2005 is as follows:

(HUF million)	Assets	Equity and liabilities	Off Balance sheet net position	Total Net foreign currency exposure long/(short)
Euro	327 302	287 359	44 757	84 700
United States Dollars	39 703	27 581	13 660	25 782
Swiss Francs	90 295	91 241	(748)	(1 694)
British Pounds	352	1 862	(1 482)	(2 992)
Japanese Yen	644	659	(8)	(23)
Polish Zloty	131	87	44	88
Czech Crowns	90	734	(634)	(1 278)
Slovakian Crowns	276	275	–	1
Other	304	293	386	397
Total foreign currency	**459 097**	**410 091**	**55 975**	**104 981**
Hungarian Forint	576 032	625 038	(58 309)	(107 315)
Total	**1 035 129**	**1 035 129**	**(2 334)**	**(2 334)**

Supervisory Board, Board of Directors

UniCredit Bank Hungary Zrt.

Supervisory board members

Hans-Jörg Stemeseder		
Unicredit Bank Hungary Zrt., Supervisory Board Chairman		(Bank Austria Creditanstalt AG)
Dr. Christopher Schober		(Bank Austria Creditanstalt AG)
Heinz Meidlinger		(Bank Austria Creditanstalt AG)
Dr. Judit Pettkó-Szandtner		(UniCredit Bank Hungary Zrt.)
Tibor Szablics	(from 7 September 2006)	(UniCredit Bank Hungary Zrt.)

Board members

Helmut Bernkopf		
UniCredit Bank Hungary Zrt., Chairman of the Board		(Bank Austria Creditanstalt AG)
Dr. Mihály Patai	(from 14 April 2006)	(UniCredit Bank Hungary Zrt., CEO)
Ágnes Radványi		(UniCredit Bank Hungary Zrt., Deputy CEO)
Mag. Markus Winkler		(UniCredit Bank Hungary Zrt., Deputy CEO)
Ralf Cymanek		(UniCredit Bank Hungary Zrt., Deputy CEO)
Dr. Matthias Kunsch	(from 26 June 2006)	(Board member)
Mag. Wolfgang Edelmüller		(Board member)
Mag. Martin Klauzer		(Board member)
Harald Vertneg		(Board member)
David Joseph O'Mahony		(Board member)

UniCredit Bank Jelzálogbank Zrt.

Supervisory board members

Dr. Zsuzsanna Gulyás		
Supervisory Board Chairperson		(UniCredit Bank Hungary Zrt., Managing Director)
Mag. Franz Unger		
Mag. Franz Wolfger		

Board members

Dr. Mihály Patai	(from 20 June 2006)	
Chairman of the Board		(UniCredit Bank Hungary Zrt., CEO)
Dr Gyula Nagy		(UniCredit Jelzálogbank Zrt., CEO)
Ágnes Radványi	(from 30 March 2006)	
Mag. Markus Winkler		
Mag. Reinhardt Madlencnik		
Péter Lengyel		
Tibor Rácz		

Calendar

January 2006	– UniCredit Bank was the first on the Hungarian market to launch a Pension Savings Programme, which encourages individuals to save for their pension based on individual investment decisions. – UniCredit Bank prolonged its framework agreement with the European Investment Fund until 30 June 2007, which means that the Bank still provides small and medium-sized enterprises with development loans under collateral conditions that are unrivalled on the Hungarian lending market.
20 February 2006	Dr. Matthias Kunsch, Chief Executive Officer of the Bank, announced that after 31 years of management in Hungary he was to move into retirement. Deputy CEO, Ágnes Doffek, who has been responsible for the Bank's corporate division since 1990 also decided to step down upon reaching the age of retirement.
15 April 2006	The position of chief executive officer was filled by Dr. Mihály Patai, former CEO of Allianz Hungária Biztosító Rt. Dr. Mihály Patai is a renowned expert in the Hungarian finance sector. Over the last ten years he has been the senior executive at Allianz Hungária Biztosító Rt., prior to which he occupied important positions at the Commercial Bank, in Washington at the World Bank and at the Hungarian Ministry of Finance. Ágnes Doffek, Deputy CEO responsible for the corporate division, was replaced from 15 April 2006 by Ágnes Radványi, who has been working at the Bank since 1992 and who, as managing director of corporate sales for the last seven years, has played an active role in the successful management of the division.
28 March 2006	UniCredit Bank signed a sponsorship agreement with the Hungarian Fencing Association. At a joint press conference of the Bank and the Association, the Hungarian Fencing Association announced it was joining the Budapest Olympic Movement as well.
22 June 206	The Europa Forum involving large corporation directors and decision-makers was attended by Pat Cox, former president of the European Parliament, and Dr. Péter Balázs, the first Hungarian commissioner of the European Union. The topic of the evening was „Hungary in the European Union – development, opportunities, future".
13-18 July 2006	With the help of its sponsorship, UniCredit Bank contributed to the successful hosting of the Pentathlon European Championship in Budakalász, a milestone in the history of the sport in Hungary. The Bank was the main sponsor for this grand sports event.
9 November 2006	UniCredit Group announced that it had entered a new phase of development with the integration of HVB Group – including Bank Austria Creditanstalt and its subsidiaries in Central and Eastern Europe. With roughly 3,000 branch offices it has by far the largest bank branch network serving its clients across 17 countries in the region. As a result of the changes, the banking group decided to standardise its brand structure with a view to tying the Central and Eastern European brands in tightly to the joint UniCredit Group brand going forward, thus expressing the opportunities and strengths of the bank network to clients. This is why from 2007 the majority of banks in Central and Eastern Europe now operate under the name of UniCredit Bank.

Branch Offices

3. May 2007

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Fax: +36 1 353 49 59
E-mail: info@unicreditbank.hu

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

Branches in Budapest

Törökvész úti fiók	1022	Budapest,	Törökvészi út 30/a
Bécsi úti fiók	1023	Budapest,	Bécsi út 3-5.
Mammut II. fiók	1024	Budapest,	Margit krt. 87-89.
Pesthidegkúti fiók	1028	Budapest,	Hidegkúti út 167.
StopShop fiók	1036	Budapest,	Bécsi út 136.
Lajos utcai fiók	1036	Budapest,	Lajos u. 48-66.
Újpesti fiók	1042	Budapest,	István út 10.
Fehérhajó utcai fiók	1052	Budapest,	Fehérhajó u. 5.
Szervita téri fiók	1052	Budapest,	Szervita tér 8.
Ferenciek tere fiók	1053	Budapest,	Ferenciek tere 2.
Alkotmány utcai fiók	1054	Budapest,	Alkotmány u. 4.
Szabadság téri fiók	1054	Budapest,	Szabadság tér 5-6.
Nagymező utcai fiók	1065	Budapest,	Nagymező u. 44.
Deák téri fiók	1061	Budapest,	Deák tér 6.
Nyugati fiók	1066	Budapest,	Teréz krt. 62.
Baross téri fiók	1076	Budapest,	Thököly út 4.
József körúti fiók	1085	Budapest,	József krt. 46.
Blaha Lujza téri fiók	1088	Budapest,	József krt. 13.
Vámház körúti fiók	1093	Budapest,	Vámház krt. 15.
Lurdy ház fiók	1097	Budapest,	Könyves K. krt. 12-14.
Kőbányai fiók	1102	Budapest,	Kőrösi Csoma stny. 8.
Lágymányosi úti fiók	1111	Budapest,	Lágymányosi u. 1-3.
Bartók Béla úti fiók	1115	Budapest,	Bartók Béla út 88.
Fehérvári úti fiók	1117	Budapest,	Fehérvári út 23.
Új Buda Center fiók	1117	Budapest,	Hengermalom út 19-21.
Alkotás úti fiók	1123	Budapest,	Alkotás u. 50.
Váci út 20. fiók	1132	Budapest,	Váci út 20.
Duna Plaza fiók	1138	Budapest,	Váci út 178.
Váci úti fiók	1139	Budapest,	Váci út 99.
Örs vezér téri fiók	1148	Budapest,	Örs vezér tere 24.
Pólus fiók	1152	Budapest,	Szentmihályi út 137.
Mátyásföldi fiók	1165	Budapest,	Veres Péter út 105-107.
Pestszentlőrinci fiók	1182	Budapest,	Üllői út 455.
Pestszentimrei fiók	1188	Budapest,	Nagykőrösi út 49.
Europark fiók	1191	Budapest,	Üllői út 201.
Pesterzsébeti fiók	1201	Budapest,	Kossuth Lajos u. 32-36.
Csepeli fiók	1211	Budapest,	Kossuth Lajos út 93.
Campona fiók	1222	Budapest,	Nagytétényi út 37-43.
Soroksári fiók	1239	Budapest,	Hősök tere 14.
Ferenc körúti fiók	1092	Budapest,	Ferenc körút 24.

Branches in the country

Bajai fiók	6500	Baja,	Tóth Kálmán tér 3.
Békéscsabai fiók	5600	Békéscsaba,	Andrássy út 37-43.
Budaörsi fiók	2040	Budaörs,	Szabadság út 49.
Budakeszi fiók	2092	Budakeszi,	Fő út 139.
Ceglédi fiók	2700	Cegléd,	Kossuth tér 4.
Debreceni fiók	4024	Debrecen,	Kossuth L. u. 25-27.
Debreceni fiók	4024	Debrecen,	Kálvin tér 2/a.
Dunaújvárosi fiók	2400	Dunaújváros,	Dózsa Gy. út 4/D
Egri fiók	3300	Eger,	Bajcsy-Zs. u. 2.
Érdi fiók	2030	Érd,	Budai út 13.
Esztergomi fiók	2500	Esztergom,	Vörösmarty u. 5.
Gödöllői fiók	2100	Gödöllő,	Dózsa György út 13.
Gyöngyösi fiók	3200	Gyöngyös	Páter Kiss Szaléz u. 22.
Győri fiók	9021	Győr,	Árpád út 45.
Győr-Árkád fiók	9027	Győr,	Budai u. 1.
Jászberényi fiók	5100	Jászberény,	Szabadság tér 3.
Kaposvári fiók	7400	Kaposvár,	Dózsa Gy. u. 1.
Kecskeméti fiók	6000	Kecskemét,	Kisfaludy u. 8.
Miskolci fiók	3530	Miskolc,	Hunyadi u. 3.
Mosonmagyaróvári fiók	9200	Mosonmagyaróvár,	Fő u. 6.
Nagykanizsai fiók	8800	Nagykanizsa,	Fő út 8.
Nyíregyházi fiók	4400	Nyíregyháza,	Dózsa Gy. út 1-3.
Pécs-Árkád Üzletház fiók	7621	Pécs,	Rákóczi út 58.
Pécsi fiók	7621	Pécs,	Rákóczi út 17.
Salgótarjáni fiók	3100	Salgótarján,	Rákóczi út 13.
Soproni fiók	9400	Sopron,	Várkerület 1-3.
Szegedi fiók	6722	Szeged,	Kossuth L. sugárút 18-20.
Szeged – Kárász utcai fiók	6720	Szeged,	Kárász u. 16.
Szekszárdi fiók	7100	Szekszárd,	Arany J. u. 15-17.
Székesfehérvári fiók	8000	Székesfehérvár,	Budai út 1.
Szentendrei fiók	2000	Szentendre,	Dobogókői út 1.
Szolnoki fiók	5000	Szolnok,	Baross Gábor út 27.
Szombathelyi fiók	9700	Szombathely,	Kőszegi u. 30-32.
Tatabányai fiók	2800	Tatabánya,	Szent Borbála tér 2.
Tatabányai fiók (Vértes Center)	2800	Tatabánya,	Győri út 7–9.
Törökbálinti fiók	2046	Törökbálint,	DEPO - Raktárváros
Veszprémi fiók	8200	Veszprém,	Óváros tér 7.
Zalaegerszegi fiók	8900	Zalaegerszeg,	Kovács K. tér 1/a