One Bank
One UniCredit

2016

Consolidated Reports and Accounts

Welcome to UniCredit

We are a simple pan-European commercial bank with a fully plugged in Corporate & Investment Banking, delivering our unique Western Central and Eastern European network to our extensive client franchise.

We offer local expertise as well as international reach. We accompany and support our 25 million clients globally, providing them with unparalleled access to our leading banks in 14 core markets as well as to another 18 countries worldwide.

Our vision is to be “One Bank, One UniCredit”.

Everything we do to implement our vision is based on our Five Fundamentals.

Our top priority, every minute of the day, is to serve our customers the very best we can (Customers First).

To do this, we rely on the quality and commitment of our people (People Development), and on our ability to cooperate and generate synergies as “One Bank, One UniCredit” (Cooperation & Synergies).

We take the right kind of risk (Risk Management) whilst being very disciplined in executing our strategy (Execution & Discipline).

Life is full of ups and downs.
We’re there for both.

Welcome to
UniCredit

Chairman's message

“With the launch of the Transform 2019 Strategic Plan, UniCredit introduced a new way of banking – a way that is both more sustainable and more competitive.”

Giuseppe Vita
Chairman

Dear Shareholders,

2016 saw a series of upheavals that significantly contributed to uncertainty about the future. It began with rising concerns about the health of the Italian banking sector, continued with the jolt that Brexit delivered to an already weakened Europe, and closed with rising turmoil in the Middle East and the introduction of new unknowns to a changing geopolitical landscape. Through it all, a steady stream of terrorist attacks further undermined our shared sense of security.

Concurrently, the European banking industry was compelled to reinvent itself in an era of zero interest rates, more stringent regulation and rising customer expectations.

In light of all of these developments, UniCredit cannot afford to stand still. If it is going to seize every opportunity to generate value and maintain its position as one of Europe’s premier banks, it must continue to evolve.

To drive this evolutionary process forward, significant steps were taken over the past 12 months. Indeed, 2016 marked a major turning point for UniCredit, headlined by the appointment of Jean Pierre Mustier as the bank’s new chief executive officer. He accepted the reins from Federico Ghizzoni, whom I would like to thank for his many years of dedicated service and for the steadfast commitment he displayed as UniCredit’s CEO over the past six years.

Jean Pierre’s return to the Group was most welcome. Given the years he previously spent as the head of our Corporate and Investment Banking division, I am confident that his extensive knowledge of the bank, along with his many stellar personal qualities, will enable him to steer UniCredit through its current transformation.

The replenishment of our management team represented yet another important change for UniCredit. All of our new managers, who were carefully chosen for their international vision and experience, were appointed from within the Group – an outcome that underscores the superb pool of professional talent to be found at UniCredit.

Yet I believe that the most significant event of the year for our Group was the launch of the Transform 2019 Strategic Plan, which resulted from the diligent work of our Board of Directors and our entire management team. With this plan, UniCredit introduced a new way of banking – a way that is both more sustainable and more competitive.

This break with the past can be summed up in three words: discipline, efficiency and profitability. Our priority is to increase UniCredit's capacity to create value by strengthening its balance sheet and taking a more vigilant approach to risk management. At the same time, we will leverage the full potential of new technologies to accelerate the digitization of the bank's processes and provide customers with higher-quality services.

In 2016, changes were also made to UniCredit's corporate governance. In particular, the functions of the Corporate Governance Committee were expanded to include supervision of sustainability-related issues, which have continued to grow in importance. With the renewal of the board to take place in 2018, as previously scheduled, additional changes will come into force. These include a reduction in the number of board members and vice presidents and the introduction of term limits for directors to ensure adequate turnover. Further work is ongoing to improve the efficiency of the board, including measures related to the management of documents and the flow of information. The object is to make more time available for strategic discussions.

Finally, Martha Dagmar Böckenfeld and Sergio Balbinot joined the board this year following the resignations of Helga Jung and Manfred Bischoff. I would like to thank both of these departing directors for their invaluable contributions.

All of these changes were made for the sake of a common objective: to make UniCredit more competitive. We cannot afford to be complacent and must redouble our efforts to ensure we are fully equipped for the future.

Only by working together can we overcome all the challenges ahead. Now more than ever before, the commitment and skill of our colleagues, as well as the confidence of our shareholders, are our primary sources of strength. We are grateful for their ongoing support at this key moment in UniCredit's long and proud history.

Sincerely,

Giuseppe Vita
Chairman
UniCredit S.p.A.

Chief Executive Officer's message

“I am proud to have the opportunity to lead UniCredit. I and my management team are fully committed to making UniCredit one of the most attractive banks in Europe.”

Jean Pierre Mustier
Chief Executive Officer

Dear Shareholders,

as this is my very first letter to you, I would like to say how proud and honored I am to have the opportunity to lead UniCredit and that I and my management team, are fully committed to making UniCredit one of the most attractive banks in Europe and to creating recurring value for all our stakeholders.

2016 was an eventful year for European financial services, including for the Italian banking sector. This, coupled with rapidly evolving client behaviors and expectations and the need to transform and strengthen the Bank, led us to launch an in depth strategic review in early July.

Our core priorities are to reinforce and optimize the Group’s capital position, improve profitability, ensure continuous transformation of operations, maintain flexibility to seize value creating opportunities, further reduce costs, increase cross selling and above all further improve risk discipline.

There is now one executive governing body, one closely knit management team, led by the CEO and composed of the leaders of the key activities and geographies within UniCredit, with one single General Manager in charge of all businesses activities. There is now One Bank, One UniCredit.

Before we presented the outcome of the strategic review, Transform 2019, which is the beginning of a long term transformative process for the bank, we took bold actions to strengthen our capital ratios. We did so by agreeing the sales of Pioneer and Pekao and by optimizing our participation in Fineco as well as improving our asset quality by addressing our Italian legacy issues through the de-risking of a 17.7 billion euro non performing portfolio.

Transform 2019's core message is that UniCredit is a simple Pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive client franchise; competitive advantages - on which we shall build.

The plan is based on pro-active self-help. Key levers of the plan, cost and risk, are fully under management control. This to ensure maximum value creation for all our stakeholders while reducing execution risk.

We de-risked the balance sheet by taking an 8.1 billion euro one-off provision in 2016 resulting in boosted coverage. This will significantly improve our asset quality.

Very strong risk discipline is another key component of the plan, this to further improve the quality of future origination with the objective to bring our group cost of risk down to about 49 bps by end 2019.

The transformation of business processes will allow our teams more client facing time, provide a better service and leading to a recurring 1.7 billion euro net annual cost reduction as of 2019. Group cost income ratio will decrease by more than 9.5 percentage points to below 52 per cent.

However, this transformation will also lead to a number of colleagues leaving the Group, primarily through early retirements and voluntary redundancies. We shall endeavor to treat everyone concerned with the utmost respect and dignity to facilitate their transition. My thanks for the contribution they have made to the Bank.

Going forward we will have a much leaner but strong steering corporate centre to drive Group performance and ensure accountability through a set of Group-wide KPIs.

Taking the current low rate environment and prevailing economic context into account, our objective is to reach a RoTE above 9 per cent in 2019.

Fully loaded CET1 will be above 12.5 per cent in 2019.

The Transform 2019 targets are tangible pragmatic and based on conservative assumptions. As a team we are fully committed to achieving them with management's interests fully aligned with shareholders'.

In order to achieve the plan targets and to significantly strengthen the Group's capital position in line with best-in-class global SIFIs, a 13 billion euro rights issue was proposed.

Let me also pay tribute to our employees and thank them for their ongoing commitment. This is only the beginning of our transformative journey and it is thanks to our teams, that we will be successful and create value.

Sincerely,

Jean Pierre Mustier
Chief Executive Officer
UniCredit S.p.A.

One Bank, One UniCredit Transform 2019

A challenging business environment marked by greater regulatory pressure and a lengthy period of low growth and low interest rates has prompted a deep strategic review of every major area of the bank. More specifically, the review has focused on how to reinforce and optimize the Group's capital position, reduce the risk profile of the balance sheet, improve profitability, and ensure that operations are transformed continuously in ways that enable increased client focus, further cost reductions and cross-selling across Group entities. These goals are to be pursued while maintaining the flexibility to seize value-creating opportunities and while improving risk discipline still further.

Hence, the Transform 2019 strategic plan targets are pragmatic, tangible and achievable and are based on conservative assumptions associated with five strategic pillars defined as follows:

- **Strengthen and optimize capital,** to align capital ratios with the best in class G-SIFIs
- **Improve the asset quality,** addressing Italian legacies via a proactive balance sheet de-risking
- **Transform the operating model,** strengthening our client focus while simplifying and streamlining products and services
- **Maximize commercial bank value,** capitalizing on the potential of our retail client relationships and our status as the "go-to" bank for corporate clients in Western Europe while building on our leadership position in Central and Eastern Europe and increasing cross-selling across business lines and countries
- **Adopt a lean but strong steering Group Corporate Center,** establishing consistent Groupwide KPIs to drive performance and improve accountability

This transformation will enable the Group to take advantage of future opportunities and generate long-term profits, functioning successfully as a **simple pan-European commercial bank with a fully plugged in CIB and a unique network in Western, Central and Eastern Europe.**

Five Strategic Pillars

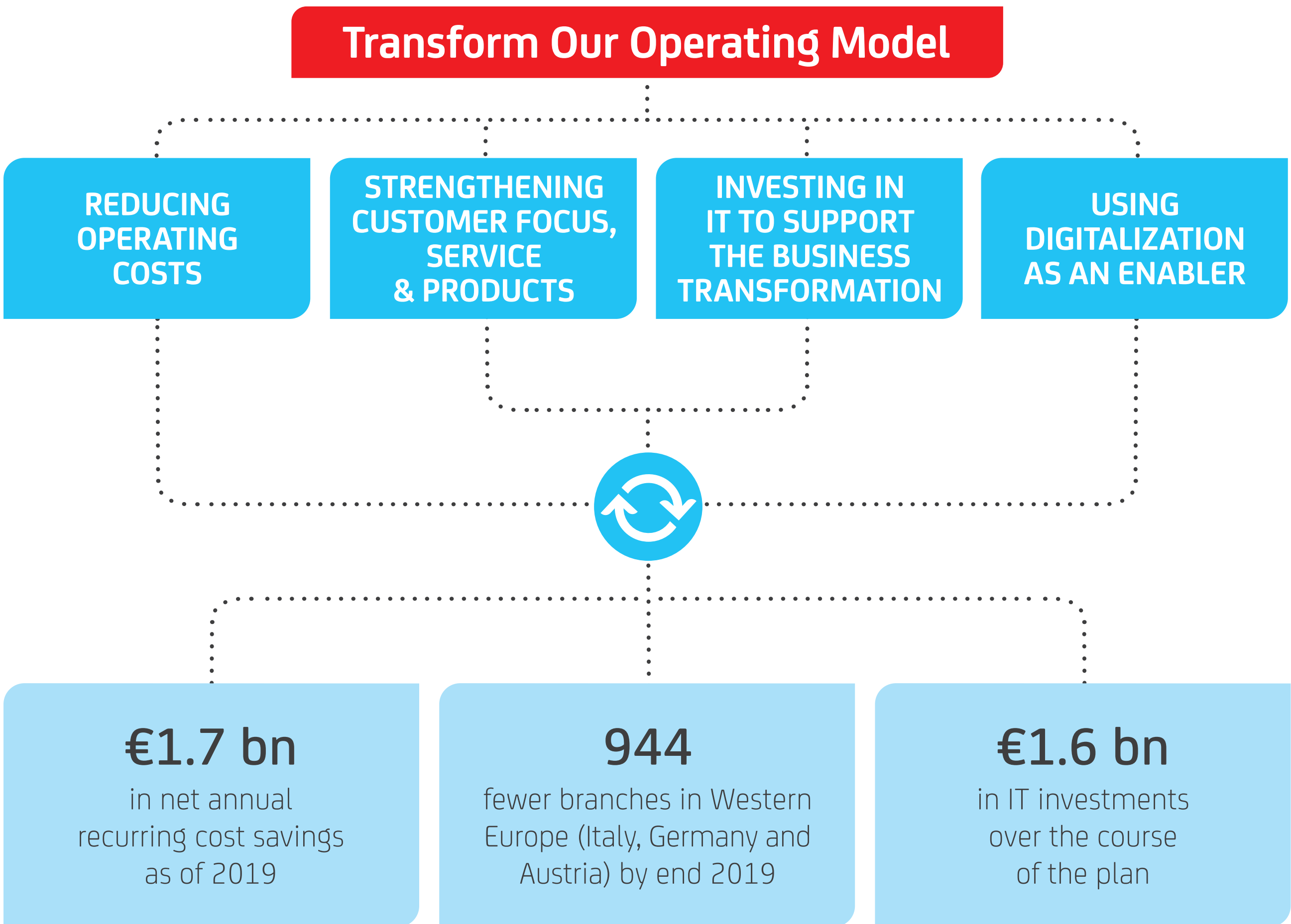
STRENGTHEN AND OPTIMIZE CAPITAL	IMPROVE ASSET QUALITY	TRANSFORM OPERATING MODEL	MAXIMIZE COMMERCIAL BANK VALUE	ADOPT LEAN BUT STEERING CENTER
Reinforce capital	Increasing coverage ratio of bad loans	Digitalization and process redesign	Tailored strategies	KPIs to drive performance and accountability
Capital optimization actions	Strong risk discipline	Improved efficiency and customer focus	Synergies and cross-selling	Leaner support functions and transparent cost allocation

Transform Our Operating Model

Among the key pillars of UniCredit's strategic plan for 2017-2019, one of the most important objectives is the transformation of the Group's operating model. The purpose of this is to strengthen our customer focus, service and products while simplifying our structure and increasing our efficiency.
Digitalization will enable the transformation and make it possible to achieve a lower sustainable cost base.

The main initiatives include:

- **Redesigning end-to-end processes and lowering the cost of "running the bank"** by leveraging our global operations and developing economies of scale
- **Strengthening client focus** by further improving the customer experience, carrying out product standardization, and engaging in more client-facing activities
- **Investments in IT** that will support the business transformation with greater digitalization, the technological improvement of core systems, and ongoing infrastructure updates



Content

One Bank, One UniCredit.

A shared vision based on Five Fundamentals.

As a strong pan-European Group with leading banks in 14 core markets, and operations in another 18 countries, we perfectly embody our vision to be “One Bank, One UniCredit”. A simple pan-European commercial bank enriched by multiple cultures where everybody shares the same vision and are guided by our Five Fundamentals: Customers First, People Development, Execution & Discipline, Cooperation & Synergies and Risk Management.

Financial highlights

UniCredit Group Hungary – IFRS consolidated

Profit figures

(HUF million)

	2016	2015
Operating result	66,600	47,019
Profit before taxes	66,479	49,786
Profit after taxes	**53,685**	**38,701**

Balance Sheet figures

(HUF million))

	2016	2015
Balance Sheet Total	**2,737,006**	**2,709,503**
Loans and Advances to customers (net)	1,117,800	1,057,014
Deposits from customers	1,551,019	1,504,825
Shareholder Funds	299,153	249,349

Indicators

	2016	2015
Return on Equity before taxes	24.24%	21.12%
Return on Equity after taxes	19.58%	16.42%
Return on Average Assets (ROA) before taxes	2.44%	2.01%
Return on Average Assets (ROA) after taxes	1.97%	1.57%
Cost Income Ratio*	40.03%	50.57%
Net fee income in percentage of Total Operating Income	33.62%	33.85%

Indicators prescribed by HFSA (HAS)

(HUF million)

	2016	2015
Regulatory Capital**	261,875	223,990
Risk Weigthed Assets	1,291,080	1,232,008
Total Capital Ratios	**20.28%**	**18.18%**

Other figures

	2016	2015
Headcount (FTE)	**1,728**	**1,700**
Number of locations	57	58
Number of branches	55	56

* Based on standard of Consolidated Financial Statement

** After dividend payout deduction

Management report

The international economic and financial environment

Global trends exhibited some degree of ambiguity last year. On the one hand, global economic growth remained stable, overall, although this masked diverging performance among individual regions and countries. On the other hand, political and geopolitical risks intensified and negative or unexpected scenarios materialised.

In the referendum held on 23 June, UK voters opted for leaving the European Union. Brexit prompted the resignation of David Cameron, and Theresa May took over as Prime Minister. She is expected to launch the formal Brexit negotiation process by the end of March 2017. Stock markets plummeted right from the day following the referendum, with fire sales of the sovereign bonds and currencies of not only the UK but those of more vulnerable European countries as well. Investors took flight to safety in precious metals and long-term German government securities. The exchange rate of the pound sterling against major currencies plunged to its lowest level in 30 years, oil prices abated and among quoted shares, it was mainly the stocks of airlines and European banks that bore the brunt of the referendum. Another momentous event of last year was the US presidential election in November, which ended, against all expectations, with the victory of the Republican candidate, Donald Trump. After a brief episode of sell-offs, the announcement of the stimulus programme envisaged by Trump and a somewhat more restrained victory speech of the President-elect reversed market expectations, and US stocks rose sharply with a simultaneous strengthening of the dollar. Owing to improving labour market developments and recovery in domestic demand, the US proved to be the driver of GDP growth in developed economies in 2016 as well. After an interval of one year, with the US economy approaching full employment, the Fed raised interest rates last December as expected.

2016 brought mixed growth effects for the euro area. Although positive news dominated, negative risks also intensified. The remarkable shock resilience of the euro area economy proved to be the most favourable positive phenomenon of the year: despite the turbulence of early 2016, Brexit and weak global trade developments, corporate and household confidence remained stable, and the economy as a whole grew by 1.7 per cent during the year. This performance, however, cannot be deemed overly outstanding in the light of the numerous growth stimulating factors at work, such as low commodity prices, a relatively weak euro and the persistently accommodating monetary policy of the European Central Bank (ECB). In addition, in order to stimulate growth further and to avoid mild deflation risks arising in the first half of the year, the ECB announced a massive, comprehensive easing package in March: it reduced the key policy rate and the interest rate on the deposit facility to 0% and –0.4%, respectively. It also extended its asset purchase programme and launched a new series of long-term refinancing operations, each with a maturity of four years. Subsequently, at the end of 2016 the ECB extended the asset purchase programme (due to end in March 2017) until at least December. At the same time, however, it cut the amount of monthly purchases to EUR 60 billion from EUR 80 billion. A number of measures were introduced that enable the ECB to buy higher volumes of short-term securities. This implies further easing at the short end of the yield curve but tightening at the long end, which, as a combined effect, steepens the yield curve.

The performance of emerging and developing countries showed even more divergence than that of developed economies. The slight deceleration in Chinese GDP growth continued, which is consistent with the country's structural transformation and its shift toward a more sustainable growth structure. That notwithstanding, China's GDP grew by 6.7 per cent in 2016. The accumulation of corporate debt in the financial system – which was originally intended to facilitate the capacity expansion of previous years – still poses a significant challenge for China. Meanwhile, major commodity producers such as Russia or Brazil remained in recession, albeit to a lesser degree.

Domestic macroeconomic developments

For Hungary, in 2016 the scale of the imaginary overall economic balance shifted to the positive side. Indeed, even though Brexit and ailing global trade represented negative macroeconomic factors for an economy largely dependent on the external environment, further improvement in the country's equlibrium positions and stable economic growth delivered the long-awaited upgrade in Hungary's debt rating. The investment grade status of Hungarian sovereign debt was restored by each of the three major rating agencies, giving a further boost to the Hungarian government securities market and to the forint's exchange rate against the euro. Hungarian instruments proved to be relatively resilient to the market turmoil prompted by the UK referendum. Initially, the HUF/EUR exchange rate bounced up to HUF 322 from HUF 315, but subsequently it levelled off at around HUF 317–318; in other words, the Hungarian currency avoided any major weakening. The leap in secondary market government bond yields by around 20 basis points on average also proved to be temporary, and after this swing the yield decline typical throughout the year continued over all maturities.

Compared to 3.1 per cent in 2015, last year Hungarian economic growth decelerated to 2 per cent. As expected, the performance of individual sectors showed pronounced differences. Thanks to favourable labour market developments, a subdued inflationary environment and improving confidence, GDP growth was

Management report (Continued)

primarily driven by private consumption and services. At the same time, investment activity and the performance of construction deteriorated significantly. As EU transfers dwindled with the switch to the new programming period, fixed capital formation declined by 20 per cent last year, resulting in a 63 per cent contraction in public sector projects. Investment activity also moderated in the corporate sector: while the capacity enlargement projects launched in previous years had been completed, already announced new construction projects were yet to start. Meanwhile, the effect of the upswing in the housing market will be perceivable only from 2017.

In addition, towards the end of 2016, the massive general government surplus provided room for an increase in government consumption. In fact, in the third quarter the general government accumulated an unprecedented surplus of 3.3 per cent of GDP, which generated a 0.6 per cent cumulated surplus. This left enormous room of manoeuvring in fiscal policy, and the government made use of the opportunity: the end of the year saw a steep rise in government expenditures. This, however, elicited only a moderate effect on the real economy in the last quarter of the year. Although the contribution of government consumption to growth increased, a substantial part of the expenditures was absorbed by the pre-financing of EU projects, the growth-inducing effect of which only materialises with a time lag.

Despite the temporary dry-up of EU transfers, the current account surplus swelled and the external financing capacity improved further in 2016, boosted – in addition to the increase in the volume of exports – by the significantly improving terms of trade against the background of low oil prices. Consequently, the net lending position of Hungary remained persistently favourable.

Labour market trends improved further last year, in terms of both the labour force participation rate and the number of people in employment. As a result, by the end of 2016 the unemployment rate shrank to an unprecedented 4.4 per cent level. Despite low inflation, wages rose dynamically throughout the year, fuelled partly by the minimum wage increase and partly by public sector pay rises. At the same time, the upward pressure exerted on wages by the increasingly challenging labour shortage of the Hungarian economy is enormous. The supply-side deficiencies of the labour market entail a broad range of structural problems, which may have a negative impact on Hungary's potential growth rate in the long run.

Large-scale wage outflows have had a subdued effect on inflation trends so far; in 2016 the annual average Hungarian consumer price level increase was 0.4 per cent. This is because the sharp year-on-year fall in commodity prices and weak imported inflation easily offset the somewhat stronger price dynamics observed in services simultaneously with the recovery of consumption. Changes in excise duties and the resumed positive dynamics of oil prices from the second half of the year generated a spike in the inflation rate and accordingly, the previous price level moderation turned into an increase of over 1 per cent in the last months of the year.

Far below the central bank's target, low inflation and the ECB's March programme had paved the way to further monetary adjustment and the maintainance of loose monetary conditions by the National Bank of Hungary (NBH). Following the ECB's announcement, at its March rate-setting meeting the NBH resumed its easing cycle and cut the key policy rate to 0.9 per cent from 1.35 per cent in three consecutive steps. Thereafter, the rate has remained unchanged. In another non-conventional step, the central bank announced to impose a quantitative limit on the amounts accepted in its main policy instrument – the 3-month central bank deposit –, which essentially led to the crowding out of banks from this instrument. The surplus liquidity thus released may flow, for example, to the interbank market, paving the way to further declines in interbank interest rates and ultimately, market rates. On the other hand, banks may use the excess liquidity at their disposal to increase new lending, which may ultimately facilitate economic growth. Moreover, the excess liquidity may boost banks' demand for government securities; this may not only reduce the yields further, but may increase the share of domestic stakeholders – including banks – in the financing structure as well. This, in turn, may contribute to further mitigating the vulnerability of the country.

Apart from temporary swings in the wake of external shocks, the exchange rate of the forint to the euro was stable throughout the year. In fact, in some cases it was subject to significant upward pressures. The strengthening of the forint can be attributed to several factors: substantial transfers were received from the European Commission in the summer, while the upgrades and the robust trade balance surplus also supported the exchange rate of the domestic currency. This was only exacerbated by banks' last race for the 3-month deposit before the quantitative limit came into force, which reduced forint liquidity. As a result, in early autumn the Hungarian forint was traded against the euro below HUF 305.

The performance of the Hungarian banking sector in 2016

The positive developments that started to unfold in the Hungarian banking sector in 2015 continued and intensified. The abating of balance sheet adjustments, the conversion of foreign currency loans to forint, improving confidence and stable economic performance all contributed to a turnaround in the banking sector both in terms of profitability and lending. After several years of losses, the sector recorded profits after tax amounting to HUF 456 billion. It was another positive change that instead of the 2–3 banks that had previously been able to contribute to profitability, in 2016 most major

Management report (Continued)

participants closed a profitable year. Obviously, the improvement in profitability also reflected the significant reduction of the bank levy from 2016, the progress in portfolio cleaning and the fact that in line with favourable economic and labour market developments, the ratio of non-performing loans declined. Some important details, however, suggest that the situation is somewhat more complex. It should be emphasised that profitability was also influenced by numerous one-off items that items that are not closely and organically related to the commercial activity of Hungarian banks, such as the one-off income collected from the sale of Visa's European organisation. At the same time, as a result of capacity reductions, branch closures and tighter cost policies, expenditures decreased year-on-year. Perhaps the most important factor, however, was that impairments and provisioning once again made a positive contribution to profitability through releases and write-backs. In fact, nearly 20 per cent of net income derived from this atypical and unsustainable profitability boosting item. Meanwhile, it is the extremely low interest rate environment that poses the greatest challenge for the sector, exerting significant downward pressure on banks' net interest income. As deposit rates are extremely low already, a potential heightening of market competition or a further drop in interbank rates would squeeze interest margins even further.

Thanks to the recovery of housing market demand (which was further boosted by the extension of the state subsidy scheme), demand for loans increased in the retail segment last year. Despite the continuing downward trend in total outstanding household debt (not least due to the portfolio sales), in 2016 new forint-based housing loans rose by 30 per cent year-on-year. In this segment, bank competition has significantly intensified in recent months. At the same time, the outstanding borrowing of the corporate sector stagnated in 2016 despite the 4 per cent transaction-based increase generated by a number of state programmes benefiting small and medium-size companies. As in previous years, against the background of a declining interest rate environment, retail investors tended to abandon bank deposits for government securities and investment funds with higher returns. Toward the end of the year, however, the deposit holdings of both households and corporations increased, but this was attributable to EU transfers. As a net result, the loan-to-deposit ratio of the sector remained at low levels, far below 100 per cent.

In the wake of portfolio cleaning and economic recovery, in 2016 the portfolio quality of the banking sector showed spectacular improvement. After a more than 4 per cent decline in the corporate segment and a nearly 5 per cent improvement in the household one, the share of 90 days past due loans dropped to 5.4 per cent and 12.7 per cent, respectively. As regards commercial property loans, the activity of MARK Zrt. – the asset manager set it up in 2015 – is expected to intensify mainly in 2017, whereas the continued operation of the National Asset Management Company supported the cleaning of non-performing mortgage loans.

The performance and result of UniCredit Bank Hungary Zrt. in 2016

UniCredit Bank Hungary Zrt. closed a very successful year in 2016. Both in balance sheet total and in the bottom line the Bank surpassed its historic level of 2015, as a result of which in terms of size it ranked third amongst Hungarian banks, while the Bank reached the second highest net profit in the sector. An increase of more than 39 percent in profits is even more outstanding if we take into account that interest rates continued to decline over the past year.

Based on the Consolidated Balance Sheet and Profit and Loss Statement prepared according to International Financial Reporting Standards (IFRS), the balance sheet total of UniCredit Bank was 2,737 billion forint at the end of 2016, an increase of 1 percent compared to previous year. Based on total assets according to the Hungarian Accounting Standards the Bank achieved a market share of 8.9 per cent in 2016.

The outstanding profit after tax of 53.7 billion forint means an excellent 20 per cent return on equity ratio (ROE), which is thanks to the stable customer base, the excellent loan portfolio quality and the outstanding cost-efficiency (40 percent cost/income ratio).

The Bank's revenue exceeded the level of previous year by 2.3 per cent in 2016. Due to the declining interest environment, net interest income decreased slightly (- 1.6 per cent), which was offset by increasing fees and commissions (+ 1.6 per cent) and excellent trading result (+ 25 per cent).

The Bank continuously monitors the business environment and the needs of its customers to adjust its business model. As a result, in 2016, the Bank continued to focus on digital banking, supported by several other developments providing positive customer experience.

Due to the traditionally lower than the sector average as well as improving ratio of non-performing loan portfolio the loan loss provision of UniCredit Bank decreased by 32 per cent in 2016.

For the Bank, the year of 2016 was also successful with respect to the development of customer volumes. The Bank's customer loan portfolio grew by 5.8 per cent, while deposit volumes increased by 3.1% despite the changes in savings and investment preferences induced by the low interest rate environment. The loan-to-deposit ratio of the Bank stood at 72 per cent at the end of 2016.

UniCredit Bank Hungary Zrt. served nearly 400 thousand customers in its country-wide branch network of 55 units at the end of 2016.

Corporate Social Responsibility

In 2016 UniCredit Ban. stepped up its long-standing commitment to child health and children's healthy living. Besides its traditional programmes, in 2016 new organisations and institutions were added to the list of those supported by the bank in this area. It donated funds to Szent Márton Paediatric Emergency Medical Service to finance the purchase of special surgical dressing. With the help of the donation, the Medical Service can buy surgical dressings of an entire year that dramatically alleviates the pain of children suffering from burns. By coordinating the activities of ADRA-Vitium Equal Opportunities Foundation, the bank supported the purchase of modern equipment that significantly improve the life chances of low birth-weight infants in Szent Margit Hospital and the Clinic in Péterfy Sándor street. On the occasion of opening its largest branch so far in the 13th district, the bank offered a major donation to Bátor Tábor Foundation, a client of the bank for 15 years organising therapeutic recreation camps for children with chronic diseases.

It was a great opportunity for the promotion of regular exercise that, in the 8th year of its partnership with UEFA, UniCredit Bank once again sent off to its traditional European tour the silver trophy awarded to the winner of the UEFA Champions League. The last two stops of the tour were Debrecen and Budapest. On this occasion, the bank organised a charity soccer tournament where participating teams were invited to give the donations provided by the bank to any foundation of their choice involved in the promotion of children's health. The team consisting of the employees of UniCredit Bank Hungary Zrt. supported Mosoly Alapítvány, the team of Hungarian artists supported Őrzők Alapítvány – a foundation operating at Semmelweis University's Paediatrics Clinic in Tűzoltó utca –, whereas the Hungarian team of journalists and the team of "Sports Fanatic Olympians" offered their respective donations to Magyar Bohócok a Betegekért Alapítvány and Csodalámpa Alapítvány to support the foundations' efforts in serving children's health.

In September 2016, the "Pass it on!" programme was launched for the 8th consecutive year. As in previous years, tens of thousands of schoolchildren from nearly 80 participating elementary schools experienced the joy of physical activity at a variety of exciting sports events. The donations targeted to the schools by UniCredit Bank were intended to support the schools' all-day sports events or the purchase of new sports equipment.

Another key pillar of the Bank's corporate social responsibility is the support of innovations for enhancing equal social opportunities. Under the social innovation programme "Take a step with us!" – an extremely popular initiative among NGOs – four organisations received support to further the implementation of their goals.

The donation to SUHANJ! Alapítvány went toward the establishment of a heretofore unique, awareness-raising wheelchair accessible fitness room equally suitable for the hearing or visually impaired and the unimpaired. A donation was also granted to Igazgyöngy Alapítvány in support of the foundation's initiative to involve disadvantaged groups in the world of productive work, UniCredit Bank also considered the enhancement of the Bódvalenke Fresco Village project of the Hungarian Reformed Church Charity Service a worthwhile cause. The programme also contributed to expanding the services of Nem Adom Fel ("Never Give Up") Café & Bar, the first Budapest café founded and run by people with disabilities. In addition to the financial sponsorship of UniCredit Foundation, the beneficiaries were invited to participate in a 6-month professional capacity enhancement programme tailored to their individual needs to ensure the long-term sustainability of their goals. Senior managers of UniCredit Bank also participated in this mentoring programme. In recognition of its achievements, the "Take a step with us!" social innovation programme was awarded the title "Exemplary CSR Practice" by the Hungarian PR Association.

As a tradition since 2003, the donation programme of bank employees also serves the goals of the non-governmental sector. Under the programme, each year UniCredit Foundation doubles the donations of bank employees to support the work of the NGOs of their choice.

Protecting the natural environment is a core social responsibility of UniCredit Bank. To that end, the bank joined the "Earth Hour 2016" initiative and also continued its "Green Office" programme aimed primarily at emission control and the preservation of natural resources. In the spirit of preserving cultural and artistic value, once again, the bank sponsored several high-quality cultural events in 2016.

Customers First

Our top priority, every minute of the day, is to serve our customers the very best we can. We provide solutions for a wide variety of different personal finance and enterprise business needs. Our products and services are based on our customer's real needs and aimed at creating value for both individuals and businesses.

Report on the divisions

Corporate and Investment Banking and Private Banking Division

2016 was the most successful year so far for the Corporate, Investment Banking and Private Banking Division. In terms of both income and profit, the division continues to be the most dominant segment of the bank. It responded with a great deal of flexibility to the most significant market challenges of 2016: the extremely low forint interest rates and the negative interest rate environment of foreign currencies most relevant to the Hungarian economy. Thanks to our remarkable revenue flow, continued stringent cost management and low risk costs, our profits before taxation were higher than ever.

The main achievement of 2016 was the escalation of our credit market share to record heights: by the end of the year it reached 12.8 per cent, whereas the deposit market also closed the year with an outstanding 12.4 per cent market share. The key driver of the favourable trend in loan volume is our division's capability of financing medium-sized domestic and foreign owned companies extensively (acting as one of the top lenders in this segment), our active role and presence in all major structured financing deals and our resilience to the intra-year volatility of the significant financing deals of large multinational and domestic state-owned partners. In 2016, the bank successfully joined the Market-Based Lending Scheme of the National Bank of Hungary, which was designed to stimulate lending to Hungarian small and medium-sized enterprises. Meanwhile, we also continued to participate in the Funding for Growth Scheme and played a pivotal role in delivering the funds appropriated under the export and trade financing programme of Hungarian Eximbank to targeted enterprises.

The Corporate, Investment Banking and Private Banking Division continued to strengthen its market position in 2016, and our bank remained one of the most successful financial intermediaries serving the corporate segment in the Hungarian market. In addition to profitability and efficiency indicators, this is also reflected in recognitions received from prestigious forums and – as a most important measure – in the feedback from our corporate clients. Based on the objective satisfaction survey conducted among our customers, in 2016 UniCredit was once again ranked first among the most highly acknowledged corporate and investment banks in the Hungarian market as a recognition of its high level of services.

As in previous years, in 2016 we attached great significance to the quality of our service delivery to our clients. In this context, we implemented several system improvements with a view to meeting our clients' unique requests. The key to our success lies in the expertise and experience of our colleagues on the one hand, and in our up-to-date and full range of service proposition on the other hand.

In the field of Structured Finance, 2016 proved to be a very busy year full of challenges and successes again. The area confirmed its leading position in arranging and implementing structured finance transactions for its clients. Our M&A financing activity was particularly strong last year. In 2016, the loans disbursed by Structured Finance grew by 21 per cent; and the bank also succeeded in maintaining the excellent quality and profitability of its loan portfolio.

Last year, the Real Estate Finance team focused on the construction of large-scale office projects and their financing under long-term lease schemes. We are proud to have financed the construction of the Head Office of Magyar Telekom and Ericsson and the enlargement of Graphisoft Park, which also allowed us to contribute to improving the cityscape and liveable environment of Budapest. We also kept in step with the upswing in the market of new homes and we are keen on financing medium and large-size residential property projects primarily in Budapest. In addition, we continue to provide comprehensive services in the financing of hotel, shopping centre and logistics projects. As a result of the significant retrenchment of non-performing loans, in 2016 Real Estate Finance improved its portfolio quality considerably. The sharp increase in the share of construction projects in the loan portfolio has a positive impact on long-term profitability.

In 2016, the Hungarian authorities continued to announce calls for tender for the funds available under the 2014–2020 EU programming period. Calls were regularly monitored by the European Competence Centre of the Bank in order to facilitate access to EU funds through professional financial advisory services. Since our corporate clients may be potential beneficiaries of the competitiveness and rural development programmes, we strived, in each individual case, to find the most suitable financing structure of the development concepts in order to provide our customers with specialised funding solutions.

Similarly to the previous year, in 2016 the bank defined agribusiness as one of its strategic focal points with the aim of optimising its services to agribusiness customers. The sector has a substantial growth potential; our partners are stable and adequately capitalised small and medium-sized enterprises. Agribusiness financing is dominated by special solutions tailor-made to individual clients while also taking into consideration sector-specific factors.

As a member of Factors Chain International (FCI) and the Hungarian Factoring Association, in 2016 UniCredit Bank Hungary Zrt. was able to increase its share in the dynamically expanding Hungarian market. Flow data continue to indicate that after 2015, the bank retained its prestigious second place in 2016 as well.

2016 saw significant changes in market conditions in general and in the interest rate environment in particular, which called for increased adjustment on the part of the GTB (Global Transaction Banking) Cash Management Department. Despite the extremely subdued market interest rate environment, the bank continued to successfully

Report on the divisions (Continued)

increase its customer base. A clear evidence for this is the significant increase in payments and sight deposits. Our high level of service is repeatedly demonstrated by the title of "Best Cash Management Provider" awarded by Euromoney.

As a result of our reliable service level and high-quality customer service, we increased the coverage of our card acquiring services, and our market share also exhibits a smooth upward trend. By the end of the year, the number of terminals was close to 7,000. Online retail sales volumes increased further in 2016; this also boosted online card transactions, as reflected in the growth of the bank's vPOS turnover. Based on customer feedback, we continuously improve the quality of our services and expand our product range. Accordingly, in 2016 we were able to offer EFER transfers, same-day transfers complying with the latest SEPA requirements and advanced xml-based statements to our corporate clients. Also in 2016, we introduced a daily Chinese yuan (CNY) forex quote and as a result, in conjunction with our 3-year-old yuan-denominated account management service, our customers can perform financial transactions with their Chinese partners faster and easier.

After a dynamic portfolio expansion, the Trade Finance team of UniCredit Bank Hungary Zrt. closed an outstanding year in 2016. The total trade finance portfolio grew by 25 per cent compared to the previous year, driven mainly by a 83 per cent increase in outstanding trade loans. The sharp increase in the loan portfolio originated in the bank's intensive sale of Eximbank's refinanced products on the one hand, and in structured and tailor-made trade financing deals on the other hand. It is another significant achievement that the loss of bank guarantees in the wake of the regulatory changes affecting EU funds was partly offset by a 25 per cent rise in the volume of documentary transactions. As a recognition of its performance in trade finance, UniCredit Bank Hungary Zrt. received the "Best Trade Finance Provider in Hungary in 2017" award from Euromoney at the beginning of 2017.

The Global Securities Services (GSS) business of UniCredit Bank Hungary Zrt. closed a very good year in 2016. The business line reinforced its position, retained its role as market leader and successfully expanded its domestic and international customer base. Thanks to the stability of its clientele, the security portfolio in the custody of GSS increased compared with the previous year; this also boosted revenues earned by the business. The remarkable achievements of GSS demonstrate that it provides high-quality, sustainable custodian services and improves the services offered in accordance with the clients' needs with special emphasis on retaining their satisfaction.

In 2015, the National Bank of Hungary decided to add the Hungarian forint to the group of foreign currencies settled in the CLS (Continuous Linked Settlement) system. Following the decision, the bank launched a successful project that led to the acquisition of a 50 per cent market share in the field of "Forint account manager bank for CLS settlements".

Co-arranged by our Corporate Finance Advisory team, the EUR 750 million Eurobond issue of MOL has been one of the most momentous transactions of recent months in the Central and Eastern European region. In addition, our team participated as lead manager in the initial public offering (IPO) of the shares of ALTEO Nyrt. at the Budapest Stock Exchange (BSE), the first such issuance in Hungary since 2011. Both transactions demonstrate that our bank is a leader in the Hungarian capital market. UniCredit Hungary Zrt., too, played a key role in the conclusion of a strategic partnership agreement between the BSE and the London Stock Exchange, which represented major progress in the development and the strengthening of the Hungarian capital market.

Corporate Treasury Sales had a successful year in 2016. Revenues from the sale of foreign exchange, interest rate and commodity risk management solutions surpassed the revenues recorded in 2015 by more than 10 per cent. Our corporate clients continue to represent the greatest demand for our foreign exchange hedging products, but there are signs of an increased interest in commodity coverage products and possible interest coverage solutions in the current low interest rate environment. Besides metals, agricultural and energy products, from the middle of the year clients also had an opportunity to accomplish natural gas hedging transactions with the bank. As in previous years, we offered prudent consulting services to help our corporate clients respond to market challenges with solutions that mitigated their market exposure, rendered their finances more predictable and contributed to increasing the shareholders' value of their company. Institutional sales participated in several successful capital market transactions in 2016, boosting the activity of the Hungarian capital market.

Treasury Trading showed remarkable profitability in 2016. The success of the year was facilitated by efficient risk taking especially among interest and foreign exchange products. 2016 stunned investors with numerous unexpected global market events, such as Brexit, which gave rise to extreme market volatility. Such a tumultuous market environment calls for prudent risk-taking in any trading activity. The bank played a key role as the primary dealer of Hungarian government securities and closed the year among the market leaders in the interbank foreign exchange market as well. Although advanced technology is increasingly gaining ground in financial markets, it would be difficult to maintain and improve the bank's prominent market share without our highly-trained employees.

UniCredit Private Banking closed a particularly successful business year in 2016. At present, we manage savings of more than 1,200 Private Banking clients valued at more than HUF 154 billion . In

2016 both the domestic and the global environment featured low yields, while the stock market boom of recent years gave way to an essentially rising but highly – and at times extremely – volatile market environment (Brexit, global political events). UniCredit's Global Investment Strategy continued to play a leading role in attracting and managing long-term savings; our consultants advised the bank's clients in their financial decisions in line with the strategy. In 2016, the satisfaction index of our clientele improved for the second consecutive year (the customer satisfaction survey was conducted by TNS-Hoffmann Kft.). As a prestigious recognition of the bank's commitment to its clients, UniCredit Bank Hungary Zrt. won the Best Private Bank in Hungary award in Global Finance Magazine's private banking competition among financial institutions, and was awarded the title "Highly Recommended Bank in Hungary" in the Private Bank of the Year competition of The Banker magazine.

After a significant increase in volume in 2016, UniCredit Leasing Hungary reached the 4th place in new businesses. Its activity covers the lease of passenger cars, light commercial vehicles, freight vehicles, agricultural machinery, machinery and equipment and IT devices as well as the provision of operative leasing services. A member of the leasing team is an insurance brokerage firm that, besides providing insurance coverage for leased equipment, also serves the clients of the bank network as an intermediary.

Report on the divisions (Continued)

Retail Customers and Small Businesses Division

In 2016, UniCredit Bank Hungary Zrt.'s Retail Customers and Small Businesses Division continued to pay particular attention to flexibly adapting to market changes and to increasing the satisfaction of its customers in an economic environment of constant challenges.

Our business policy is centred on the establishment of long-term cooperation with customers, and on offering products and services built on customer needs. Apart from customer acquisition, our bank pays particular attention to customer retention. By continuously updating our product range, we strive to satisfy customer needs as fully as possible in the fields of daily banking transactions, savings, investments and mortgage lending. The success of our efforts is confirmed by a steady annual increase in the number of retail customers whose income is regularly transferred to their UniCredit bank accounts, and a large number of small business customers also consider UniCredit Bank their primary bank.

In accordance with its internal guidelines, the division paid particular and continuous attention to the improvement of service quality, the training and professional support of branch network personnel and to the development of sales, and as a result, it achieved a high degree of customer satisfaction. Customer satisfaction with UniCredit Bank has been remarkably strong for years, allowing the bank to remain a market leader in this regard. According to surveys on the services provided in our branches, year after year, our clients are expressly satisfied with service quality, the advisors of UniCredit, the financial counselling tailored to the client's financial needs and with the consultations on next steps to be taken. Similarly, new customers expressed great satisfaction over the helpfulness of our advisors and the atmosphere of our branches.

The surveys found that our customers' willingness to recommend our bank increases continuously: year after year they are more likely to recommend the bank to their acquaintances, family members and business partners.

As a result, the division currently serves over 363,000 customers, including 51,000 small businesses.

The share of the retail segment in the lending market increased to 4.62 per cent from 4.59 per cent, with a loan portfolio of HUF 256.6 billion at the end of 2016. Activity was especially outstanding in retail mortgage loans, and based on the disbursement figures of 2016, the bank captured a 5.4 per cent share in this product market.

Representing a new approach and designed with the principles of responsible lending in mind, our mortgage product named "Stable Interest Rate" made a major contribution to our mortgage sales in 2016. Every other new mortgage loan applicant opted for this product, the popularity of which lies in its predictability: it is repaid in fixed instalments throughout its term.

With the new premium discounts the bank continued to increase its competitiveness among premium clients and now offers an extended product range to customers with premium banking and top affluent status.

The volume of mortgage loans disbursed by the Retail Division in 2016 amounted to HUF 27.4 billion. Intermediary channels continued to make an important contribution to this result.

In 2016 UniCredit Bank Hungary Zrt. continued to provide access to the funds available under the extended second phase of the Funding for Growth Scheme (FGS) launched by the National Bank of Hungary. The scheme succeeded in boosting willingness to borrow and stimulating credit demand among small and medium-sized enterprises, with an increasing number of businesses taking advantage of this preferential funding opportunity. Concentrating on customer needs, UniCredit Bank Hungary Zrt. disbursed loans to small businesses in the amount of HUF 9.6 billion under the FGS, typically for investment purposes. In 2016, UniCredit Bank Hungary Zrt. launched the MFB VFP Patika Loan programme designed for private individual pharmacists. The programme aims to finance the acquisition of the required ownership share of the business organisations operating public pharmacies through a preferential loan product provided to private individual pharmacists. Organised for the first time in 2016, at Bankmonitor's "Best Banking Products 2016" award ceremony UniCredit Bank Hungary Zrt. was awarded "The Most Flexible SME Creditor" title. Building on our experiences in lending to companies with annual sales up to HUF 1 billion, our bank realised the highest share in financing tailored to individual customer needs.

In 2016, the Retail Customers and Small Businesses Division added approximately HUF 33.4 billion to the stock of savings, closing the year at HUF 851.8 billion. The growing number of active small business customers and individuals with income transferred to their accounts made a major contribution to the 19 per cent increment in the sight deposit stock. In addition, the tendency of previous years continued in 2016: in an environment of steadily falling deposit rates, customers began to seek alternative investment opportunities, which they primarily found and continue to find in securities. Among all securities, government bonds gained spectacular prominence in the retail segment. Given the deteriorating performance of investment funds at the end of 2015 and in the first half of 2016 in the wake of negative capital market effects on the one hand, and the near-zero yield potential of money market funds in the extremely low interest rate environment on the other hand, numerous customers reallocated their savings from investment funds to government securities. As a result, the government bond holdings of retail customers rose sharply by more than HUF 105 billion last year. The deposit campaign launched at the end of 2015 also played an important role in the increase of government bond holdings; in the first three months of 2016 numerous clients invested the funds obtained in government securities.

It was a typical trend in 2016 that risk-averse clients reinvested their maturing deposits in government securities; this resulted in a steep decline in their fixed forint deposits. This was also reflected in market share changes: while the bank's market share in the deposit holdings of private individuals dropped to 4.75 per cent, its share in the securities market rose from 5.06 per cent to 5.23 per cent.

We are proud to report that the Pioneer MyPortfolio Fund became 3rd in the "Retail Saving Product of the Year" category of MasterCard's "Bank of the Year 2016" contest.

Mindful of customer needs and habits, we pay particular attention to the development of customer-focused technological solutions, whereby we create value for our customers. With that in mind, we are enhancing our renewed website continuously, and thanks to our efforts, the unicreditbank.hu website had 1,975,441 visitors in 2016 – almost 800 thousand more than in the previous year. 20 per cent of the inquiries submitted on the website were received from mobile devices.

89 per cent of the clientele of the Retail Customers and Small Businesses Division have TelefonBank contracts that allowed more than 322,000 customers to conduct their banking transactions through this electronic channel at the end of 2016. In order to improve customer experience, we raised the response rate of our incoming calls to 93 per cent from 91 per cent while also maintaining the high quality of our customer service.

Easy banking from home is made possible by SpectraNet Internet Banking, available day and night; by the end of the year, 285,000 customers opted for this service, accounting for nearly 80 per cent of all customers. The number of users taking advantage of UniCredit Mobile application introduced in July 2015 grew to 23 thousand from 4 thousand.

In order to allow customers to deposit cash at any time of the day regardless of the opening hours of the branch offices, the bank is continuously increasing the number of ATMs suitable for real-time cash deposits. This convenience function was available at 80 ATMs at the end of 2016. Environmental protection is a key priority for our bank, and an increasing number of customers choose e-statements instead of paper-based bank account statements. At the end of 2016, the vast majority, 222,000 of our customers used this service.

At the end of 2016, the number of debit and credit cards issued by UniCredit Bank Hungary Zrt. exceeded 312,000, and in the Retail Customers and Small Businesses Division, over 78 per cent of active customers had debit cards. From July 2016, the bank issues its credit cards with a new visual design, equipped with chip and contactless functionality. In the course of 2016 we also completed the scheduled replacement of existing retail MasterCard debit cards with contactless cards, enabling our retail customers to make smaller payments in a fast and convenient way.

Report on the divisions (Continued)

Human Resources

Strategy and participation

As in previous years, in 2016 Human Resources (HR) gave priority to the task of providing UniCredit Bank Hungary Zrt. with qualified human resources in a constantly changing economic environment. It did so by making a company-wide, sector-level market comparison on incomes. Based on the results of the market comparison, it adjusted the wages of relatively lower-income employees to market wages. With this, it reinforced the bank's commitment to the retention of its employees on the one hand, and ensured the recruiting of new employees on the other hand. The income adjustment provided an adequate opportunity for the bank to strengthen its market position and at the same time, to reinforce Employer Branding.

HR supports the Group through solutions that are innovative, sustainable over the long term and constantly focused on human capital as value, through the maintenance and improvement of employee commitment and motivation, outstanding talent management and succession schemes combined with stringent cost and headcount management. As part of its involvement, UniCredit Bank Hungary Zrt. strives to reinforce its image as a caring employer by various actions such as the transformation of its cafeteria system and the private healthcare services provided to its employees.

Supporting business processes

A thorough understanding and customer-centred servicing of specific areas and activities in the bank are provided by the HR Business Partner Model that facilitates and accelerates labour, compensation, training and development as well as selection processes.

As part of its remodelling operations, new positions were also created across the organisation. As UniCredit Bank Hungary Zrt. continues to pay special attention to employees' mobility within the organisation and the utilisation of their expertise both nationally and internationally, the bank first reviewed internal applications submitted by colleagues for any vacancies or newly opened positions prior to evaluating any external applications.

The selection of our employees is assisted by a wide range of tools supporting in-depth assessment. They include competence-based and behavioural interviews, professional assignments and tests as well as personality, motivation and work attitude tests.

In 2016, the bank hired 309 new employees. Through internal transfers and promotions, more than 230 (effectively 277) colleagues were offered new career opportunities. 15 colleagues worked in international positions in the UniCredit Group. 45 colleagues returned to the bank from maternity leave. Annual bank-wide fluctuation was 11.8 percent.

Employee satisfaction surveys and the implementation of subsequent action plans are of key importance for the Group as well as for UniCredit Bank Hungary Zrt. The 2016 survey was conducted with an outstanding participation level, with 80 per cent of employees expressing their opinion and an engagement index of 82 per cent. In 2016, employees participating in the talent programme continued their project work under the sponsorship of senior management, as part of which they formulated and implemented action plans for the areas to be developed.

HR also endeavours to increase employee satisfaction by improving its own processes.

Training and development, succession management

HR remains supportive of the continuous training of employees, keeping their knowledge up to date, the sharing of knowledge and the career management of employees within the bank. The latter is implemented by relying on the annual appraisal system, a talent management programme and training programmes for senior and middle-level management.

Talent management is one of the most important elements of UniCredit Group's human resources strategy. The talent management programme is a group-level initiative, which was also adopted by UniCredit Bank Hungary Zrt. ten years ago. Its goal is to identify people in the organisation with outstanding potential, skills and professional knowledge, and to ensure that their career plans are implemented at both national and international level. In 2016, 11 colleagues newly joined our talent programme. UniCredit Bank Hungary Zrt. assigns priority to their development and training (skills, team and project work), thereby providing succession pipeline within the organisation. In 2016 work proceeded in the pre-defined direction, with the focus remaining on innovative training methods. In the spirit of digitisation, the FinTech Innovation Conference was organised, for the first time in 2016, in the context of which colleagues gained insight into topics such as the future of medical sciences or robotics in addition to financial sector innovations.

Management training is just as important as the retention and training of employees who regularly demonstrate high performance levels. Managers at UniCredit Bank Hungary Zrt. and their successors receive targeted training in the framework of senior management training programmes that facilitate their success at work.

A management succession development programme was launched in 2015, which, like the talent program, applied innovative methods. In that spirit, the programme included components such as interactive storytelling and mindfulness-based retreats.

In addition to the colleagues involved in management and talent programmes, all employees were given the opportunity to participate in the training courses developed by the bank's internal team of trainers. Primarily in response to the development needs of the organisation, these training courses are focused on skills development and are very popular among employees. In 2016, nearly 660 employees participated in the training courses.

In addition to talent management and succession planning, knowledge sharing is one of the key values of UniCredit Bank Hungary Zrt. An increasing number of employees are offered the chance of participating in international and national development programmes starting from project work of a few months to assignments spanning several years. This develops not only the personal careers and competencies of our colleagues through encounters with new tasks and information, but it also adds to the intellectual values of UniCredit Bank Hungary Zrt. continuously.

Equal opportunities

Hungary has also joined the international Gender Balance Initiative, in the context of which a Gender Balance Policy was adopted in 2013. The Policy is aimed at enforcing the principle of equal treatment from employee selection through promotion to work-life balance. Changes implemented on a local level under the Policy are monitored internationally. The report on group-level indicators is regularly brought to the attention of the Management Board. The ratio of women in medium-level management is stable and with continuously growing female participation a positive trend is taking shape in senior management as well.

What to expect in 2017?

The 2017 HR strategy is shaped by continued strong management support, strategic workforce planning, the development of participants in the management succession programme, internal customer satisfaction, reinforced employee commitment and cost-aware behaviour by the use of additional innovative solutions related to digitisation in order to ensure the enhanced efficiency and long-term sustainability of operations.

People Development

Our success depends on the quality and commitment of our people. That's why we have such a strong commitment to developing and empowering our teams. We must make sure we can attract and retain the very best talent and we must create and nurture an environment and culture in which our staff can grow, thrive and reach their full potential.

Report on UniCredit Jelzálogbank Zrt.

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

The main activity of UniCredit Jelzálogbank Zrt. is the issue of mortgage bonds and unsecured bonds that typically provide medium- and long-term funding to its own and refinanced loan portfolios. Mortgage loans are primarily secured by first mortgage, independent lien or seceded lien registered on the property financed, located on the territory of Hungary.

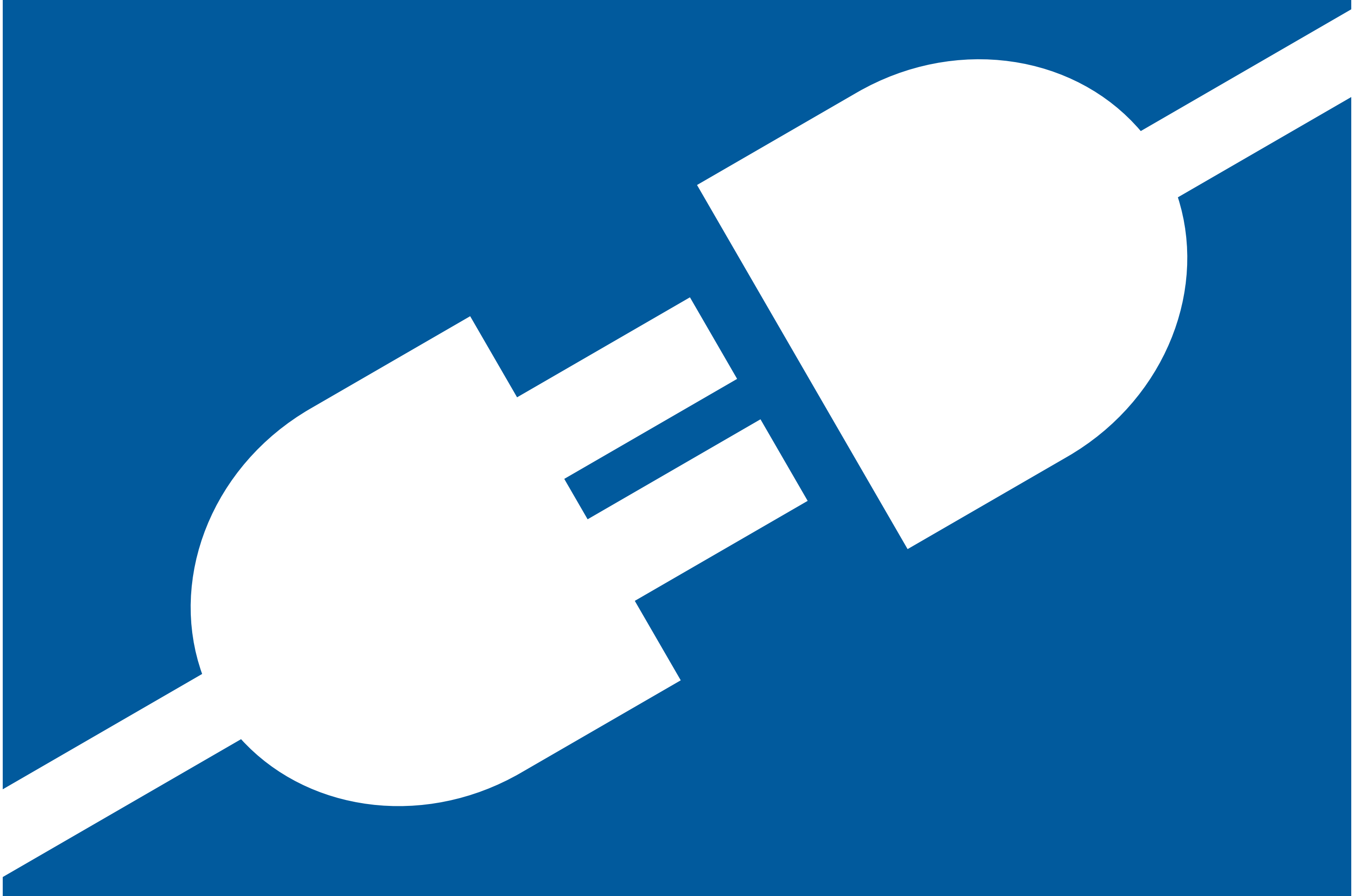
In order to increase efficiency, since 2008 UniCredit Jelzálogbank Zrt. has continuously outsourced some of its supporting activities (such as banking operations, human resources, IT, accounting, etc.) to UniCredit Bank Hungary Zrt. Since 1 April 2009, the tasks of specific business areas of UniCredit Jelzálogbank Zrt. have also been performed by UniCredit Bank Hungary Zrt. as outsourced activities, under agency contracts. Accordingly, all administration related to the financing of commercial real estate and home buyers and to estate development and land financing is performed by UniCredit Bank Hungary Zrt. The issue of mortgage bonds and unsecured bonds serving as the basis for the lending activity and refinancing activity continue to be the responsibility of UniCredit Jelzálogbank Zrt.

In line with its practice to date, UniCredit Jelzálogbank Zrt. obtains the typically medium- and long-term funding for its own and refinanced loan portfolios by issuing mortgage bonds, and through money-market and long-term borrowing. It may also raise the funds required for general operations by issuing unsecured bonds; however, no such issue took place in 2016. The issue of mortgage bonds and unsecured bonds typically takes place as part of offering programmes, in the context of which UniCredit Jelzálogbank Zrt. raises long-term HUF and foreign currency funds from the capital market.

In the current business and market environment, the frequency and volume of mortgage bond issues primarily depend on the structure of the bank's assets and liabilities, the composition of the collateral book, the maturity structure of mortgage bonds and developments in the market yield environment. Mortgage bonds and unsecured bonds may be issued in a number of forms. The form of the issuance and the instruments to be issued are specified in the prevailing base prospectus. In the case of a private offering, mortgage bonds and unsecured bonds are sold to a specific group of investors. In the case of a public offering, the terms of the mortgage bond and unsecured bond issue are laid down in the programme's base prospectus and in the final terms and conditions of each series.

Based on its balance sheet drawn up according to the International Financial Reporting Standards (IFRS), total assets of UniCredit Jelzálogbank amounted to HUF 212,953 million, profits after taxes to HUF 2,122 million as of the end of fiscal year 2016.

Cooperation & Synergies



Our ability to cooperate and generate synergies across departments and geographies is what makes us unique and allows us to be “One Bank, One UniCredit”. We are a true pan-European bank and we work seamlessly across the Group.

Independent Auditor's report

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Company Registration Number: 01-10-044100

Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholder of UniCredit Bank Hungary Zrt.

Opinion

The summary consolidated financial statements (hereinafter: "summary consolidated financial statements") in accordance with International Financial Reporting Standards as adopted by the European, included on pages from 28 to 60 to this Annual Report, which comprise the summary consolidated statement of financial position as at December 31, 2016, the summary consolidated income statement, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in Shareholder's equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of UniCredit Bank Hungary Zrt. for the year ended December 31, 2016.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited consolidated financial statements.

Emphasis of matter

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

Summary consolidated financial statement

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards as adopted by the European Union. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of UniCredit Bank Hungary Zrt. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effect of the events occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 16 February 2017.

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Responsibilities of management for the financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects with the audited financial statement based on our procedures which were conducted in accordance with International Standard on Auditing 810 (Revised) , "Engagements to Report on Summary Financial Statements."

Budapest, 3 August 2017.

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Molnár Gábor
on behalf of Deloitte Auditing and Consulting Ltd.

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

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Financial statements

Consolidated statement of financial position (Balance Sheet) – 31 December 2016

Assets

	NOTE	2016 HUF MILLION	2016 EUR MILLION	2015 HUF MILLION	2015 EUR MILLION
Cash and unrestricted nostros with Central Bank	15	15,184	48.8	20,027	64.0
Financial assets held for trading	16	76,278	245.3	68,818	219.8
Available-for-sale financial assets	17	648,836	2,086.2	575,403	1,837.6
Held-to-maturity investments	18	436	1.4	438	1.4
Placements with, and loans and advances to banks	19	802,841	2,581.3	910,386	2,907.5
Loans and advances to customers	20	1,117,800	3,594.0	1,057,014	3,375.7
Hedging derivative assets	21	31,297	100.6	29,444	94.0
Equity investments	22	-	-	-	-
Investment properties	23	10,787	34.7	14,083	45.0
Property, plant and equipment	24	20,380	65.5	21,096	67.4
Intangible assets	25	3,800	12.2	2,699	8.6
Current tax assets	14	1,111	3.6	737	2.4
Deferred tax assets	14	134	0.4	148	0.5
Assets held for sale	14	115	0.4	-	-
Other assets	26	8,007	25.7	9,210	29.4
Total assets		**2,737,006**	**8,800.1**	**2,709,503**	**8,653.3**

Liabilities

	NOTE	2016 HUF MILLION	2016 EUR MILLION	2015 HUF MILLION	2015 EUR MILLION
Deposits and loans from banks	27	729,254	2,344.7	829,502	2,649.3
Deposits from customers	28	1,551,019	4,986.9	1,504,825	4,805.9
Subordinated loans	29	21,218	68.2	21,361	68.2
Issued bonds	30	23,168	74.5	3,516	11.2
Financial liabilities held for trading	16	68,419	220.0	62,381	199.2
Hedging derivative liabilites	21	25,100	80.7	16,020	51.2
Current tax liabilities	14	-	-	-	-
Deferred tax liabilities	14	1,870	6.0	868	2.8
Other liabilities	31	15,293	49.2	16,795	53.6
Other provisions		2,339	7.5	4,666	14.9
Total liabilities		**2,437,680**	**7,837.7**	**2,459,934**	**7,856.3**

Equity

	NOTE	2016 HUF MILLION	2016 EUR MILLION	2015 HUF MILLION	2015 EUR MILLION
Share capital	32	24,118	77.5	24,118	77.0
Capital reserve		3,900	12.5	3,900	12.5
Retained earnings		154,880	498.0	134,518	429.6
Statutory reserves	33	33,771	108.6	29,432	94.0
Valuation reserves		28,799	92.6	18,680	59.7
Net profit for the year		53,685	172.6	38,701	123.6
Total Equity attributable to the equity holder of the Bank		**299,153**	**961.8**	**249,349**	**796.3**
Minority interest		173	0.6	220	0.7
Total Equity		**299,326**	**962.4**	**249,569**	**797.0**

Total Liabilities and Equity	**2,737,006**	**8,800.1**	**2,709,503**	**8,653.3**

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

Financial statements (Continued)

Consolidated Income Statement – 31 December 2016

		2016		2015	
	NOTE	HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Interest and similar income	6	91,180	293.2	91,592	292.5
Interest expense and similar charges	6	(28,274)	(90.9)	(27,656)	(88.3)
Net interest income	**6**	**62,906**	**202.3**	**63,936**	**204.2**
Fee and commission income	7	48,718	156.6	47,961	153.2
Fee and commission expense	7	(8,865)	(28.5)	(8,720)	(27.8)
Net fee and commission income	**7**	**39,853**	**128.1**	**39,241**	**125.3**
Dividend income	8	185	0.6	208	0.7
Net trading income	9	13,108	42.1	11,228	35.9
Net gain and loss on other financial instruments	10	2,493	8.0	1,301	4.2
Operating income		**118,545**	**381.1**	**115,914**	**370.2**
Impairment and losses on credit products	34	(6,681)	(21.5)	(9,757)	(31.2)
Net financial activity result		**111,864**	**359.7**	**106,157**	**339.2**
Personnel expenses	11	(17,939)	(57.7)	(17,090)	(54.6)
General operating expenses	12	(37,711)	(121.2)	(43,364)	(138.5)
Provision on the compensation of FX loans	34	–	–	–	–
Other provision	34	2,194	7.1	(523)	(1.7)
Amortization and impairment on property, plant and equipments	24	(1,277)	(4.1)	(1,708)	(5.5)
Amortization and impairment on intangible assets	25	(1,498)	(4.8)	(421)	(1.3)
Other income	13	10.967	35.3	3,968	12.7
Operating costs		**(45,264)**	**(145.5)**	**(59,138)**	**(188.9)**
Gain / (losses) on investments	22	(86)	(0.3)	2,979	9.5
Gain / (losses) on investment properties		(35)	(0.1)	(212)	(0.7)
Profit before tax		**66,479**	**213.7**	**49,786**	**159.1**
Income tax expense	14	(12,794)	(41.1)	(11,085)	(35.4)
Net profit for the year		**53,685**	**172.6**	**38,701**	**123.7**

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

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

Consolidated statement of comprehensive income – 31 December 2016

(HUF million)

	NOTE	2016	2015
Net profit for the year		**53,685**	**38,701**
Movement in fair value reserve (available-for-sale financial assets)		6,838	3,331
Income tax on fair value reserve	14	(140)	(633)
Net movement in fair value reserve		**6,698**	**2,698**
Movement in cash-flow hedge reserve		1,747	(3,163)
Income tax on cash-flow hedge reserve	14	1,674	601
Net movement in cash-flow hedge reserve		**3,421**	**(2,562)**
Total comprehensive income for the year		**63,804**	**38,837**

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

Consolidated statement of changes in Shareholder's equity – 31 December 2016

(HUF million)

	ORDINARY SHARES	CAPITAL RESERVE	RETAINED EARNINGS	STATUTORY RESERVES	VALUATION RESERVES		NET PROFIT	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
					Fair value reserve	Hedging reserve				
Balance at 1 January 2015	**24,118**	**3,900**	**136,199**	**23,336**	**1,152**	**17,392**	**16,030**	**222,127**	**207**	**222,334**
Net profit for the previous year	–	–	16,030	–	–	–	(16,030)	–	–	–
Total comprehensive income for the year	–	–	–	–	2,698	(2,562)	38,701	38,837	–	38,837
Dividend to equity holder	–	–	(11,627)	–	–	–	–	(11,627)		(11,627)
Business combination	–	–	12	–	–	–	–	12	13	25
Appropriations Transfer to retained earnings	–	–	(6,096)	6,096	–	–	–	–	–	–
Balance at 31 December 2015	**24,118**	**3,900**	**134,518**	**29,432**	**3,850**	**14,830**	**38,701**	**249,349**	**220**	**249,569**
Net profit for the previous year	–	–	38,701	–	–	–	(38,701)	–	–	–
Total comprehensive income for the year	–	–	–	–	6,698	3,421	53,685	63,804	–	63,804
Dividend to equity holder	–	–	(14,000)	–	–	–	–	(14,000)		(14,000)
Business combination	–	–	–	–	–	–	–	–	(47)	(47)
Appropriations Transfer to retained earnings	–	–	(4,339)	4,339	–	–	–	–	–	–
Balance at 31 December 2016	**24,118**	**3,900**	**154,880**	**33,771**	**10,548**	**18,251**	**53,685**	**299,153**	**173**	**299,326**

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

Consolidated statement of cash-flows – 31 December 2016

Cash flows from operating activities

(HUF million)

	NOTE	2016	2015
Profit before tax		**66,479**	**49,786**
Items not involving movement of cash:			
Depreciation and amortisation	24, 25	2,775	2,129
Scrapped and transferred fixed assets		-	-
Profit on disposal of property, plant and equipment		(17)	(12)
Net impairment and losses in credit products		(9,653)	(31,444)
Net loss/gain from cashflow hedging assets		8,974	10,299
Foreign exchange loss on subordinated loans		(143)	(121)
Fair value change of investment properties		35	212
Foreign exchange loss/ (gain) on investment properties		41	(77)
Business combination		-	(124)
Income tax paid	14	(12,794)	(11,085)
Cash flows from operating profits before changes in operating assets and liabilities		**55,697**	**19,563**
Change in financial assets held for trading		(7,460)	5,331
Change in tax assets		(90)	3,210
Change in other assets		1,203	2,511
Change in tax liabilities		2,266	1,143
Change in other liabilities		(2,955)	7,801
Change in loans and advances to customers		(52,054)	(73,460)
Change in deposits with other banks		107,545	(100,267)
Change in deposits from customers		46,194	296,590
Change in deposits from other banks		(100,248)	161,679
Change in financial liabilities held for trading		6,038	1,148
Net cash from operating activities		**439**	**305,686**

Cash-flows from investing activities

(HUF million)

	NOTE	2016	2015
Proceeds on sale of property, plant and equipment		121	25
Proceeds on sale of intangible assets		-	1,522
Addition of property, plant and equipment		(780)	(325)
Addition of intangible assets		(2,599)	(2,392)
Change in equity investments		-	1
Change in held to maturity investments		2	1,929
Change in available for sale financial assets		(66,595)	(309,337)
Change in investment properties		3,220	(191)
Net cash used in investing activities		**(66,631)**	**(308,768)**

Cash-flows from financing activities

(HUF million)

	NOTE	2016	2015
Change in issued bonds		19,652	748
Dividend paid		(14,000)	(11,627)
Net cash from financing activities		**5,652**	**(10,879)**
Net Increase in cash		(4,843)	5,602
Cash at the beginning of the year	15	20,027	14,425
Cash at the end of the year	**15**	**15,184**	**20,027**

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

Notes to the financial statements

1. General

UniCredit Bank Hungary Zrt. (“UniCredit” or “the Bank”) is registered as a joint-stock company under Hungarian law and is licensed to conduct universal banking activities in Hungary. The address of the Bank’s registered head office is H-1054 Budapest, Szabadság tér 5-6. The Bank is a wholly owned subsidiary of UniCredit S.p.A.

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

These financial statements were approved by the Supervisory Board on 16 February 2017.

2. Basis of preparation

a.) Statement of compliance

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

b.) Basis of measurement

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

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

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

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

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

3. Significant accounting policies

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

a.) Consolidation principles

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

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

Notes to the financial statements (Continued)

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

b.) Consolidation procedures

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

Intra-group balances as well as incomes and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements.

c.) Comparatives

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

d.) Cash and cash equivalents

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

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

e.) Financial instruments

i) Classification

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

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

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

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

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

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

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

Notes to the financial statements (Continued)

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

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

ii) Recognition and de-recognition

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

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

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

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

iii) Measurement

Initial measurement

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

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

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

Subsequent measurement

Fair value measurement principles

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

Gains and losses on subsequent measurement

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

Notes to the financial statements (Continued)

f.) Transactions in foreign currency

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

g.) Equity investments

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

h.) Property, plant and equipment

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

i.) Intangible assets and goodwill

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

j.) Depreciation and amortisation

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

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

k.) Impairment on non-financial assets

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

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

l.) Loans and advances

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

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

Income for the period on loans and advances is determined by using the effective interest rate method. The effective interest rate is established individually for all loans and advances. When calculating the effective interest rate, all contracted cash flows are taken into account including fees,

Notes to the financial statements (Continued)

commissions, as well as possible premiums or discounts. Estimated future credit losses are, however, not included. The result of this calculation is charged to the income statement.

m.) Impairment and losses on credit products

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

n.) Deposits from banks and customers

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

o.) Issued bonds

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

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

p.) Equity elements

i) Statutory reserves

General reserve

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

Tied-up reserve

This reserve is an appropriation from the retained earnings for future purchases of tangible or intangible assets in order to obtain tax benefits. It is released to retained earnings in line with the expenditure for such assets.

ii) Valuation reserves

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

q.) Derivative financial instruments

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

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

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

r.) Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group normally issues either

Notes to the financial statements (Continued)

short-term guarantees, with an initial payment, or long term guarantees, for which it receives regular fee income. Financial guarantees are reviewed quarterly, and a provision is created in the amount of any expected payment. These provisions are included in other liabilities.

s.) Income

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

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

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

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

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

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

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

t.) Income tax

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset in the statement of financial position after the analysis, carried out according to IAS 12.

u.) Events after the reporting date

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

Notes to the financial statements (Continued)

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

v.) Segment reporting

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

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

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

w.) New standards and interpretations not yet adopted

Standards and Interpretations effective in the current period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015).
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any changes in the Bank's accounting policies.

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

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

- **IFRS 9** "Financial Instruments":

Notes to the financial statements (Continued)

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments, and in November 2016 the EU has adopted it. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Bank currently plans to apply IFRS 9 initially on 1 January 2018.

The Group is currently working on the estimation of the actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018, as it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 has no material impact on the effective interest rate calculation. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for loans and receivables. In the assessment of the SPPI criteria the Group analyses whether the interest of loan commitments only contains solely payments of principal and interest. For the SPPI assessment the Group is using a tailor-suited IFRS 9 SPPI lending tool. Based on its advance expectations the main part of the Group's loan portfolio will pass the SPPI criteria and therefore will be measured at amortised cost.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

During the financial year 2016 UniCredit Group proceeded with the development of business and risk concepts addressing the changes in accounting and methodological framework. As part of this effort numerous impact studies were performed and are planned to continue in 2017. Besides the impact simulation rounds, a data availability and data quality assurance program was launched in order to identify data sourcing logic and other IT impacts.

New methodology for ECL measurement (multi-year PD, LGD, EAD) and transfer logic was finalised and documented on UniCredit Group level and customised based on local peculiarities in 2016. Local master-plan for IT implementation was prepared in order to support Group and regulatory requirements. Professional vendor for the IFRS9 compliant IT tool was chosen and the development is in progress covering all related entities. Based on the designed risk models, detailed business requirement documents and functional specifications were prepared as a starting point for local IT developments and implementations.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group intends to make ongoing impact assessment simulations to analyse effects from first time adoption throughout 2017.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

- **IFRS 15** "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018).

Notes to the financial statements (Continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU
At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 03 March 2015 (the effective dates stated below is for IFRS in full):
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 2 "Share-based payment" – Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016, effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 "Insurance contracts" – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016, effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (the effective date was deferred indefinitely until the research project on the equity method has been concluded).
- Amendments to IFRS 15 "Revenue from Contracts with Customers" – Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 40 "Investment property" – Transfers of Investment Property (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2018).
- Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2018). The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated. According to the Group`s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied at the end of the reporting period.

4. Risk Management Policies

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

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

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

Credit regulations include 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, as well as the definition of eligible collaterals and the rules of their valuation by the Credit Risk Officer and approved in general by the Management Board, in details by the Chief Executive Officer.

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

Notes to the financial statements (Continued)

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

The Group applies a rating master-scale consisting of 26 notches within 10 rating classes. Thereof three notches serve for the defaulted customers, the others for the performing ones. Ratings refer to the probability of default (PD) according to the (group-wide used) master-scale. (Certainly, in case of defaulted clients PD is 100%.).
Client classification is not equivalent to 'loans' classification.

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

General principle is that the collateral:
- shall be legally binding and recoverable;
- shall be directly accessible and
- appropriate to be liquidated in time.

The Group accepts and registers in its system the following types of collateral:
- Financial collateral held at own bank;
- Financial collateral held with other institutions;
- Insurance;
- Personal collateral – direct;
- Personal collateral – indirect;
- Real estate collateral;
- Assignment of receivables, pledge on receivables;
- Movable property collateral;
- Other collateral.

The basis for the valuation of collateral is the market value adjusted by the following factors:
- Collateral haircut: a percentage showing the expected loss (in per cent) of the market value in case of realisation of the collateral. Haircut is separately defined for every collateral type.
- Currency haircut: in case of mismatch between the currency of the loan and that of the collateral, the Group applies currency haircut to take into account currency risk.
- Maturity haircut: maturity mismatch occurs on exceptional basis, if the term of the collateral/collateral agreement is shorter than that of the agreement for the commitment. In such cases a haircut must be applied.

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

The price/value of financial collateral is updated daily in the collateral system.
Eligibility of guarantees and surety is subject to proper evaluation of the guarantor according to the respective internal rules.

Loan classification
The Group assesses whether there is objective evidence that loans and advances are impaired. Loans and advances are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that loans and advances are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults in the Group.

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

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

Notes to the financial statements (Continued)

Individual classification is necessary if the total exposure of the client exceeds a certain limit predefined in the relevant internal regulation. In this case the classification has to be based on the expected cash flows, evaluated and revised according to the following aspects:
a) the credit rating of the customer or the partner: the financial position, stability and income-generating capacity of the customer or partner affected by the financial or investment service and issuer of the security, and any changes thereto;
b) compliance with the rules of repayment (delay): delays in the repayment of the principal and its interests arising in connection with the repayment of the receivable;
c) the country risk relating to the customer (in respect of both political and transfer risks) and any changes thereto;
d) the value of collateral pledged in security, their liquidity and accessibility, and any changes therein;
e) the re-saleability and liquidity of the item (the market conditions of supply and demand, the available market prices and participation in the issuer's equity capital in proportion to the investment);
f) the future payment obligation recognized as a loss arising from the item.

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

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

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

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans or securities agreements.

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

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

The Group allocates impairment for incurred but not reported loss (IBNR) according to IFRS based on the parent Group guidelines.

For predefined sub-portfolios expected loss is calculated based on the following formula:

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

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

At sub-portfolio level, too, the loss confirmation period (LCP) is defined (ranging from 4 to 12 months), which shows the average time period between the deterioration of the client's financial situation and its detection by the Group.
IBNR is calculated by multiplying EL by LCP, and increase/decrease is booked accordingly.

Notes to the financial statements (Continued)

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

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

In the first month of 2016 the Bank performed the last step of FX conversion (based on Act LXXVII/2014).

As for new retail loans, the Group applies selectivity that implies more focus on products and segments with lower risk profile, also in accordance with Holding Policies and Guidelines, the legal provisions about responsible lending (implemented in 2010) and the legal provisions on debt to income and loan to value ratios (implemented in 2015, modified in 2016). Thanks to this, the quality of newly disbursed portfolio is very good.

The Group lays strong emphasis on all elements of collection and – in addition to the programs prescribed by law or recommendation (etc. 1/2016 of the National Bank of Hungary (III.11.) No. Recommendation for payment of past due mortgage loans restoration) – it continuously offers the possibility of renegotiation to its private individual clients in payment delay due to financial problems (e. g., termination of employment) or unfavourable economic conditions. The Group fulfilled the NBH. 1/2016. (III.11) No. recommendation and implemented it in the processes.

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

In the corporate segment in 2016 the strengthening of our financing activity was still in focus. Simultaneously, we continued to lay special emphasis on monitoring, restructuring and collection activity. Regarding corporate portfolio, the Group's lending policy is differentiated by sectors and it defines a selective risk approach for new transactions in the most endangered sectors. In 2016 a significant part of the problematic loans is still related to real estate financing deals stemming from the preceding years. Thanks to our prudent risk taking policy, however, the portfolio composition in the other sectors is still balanced regarding the problem-free exposures and among the clients handed over to special treatment in 2016.

ii) Liquidity risk
Liquidity risk arises if the bank is unable to meet due obligations associated with its financial liabilities in time in any currency.

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 they fall due. Effective liquidity management is gaining importance in recent years ensuring market confidence, and protect the capital base while permitting effective growth. UniCredit Group has created its own short-term and structural liquidity models similar to the efforts of the Basel Committee. The Group also takes into account the local legal requirements of asset / deposit coverage ratio and foreign funding adequacy ratio limitations and monitors the Basel III liquidity ratios besides its own internal regulations in managing liquidity.

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

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

Short-term and structural liquidity limits of the Group were observed continuously in 2016. The degree to which accumulated liquidity outflows are covered by accumulated inflows in the following month and year is determined on an ongoing basis. It was used as a key figure in managing the Group's liquidity and funding. Beyond the limits on ratios, absolute gap limits are in place to decrease central funding and liquidity dependency.

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

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

Notes to the financial statements (Continued)

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

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

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

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

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

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

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

Management of statement of financial position structure

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

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

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

Foreign exchange rate risk

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

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

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

The Group started with standardised approach of the Basel II in 2008, and received the licence to apply foundation internal based approach (F-IRB) from 1st July, 2011 for the large corporate, mid-corporate, and bank portfolio.

- The IRB roll-out is being carried out locally. Model development is carried out partially centrally and partially locally.
- The decentralized approach means that the development of models complying with the requirements of A-IRB is done locally by the Group with the support of UniCredit Spa., they give support during the implementation by providing guidelines and standards and in terms of coaching and advice.

The Group is responsible for the use and development of methods and local models, and the compliance to local regulatory requirements, while for UniCredit Group wide models it is the task of UniCredit Group.

Notes to the financial statements (Continued)

The approval of the developed models and methods under IRB have to be confirmed (by a non-binding opinion), and the processes and data quality have to be validated by unit independent from the business, and are audited by Internal Audit as well.

v) Operational risk

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

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

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

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

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

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

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

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

Members of the Committee are
- the Chief Risk Officer;
- the Divisional Operational Risk Managers and;
- the Head or deputy Head of Identity & Communication.

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

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

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

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

Notes to the financial statements (Continued)

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

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

5. Use of estimates and judgements

These disclosures supplement the commentary on risk management policy.

i.) Impairment for credit losses

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

ii.) Determining fair value

As far as valuation prices and techniques of financial instruments are concerned, the Group follows a measurement using a three-level fair valuation hierarchy, which reflects the significance of the inputs used in measuring fair values and contains the following three levels:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices observed in non-active markets) or indirectly (i.e., derived from prices observed for similar assets or liabilities);
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

iii.) Fair value measurement principles

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

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

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

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

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

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

Notes to the financial statements (Continued)

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

a) Debt securities classified as Available for Sale were not impaired, as the Group doubts neither the issuers' (Hungarian Government, local Mortgage Banks) ability, nor their willingness to fulfil their due payments. The few price losses observed through market prices, hence, were realised in the available-for-sale Reserves in the Statement of Changes in Shareholder's Equity.

b) The Group was not engaged in securitization, nor does it possess financial instruments particularly hit by the 2008 market, nor the Greek default, such as credit derivatives or structured OTC products (e.g. CDOs, SIV), or assets affected by the recent sovereign crises. The mortgage bonds issued by Jelzálogbank are covered bonds, the assets staying in the mortgage bank's portfolio and complying with the standards of the mortgage bank law, thus qualifying for state subsidy schemes.

c) The Group is exposed to the Hungarian Government, but the vast majority of those exposures are liquidity reserves, mostly short-term government bonds and bills.

d) The major effect of the long lasting crisis and the recent Hungary-specific concerns are that the liquidity charges (CDS of the Group) and the country spread of Hungary has widened, HUF yields have risen. These impact the Bank through re-pricing of its funding mix, and incorporated in the net interest income of loans and deposits, in tandem with the corresponding hedging instruments such as cross-currency basis swaps (designated as cash flow hedge) that do cause swings in the equity but do smooth the yearly income statements.

6. Net interest income

(HUF million)

	2016	2015
Interest and similar income		
Interest income from Central Bank	2,899	9,403
Interest income from banks	3,770	2,079
Interest income from customers	40,113	41,733
Interest income on Trading financial instruments	384	249
Interest income on Hedge derivatives	30,034	28,135
Interest income on Available-for-sale financial assets	13,074	9,940
Interest income on Held-to-maturity assets	36	53
Interest income other	870	-
Total	**91,180**	**91,592**
Interest expense and similar charges		
Interest expense to Central Bank	(417)	(116)
Interest expense to banks	(1,855)	(1,264)
Interest expense related to hedge derivatives	(21,220)	(19,003)
Interest expense to customers	(5,283)	(8,474)
Interest expense on Subordinated loans	(15)	(66)
Interest expense on issued bonds	516	1,267
Total	**(28,274)**	**(27,656)**
Net interest income	**62,906**	**63,936**

7. Net fee and commission income

(HUF million)

	2016	2015
Fees and commission income		
Payment transaction fees	37,597	37,825
Custody service fees	3,510	3,240
Brokerage	5,125	4,799
Financial guarantee fees	1,659	1,782
Other financial fees and commissions	827	315
Total	**48,718**	**47,961**

Notes to the financial statements (Continued)

Fees and commission expense		
Payment transaction fees	(6,343)	(6,697)
Custody service fees	(750)	(709)
Brokerage	(157)	(208)
Financial guarantee fees	(637)	(532)
Other financial fees and commissions	(978)	(574)
Total	**(8,865)**	**(8,720)**
Net fee and commission income	**39,853**	**39,241**

8. Dividend income

(HUF million)

	2016	2015
Dividends on investments	185	208
Total	**185**	**208**

9. Net trading income

(HUF million)

	2016	2015
Gain/(Loss) on foreign exchange, net	13,033	12,549
Gain/(Loss) on trading interest rate swaps, net	245	(864)
Gain/(Loss) on debt securities, net	119	(10)
Gain/(Loss) on equities, net	(52)	2
Gain/(Loss) on trading FRAs, net	(314)	(462)
Other trading income	77	13
Total	**13,108**	**11,228**

Notes to the financial statements (Continued)

10. Net gain and loss on other financial instruments

(HUF million)

	2016	2015
Gain		
Available-for-sale debt securities	22,248	2,915
Available-for-sale investments	1,690	–
Total	**23,938**	**2,915**
Loss		
Available-for-sale debt securities	(21,445)	(1,614)
Total	**(21,445)**	**(1,614)**
Net gain on other financial instruments	**2,493**	**1,301**

11. Personnel expenses

(HUF million)

	2016	2015
Wages and salaries	12,931	12,470
Statutory social-security contributions	3,235	3,372
Other employee benefits	1,339	986
Employer's contributions	434	262
Total	**17,939**	**17,090**

The number of employees (in full time equivalent) was 1,727.9 on 31 December 2016 (2015: 1,700.3).

There was no integration cost in personnel expenses in 2016 (HUF 212 million in 2015).

12. General operating expenses

(HUF million)

	2016	2015
Indirect tax expense and fees to authorities	26,325	31,969
Renting costs and operating expenses of property	2,002	2,422
Advertising	441	553
Information technology costs	5,771	5,814
Material and office equipments costs	233	219
Other administrative expenses	2,939	2,387
Total	**37,711**	43,364

HUF 228 million out of the general operating expenses was accounted for as integration cost (2015: HUF 438 million).

Notes to the financial statements (Continued)

13. Other income and expenses

(HUF million)

	2016	2015
Operating income		
Income related to foreign currency loans converted to HUF	10,196	3,331
Renting activity	1,178	1,435
Service transfer fees received	41	8
Indemnity received	32	8
Other	231	-
Total	**11,678**	**4,782**
Operating expenses		
Expenses related to rented investment properties	(296)	(272)
Indemnity paid	(59)	(132)
Cost of Workout	(84)	(130)
Other	(272)	(280)
Total	**(711)**	**(814)**
Net other operating income	**10,967**	**3,968**

14. Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Bank as adjusted for relevant taxation regulations. The corporate income tax rate in Hungary for the year 2016 for the tax base was 10% up to HUF 500 million; for the tax base exceeding HUF 500 million the rate was 19%. The Bank has to pay the additional supplementary tax to income earned on special loans. The corporate income tax rate will be changed to flat 9%, starting from 1st January 2017 in Hungary; therefore the deferred taxes were recalculated accordingly.

14.1 Tax expense for the year

(HUF million)

	2016	2015
Current tax expense	9,991	6,869
Adjustments for prior years	253	115
Total	**10,244**	**6,984**
Deferred tax (expense)	2,550	4,101
Total income tax expense in income statement	**12,794**	**11,085**

Notes to the financial statements (Continued)

14.2 Reconciliation of effective tax rate

	2016		2015	
	%	HUF MILLION	%	HUF MILLION
Profit before tax		66,479		49,786
Income tax using the domestic corporate tax rate	18.8	12,489	18.9	9,390
Supplementary corporate tax for banks	0.2	152	0.3	173
Adjustments for prior years	0	15	(0.1)	(37)
Tax effects of income/expenses exempt from corporate tax	(0.8)	(547)	3.2	1,572
Changes in tax rates	1.8	1,171		
Other	(0.7)	(486)	0	(13)
Total	**19.3**	**12,794**	**22.3**	**11,085**

14.3 Balances, related to taxation

(HUF million)

	2016			2015		
	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET
Current tax assets / (liabilities) at year-end	(1,111)	–	(1,111)	(737)	–	(737)
Deferred tax assets / (liabilities)						
Available-for-sale securities	1	1,042	1,043	271	632	903
Cash-flow hedges	–	1,805	1,805	–	3,479	3,479
Allowances for loan losses (IBNR)	–	–	–	(737)	–	(737)
Property and equipment from tied up capital	(199)	24	(175)	(272)	95	(177)
IFRS transition adjustment	(609)	12	(597)	–	–	–
Effect of items, increasing / (decreasing) the local tax base	(606)	266	(340)	(12,084)	9,336	(2,748)
Netting effect	1,279	(1,279)	–	12,674	(12,674)	–
Total deferred tax assets / (liabilities)	(134)	1,870	1,736	(148)	868	720
Total tax assets / (liabilities)	**(1,245)**	**1,870**	**625**	**(885)**	**868**	**(17)**

14.4 Movements in temporary differences during the year – 2016

(HUF million)

	OPENING BALANCE	RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	RECOGNISED IN OCI	CLOSING BALANCE
Available-for-sale securities	903	–	140	1,043
Cash flow hedges	3,479	–	(1,674)	1,805
Allowances for loans (IBNR)	(737)	737	–	–
Legal reserve (General risk reserve)	–	–	–	–
Property and equipment from tied up capital	(177)	2	–	(175)
IFRS transition adjustment	–	(597)	–	(597)
Effect of items, increasing /(decreasing) the local tax base	(2,748)	2,408	–	(340)
Total	**720**	**2,550**	**(1,534)**	**1,736**

14.5 Movements in temporary differences during the year – 2015

(HUF million)

	OPENING BALANCE	RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	RECOGNISED IN OCI	CLOSING BALANCE
Available-for-sale securities	270	–	633	903
Cash flow hedges	4,080	–	(601)	3,479
Tax effect on business combination	–	–	–	–
Allowances for loans (IBNR)	(992)	255	–	(737)
Legal reserve (General risk reserve)	–	–	–	–
Property and equipment from tied up capital	17	(194)	–	(177)
Effect of items, increasing /(decreasing) the local tax base	(6,788)	4,040	–	(2,748)
Total	**(3,413)**	**4,101**	**32**	**720**

Notes to the financial statements (Continued)

15. Cash and unrestricted balance with the Central Bank

(HUF million)

	2016	2015
Cash on hand	15,173	14,878
Unrestricted balance with the Central Bank	11	5,149
Total	**15,184**	**20,027**

16. Financial instruments held for trading

(HUF million)

	2016	2015
Financial assets held for trading		
State treasury bills	625	569
State bonds	3,631	6,105
Other bonds	584	1,055
Equity securities	4	5
Positive fair value of derivatives		
FX derivatives	9,195	5,814
Interest rate derivates	59,519	54,900
Commodity derivatives	2,720	370
Total	**76,278**	**68,818**
Financial liabilities held for trading		
Negative fair value of derivatives		
FX derivatives	4,823	5,511
Interest rate derivatives	60,876	56,500
Commodity derivatives	2,720	370
Total	**68,419**	**62,381**

17. Available-for-sale financial assets

(HUF million)

	2016	2015
State treasury bills	7,484	–
State bonds	597,794	550,330
Other bonds	42,853	23,601
Equities	705	1,472
Total	**648,836**	**575,403**
Impairment	–	–
Total	**648,836**	**575,403**

18. Held-to-maturity investments

(HUF million)

	2016	2015
Mortgage bonds	436	438
Total	**436**	**438**

The market value of the held-to-maturity securities portfolio as at 31 December 2016 is HUF 441 million (2015: HUF 458 million).

Notes to the financial statements (Continued)

19. Placements with, and loans and advances to banks

(HUF million)

	2016	2015
Placements with Central Bank		
Maturity less than one year	192,451	643,806
Loans and advance to other banks		
Nostros with other banks	12,899	109,824
Maturity less than one year	534,383	133,878
Maturity more than one year	63,108	22,878
Total	**802,841**	**910,386**

20. Loans and advances to customers

(HUF million)

	2016	2015
Private and commercial:		
Maturity less than one year	448,512	376,151
Maturity more than one year	707,260	729,051
Securities, recognised as loans	14,002	13,232
Total	**1,169,774**	**1,118,434**
Provision for impairment and losses on credit products (Note 34)	(51,974)	(61,420)
Total	**1,117,800**	**1,057,014**

A. Analysis by industrial sector

	2016		2015	
	HUF MILLION	%	HUF MILLION	%
Private clients	240,430	20.55	239,584	21.42
Real estate finance	183,743	15.71	199,115	17.8
Trade	130,923	11.19	116,678	10.44
Transportation	127,129	10.87	121,603	10.87
Financial activities	105,345	9.01	79,622	7.12
Machine industry	73,349	6.27	62,736	5.61
Food processing	52,750	4.51	58,956	5.27
Construction	47,710	4.08	47,317	4.23
Chemicals / Pharmaceutical	45,726	3.91	38,073	3.40
Metallurgy	35,317	3.02	25,570	2.30
Community	33,459	2.86	32,599	2.91
Agriculture	30,475	2.61	24,003	2.15
Light industry	19,630	1.68	26,134	2.34
Electric energy industry	15,706	1.34	12,592	1.13
Catering trade	3,552	0.30	7,535	0.67
Communication	2,655	0.23	2,553	0.23
Mining	430	0.03	430	0.01
Other	21,445	1.83	23,334	2.10
Total	**1,169,774**	**100**	**1,118,434**	**100**

Notes to the financial statements (CONTINUED)

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

B. Collateral for the above loans

(HUF million)

	2016	2015
Against individually impaired		
Warrant and guarantees	1,175	658
Cautions	491	97
Property	17,225	17,548
Debt securities	–	–
Equities	–	–
Others	1,304	61
Against collectively impaired		
Warrant and guarantees	262	232
Cautions	154	108
Property	18,414	16,723
Debt securities	–	–
Equities	2	2
Others	28	6
Against past due, but not impaired		
Warrant and guarantees	13	37
Cautions	5	11
Property	2,059	4,389
Debt securities	–	–
Equities	–	–
Others	–	30
Against neither past due nor impaired		
Warrant and guarantees	84,052	53,597
Cautions	30,257	21,205
Property	299,871	265,210
Debt securities	933	1,447
Equities	992	2,304
Others	20,211	24,057

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

21. Hedging derivative instruments

(HUF million)

	2016	2015
Derivative assets held for risk management purposes		
Interest rate swaps	31,294	29,444
Forward rate agreements	3	–
Total	**31,297**	**29,444**
Derivative liabilities held for risk management purposes		
Interest rate swap	25,019	16,020
Forward rate agreements	81	–
Total	**25,100**	**16,020**

Notes to the financial statements (CONTINUED)

22. Equity investments

As at 31 December 2016 investments in consolidated subsidiaries were as follows:

(HUF million)

NAME OF INVESTMENT	GROSS BOOK VALUE	SHAREHOLDER'S EQUITY
UniCredit Jelzálogbank Zrt.	3,761	19,451
Arany Pénzügyi Lízing Zrt.	453	4,344
Sas-Reál Kft.	750	798
UniCredit Leasing Hungary Zrt.	–	83
UniCredit Operatív Lízing Kft.	3	9
UniCredit Biztosításközvetítő Kft.	5	142

All above investments are in companies incorporated in Hungary. Apart from these investments, the Bank holds majority interest in an SVP, Europa Investment Fund.
The Fund is consolidated in these financial statements, since the Group has the power to govern it, and is exposed to the volatility of its returns.

23. Investment properties

(HUF million)

	2016	2015
Investment property in usage	10,787	14,083
Total	**10,787**	**14,083**

The Group's investment properties are held within Europa Investment Fund, of which 98.8 % (2015: 98.4%) of the units is owned by the Bank.
The investment properties are regularly valued by an independent real estate appraiser company as required by the respective law. The valuation methods, applied by the appraiser company are compliant with the regulations in IFRS 13.
The investment properties, in usage are valued at fair market value.
These properties earned HUF 992 million rental income in 2016 (2015: HUF 1,266 million).

24. Property, plant and equipment

Movement in property, plant and equipment

(HUF million)

	ACQUISITION COST AT THE BEGINNING OF THE YEAR	ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	BUSINESS COMBINATION	ADDITIONS	DISPOSALS NET	OTHER MOVEMENT	DEPRECIATION & SCRAPPING	CARRYING AMOUNT AT THE END OF THE YEAR
2016								
Land and buildings	25,330	(5,191)	–	123	88	(115)	(537)	19,522
Office equipment	8,558	(7,893)	–	324	–	–	(665)	324
Motor vehicles	562	(292)	–	59	16	–	(75)	238
Capital work in progress	22	–	–	780	506	–	–	296
Total	**34,472**	**(13,376)**	**–**	**1,286**	**610**	**(115)**	**(1,277)**	**20,380**
2015								
Land and buildings	29,591	(8,246)	–	14	(272)	(32)	(916)	20,139
Office equipment	9,211	(7,126)	52	199	–	(945)	(726)	665
Motor vehicles	524	(304)	2	128	(13)	–	(67)	270
Capital work in progress	37	–	–	325	(341)	–	1	22
Total	**39,363**	**(15,676)**	54	**666**	**(626)**	(977)	**(1,708)**	**21,096**

Notes to the financial statements (CONTINUED)

25. Intangible assets

Movement in intangible assets

(HUF million)

	ACQUISITION COST AT THE BEGINNING OF THE YEAR	ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	BUSINESS COMBINATION	ADDITIONS	DISPOSALS NET	OTHER MOVEMENT	DEPRECIATION & SCRAPPING	CARRYING AMOUNT AT THE END OF THE YEAR
2016								
Rental rights	274	274	–	5	–	–	(4)	1
Licenses	740	327	–	411	–	–	(55)	769
Software	13,231	10,945	–	2,183	–	–	(1,439)	3,030
Total	**14,245**	**11,546**	**–**	**2,599**	**–**	**–**	**(1,498)**	**3,800**
2015								
Rental rights	274	(252)	–	3	–	(15)	(10)	–
Licenses	346	(228)	–	395	–	(22)	(78)	413
Software	10,904	(10,104)	333	1,994	–	(508)	(333)	2,286
Total	**11,524**	**(10,584)**	**333**	**2,392**	**–**	**(545)**	**(421)**	**2,699**

26. Other assets

(HUF million)

	2016	2015
Real estates	311	4,577
Trade receivables, advances and other receivables	5,631	2,283
Accrued income and prepaid expenses	1,805	1,816
Other	307	614
Total	**8,054**	**9,290**
Impairment losses	(47)	(80)
Total	**8,007**	**9,210**

27. Deposits and loans from banks

(HUF million)

	2016	2015
Loans from Central Bank		
Maturity less than one year	29,034	49,965
Maturity more than one year	89,958	90,889
Total	**118,992**	**140,854**
Loans and deposits from other banks		
Maturity less than one year	118,494	382,921
Maturity more than one year	491,768	305,727
Total	**610,262**	**688,648**
Total	**729,254**	**829,502**

Notes to the financial statements (Continued)

28. Deposits from customers

(HUF million)

	2016	2015
Maturity less than one year	1,539,541	1,487,388
Maturity more than one year	11,478	17,437
Total	**1,551,019**	**1,504,825**

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

29. Subordinated loans

(HUF million)

	2016	2015
Bank Austria AG	10,563	10,726
Bank Austria AG	10,655	10,635
Total subordinated loans	**21,218**	**21,361**

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

30. Issued mortgage bonds

(HUF million)

	2016	2015
Maturity less than one year	475	485
Maturity more than one year	22,693	3,031
Total	**23,168**	**3,516**

31. Other liabilities

(HUF million)

	2016	2015
Accrued expenses and prepaid income	7,983	9,881
Provision on guarantees and unutilised loans	1,752	354
Trade payable	2,009	2,921
Other taxes payable	2,934	3,356
Other	615	283
Total	**15,293**	**16,795**

32. Share capital

(HUF million)

	2016	2015
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 UniCredit S.p.A.

Notes to the financial statements (Continued)

33. Statutory reserves

(HUF million)

	GENERAL RESERVE	TIED-UP RESERVE	TOTAL
Balance at 31 December 2015	28,932	500	**29,432**
Appropriations from retained earnings	4,574	(235)	**4,339**
Balance at 31 December 2016	33,506	265	**33,771**

34. Impairments and provisions

34.1 Impairments and provisions on credit products

(HUF million)

	LOANS	GUARANTEES AND UNUTILISED LOANS	TOTAL FINANCIAL INSTRUMENTS
Balance 31 December 2015	**61,423**	**354**	**61,777**
Write-offs	(12,147)	–	(12,147)
Amounts released	(17,761)	(284)	(18,045)
Additional impairment and provisions	21,203	1,690	22,893
Effect of FX rate fluctuation	(717)	(1)	(718)
Transfer with effect on income statement	(27)	–	(27)
Transfer without effect on income statement	–	(8)	(8)
As at December 2016	**51,974**	**1,751**	**53,725**
Net movement in impairment and provisions	(8,732)	1,406	(7,326)
Write-offs	12,147	–	12,147
Net amount charged to the income statement	**3,415**	**1,406**	**4,821**
Receivables written-off	1,860	–	1,860
Total charged to the income statement, excluding the effect of F/X rate fluctuation	**5,275**	**1,406**	**6,681**

34.2 Other impairments and provisions

(HUF million)

	PROVISION MOVEMENT ON NON-CREDIT RISK ITEMS
Balance 31 December 2015	**4,666**
Write-offs	(415)
Amounts released	(2,554)
Additional impairment provisions	640
Effect of FX rate	2
As at 31 December 2016	**2,339**
Net movement in impairment provisions	(2,327)
Write-offs	415
Net amount charged to the income statement	**1,912**

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

Notes to the financial statements (Continued)

35. Commitments and contingent liabilities

As of 31 December 2015, the Group had the following commitments and the contingent liabilities (in nominal values):

(HUF million)

	2016	2015
Loan and overdraft facilities granted not disbursed	885,664	733,498
Financial guarantees	200,029	247,620
Letters of credit	27,906	24,179
FX spot sales (notional)	166,830	461,503
Other contingent liabilities	25	–

As at 31 December 2016, the total face value of client assets held in safe custody by the Group was HUF 3,554,847 million (2015: HUF 3,390,035 million).

Risk Management

In order to be successful in what we do we must take risks, but we must rigorously manage our risks. We must be fully aware of the impacts of our decisions, we must take risks but we must take the right risks. And to do that, we must apply strong risk management to everything we do.

Supervisory Board and Management Board

UniCredit Bank Hungary Zrt.

SUPERVISORY BOARD

DR. ERICH HAMPEL	Chairman
SILVANO SILVESTRI GERHARD DESCHKAN ENRICO MINNITI IHÁSZ CSILLA DR. PETTKÓ-SZANDTNER JUDIT BOLYÁN RÓBERT HORVÁTH GÁBOR – till 01.12.2016 BERKI ANDRÁS RÓBERT – as of 01.12.2016	Members

MANAGEMENT BOARD

DR. PATAI MIHÁLY	Chairman of the Board – CEO
	Members
MARCO IANNACCONE – as of 20.04.2016	Deputy CEO
ALEKSANDRA CVETKOVIC – as of 16.04.2016, TÁTRAI BERNADETT.	Head of Retail Division
ROBERTO FIORINI	Head of Corporate, Investment Banking and Private Banking Division
TÓTH BALÁZS	Chief Risk Officer
LJILJANA BERIC – as of 01.12. 2016 LJUBISA TESIC till 01.12.2016	Chief Financial Officer
MÁTYÁS SÁNDOR	Head of Operational Division

Supervisory Board and Management Board (Continued)

UniCredit Jelzálogbank Zrt.

SUPERVISORY BOARD (AS OF 04.04.2016)

Marco Iannaccone	**Chairman**
Tóth Balázs Aleksandra Cvetkovic, Roberto Fiorini Mátyás Sándor Ljiljana Beric Pettkó-Szandtner Judit	**Members**

MANAGMENT BOARD (AS OF 01.04.2016)

Farkas Bálint	**(Chairman – CEO)**
Kecskésné Pavlics Babett Dr. Füredi Júlia	**Members**

Calendar

January 2016

Mergermarket, the leading M & A market analyst and data provider, considered UniCredit as the "Central and Eastern European Financial Adviser for the Year" title for the year 2015. Co-operation across countries and product groups is a key component of UniCredit's business model and a key driver of its investment banking success. The title recognizes both the geographic and sectoral diversity of the bank's M & A customers and the diversity of the types of transactions closed by the bank's advisory team.

March 2016

As of March 1, 2016, a new general manager and member of the board began work at UniCredit Bank: Marco Iannaccone. With the appointment, the Hungarian bank is also aligned with the general management structure in the group. In addition to his general duties as deputy CEO, the new manager is responsible for the daily, operational management of the Global Banking Services division, the Legal, and the Identity and Communications areas, in addition to the Retail and Small Business and Corporate, Investment Banking and Private Banking Divisions.

April 2016

As of April 16, 2016, Aleksandra Cvetkovic is appointed as the new head of UniCredit Bank's Retail and Small Business Division and member of the Board of Directors. In the financial sector, The specialist with more than 20 years of experience in the financial sector has come to the new position within the group and within the bank. During her nearly 1.5-year stay in Hungary before her appointment, she became familiar with the characteristics of the Hungarian market and Customers' banking habits and expectations.

May 2016

The prestigious Global Finance Magazine has again selected the world's best securities providers. In 2016, UniCredit proved to be the best sub-custodian in Central and Eastern Europe in general as well as in six countries, including Hungary. The Global Finance Editorial Board annually selects winners with the help of market research findings information from experts and banks from the financial institutions that reliably provide the best services to global custodian banks in local markets and in the regions.

28 September 2016

In 2016 UniCredit Bank proved to be the "best cash management provider" In Hungary on the list of the prestigious financial UK magazin, Euromoney, based on a survey of 32,000 respondents. In addition, UniCredit Group was the top player of the podium in Austria, Romania, Bulgaria and Turkey. With this recognition, UniCredit Bank received the "best cash management service" award for the third time.

October 2016

UniCredit launched the Silver European Trophy for the UEFA Champions League winner again in its eighth year of UEFA's partnership again. The Trophy went to 15 cities in five countries, including two Hungarian locations, Debrecen and Budapest. During the UEFA Champions League Trophy Tour, soccer fans could sign up for a photo with the famous cup and were involved in exciting interactive games. Visitors met personally with UEFA's official ambassador, Marcel Desailly, World Champion Champion Champion Champion, and with Viktor Kassai, an internationally acclaimed referee.

29 October 2016

At the helm of the UEFA Champions League Trophy Tour, UniCredit Bank, having been promoting children's regular sports activities, and the importance of healthy lifestyle for many years, organized a charity football event with various programs. The Hungarian Artistic Team, the Hungarian Journalists' Team, the Team of Athletes participating at the Olympics, and the team of the bank were able to match their strength. For charitable purposes, UniCredit Bank offered 1 million forints distributed among foundations working for the children's healthcare chosen by the teams.

Calendar (Continued)

October 2016

In its competition of 2016, The Banker Magazine selected UniCredit Bank as one of the best private banking providers in Central and Eastern Europe, while Hungarian UniCredit Bank Hungary won the Highly Recommended Bank in Hungary. During the selection, a committee of experts from the Private Banking and Asset Management segment compared more than one hundred and twenty more banks from 60 countries.

November 2016

Bankmonitor introduced its prize selecting the best Hungarian banking products, in 2016. They selected from about 4,000 financial products of 40 banks and investment service providers. The experts of the independent media studied and ranked the banking products objectively, based on pricing throughout the year. In the contest, UniCredit won the Most Flexible SME Creditor of the Year.

November 2016

The bank of the year - MasterCard contest was organized for the eleventh occasion, with UniCredit in third place in the Retail Savings Product of the Year category.

November 2016

In 2016, the Best Subcustodian Bank in Hungary, Best Depository Bank of Hungary, was awarded to UniCredit Bank in the Global Finance Best Custodian Bank Award 2016.

Network units

Head Office

H-1054 Budapest, Szabadság tér 5–6.
Telephone: +36-1/301-1271
Fax: +36-1/353-4959
E-mail: info@unicreditgroup.hu
UniCredit Call Centre 0-24: +36 1/20/30/70 325 3200
www.unicreditbank.hu

On 31 December 2015 UniCredit Bank's network consisted of 55 units throughout Hungary, from which 21 branches were located in Budapest, while 34 in the country.

Network units (Continued)

Branches in Budapest

Bécsi úti fiók
1023 Budapest, Bécsi út 3-5.

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

Pesthidegkúti fiók
1028 Budapest, Hidegkúti út 167. (Széphalom Üzletközpont)

Lajos utcai fiók
1036 Budapest, Lajos u. 48-66.

Ferenciek tere fiók
1053 Budapest, Ferenciek tere 2.

Alkotmány utcai fiók
1054 Budapest, Alkotmány u. 4.

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

Nagymező utcai fiók
1065 Budapest, Nagymező u. 44.

Oktogon fiók
1067 Budapest, Teréz krt. 21.

Boráros téri fiók
1095 Budapest, Boráros tér 7.

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

Lágymányosi úti fiók
1111 Budapest, Lágymányosi u. 1-3.

Fehérvári úti fiók
1117 Budapest, Fehérvári út 23.

Alkotás úti fiók
1123 Budapest, Alkotás u. 50.

Duna Plaza Fiók
1138 Budapest, Váci út 178. (Duna Plaza)

Örs vezér téri fiók
1148 Budapest, Örs vezér tere 24. (Sugár Üzletközpont)

Mátyásföldi fiók
1165 Budapest, Veres Péter út 105-107.

Pestszentlőrinci fiók
1182 Budapest, Üllői út 455.

Europark fiók
1191 Budapest, Üllői út 201. (Europark)

KÖKI Terminál fiók
1191 Budapest, Vak Bottyán út 75 a-c

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

Network units (Continued)

Branches in the country

Békéscsabai fiók
5600 Békéscsaba, Andrássy út 37-43. (Csaba Center)

Budakeszi fiók
2092 Budakeszi, Fő út 139.

Budaörsi fiók
2040 Budaörs, Szabadság út 49.

Ceglédi fiók
2700 Cegléd, Kossuth tér 4.

Debreceni fiók
4024 Debrecen, Kossuth Lajos u. 25-27.

Dunakeszi fiók
2120 Dunakeszi, Fő út 70.

Dunaújvárosi fiók
2400 Dunaújváros, Dózsa György út 4/D

Egri fiók
3300 Eger, Törvényház u. 4.

Érdi fiók
2030 Érd, Budai út 13. (Stop.Shop)

Esztergomi fiók
2500 Esztergom, Kossuth Lajos u. 14.

Gödöllői fiók
2100 Gödöllő, Dózsa György út 13.

Gyöngyösi fiók
3200 Gyöngyös, Páter Kis Szaléz u. 22.

Győr-Árkád fiók
9027 Győr, Budai út 1. (Árkád Üzletház)

Győri fiók
9021 Győr, Árpád út 45.

Kaposvári fiók
7400 Kaposvár, Dózsa György 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 György út 1-3.

Pécs – Árkád Üzletház fiók
7621 Pécs, Rákóczi út 58. (Árkád Üzletház)

Salgótarjáni fiók
3100 Salgótarján, Rákóczi út 13.

Siófok
8600 Siófok, Fő u. 174-176.

Soproni fiók
9400 Sopron, Várkerület 1-3.

Szeged – Kárász utcai fiók
6720 Szeged, Kárász u. 16.

Szegedi fiók
6722 Szeged, Kossuth Lajos sugárút 18-20.

Székesfehérvári fiók
8000 Székesfehérvár, Budai út 1.

Szekszárdi fiók
7100 Szekszárd, Arany János u. 15-17.

Szentendrei fiók
2000 Szentendre, Dobogókői út 1. (Városkapu Üzletház)

Szigetszentmiklósi fiók
2310 Szigetszentmiklós, Bajcsy-Zsilinszky u. 26.

Szolnoki fiók
5000 Szolnok, Baross Gábor út 27.

Szombathelyi fiók
9700 Szombathely, Kőszegi út 30-32.

Network units (Continued)

Tatabánya – Vértes Center fiók
2800 Tatabánya, Győri út 7-9. (Vértes Center)

Veszprémi fiók
8200 Veszprém, Ady E. u.1.

Zalaegerszegi fiók
8900 Zalaegerszeg, Kovács Károly tér 1/a

Execution & Discipline

We know that to do well we must be extremely disciplined in the execution of everything we do. In addition to our strategic plan, we have performance measures in place which provide all our teams with clear targets and regularly follow-up on progress to ensure we are always on track.

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