UniCredit Bank

# Meeting real needs with concrete solutions.

2011 Annual Report

Every day, life presents new challenges and opportunities. Every day, we each have a new story to tell that involves tangible needs and requires clear answers.

In this year's annual report, we illustrate our way of banking with stories of the people, businesses and institutions who use our customized solutions. You will read stories about how we worked together to promote sports in schools and how we gave a boost to long-established industrial firms by enabling them to update their machinery. You will also learn about how we have supported the development of new computer systems and have provided broad support to the green economy.

These stories were built on entrepreneurship, courageous innovation, respect for tradition, and our strong bonds with local communities.

We strongly believe that being a bank today means making a concrete difference, day in and day out, for those who have chosen to do business with us. It means facing challenges together and creating a world of new opportunities.

These are true stories - snapshots of ordinary life that shape the mosaic of our daily work. At UniCredit, we are creating a world of relationships, where our stakeholders can best meet the changing needs of the times.

UniCredit Bank

2011 Annual Report

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# Helping home buyers make better decisions.


In the past, retail customers applying for a mortgage loan in Hungary, found themselves in a tight spot. Sometimes they had to make a down payment on a property before having secured a suitable loan. Today, new Előrelátó (Foresee) mortgage loan helps UniCredit Bank customers avoid these high-pressure situations by providing them with the time and information they need to make responsible decisions.

UniCredit provides customers with a mortgage loan pledge certificate, which remains valid for six months and is based on income and creditworthiness. Előrelátó (Foresee) mortgage loan won the title of “The Retail Loan Product of the Year 2011” in The Bank of the Year competition in Hungary.

This way, UniCredit Bank customers have the security they need before they set out to find their new home.

# Financial highlights

## UniCredit Group Hungary – IFRS consolidated

### Profit figures

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Operating result | 20,260 | 22,550 |
| Profit before taxes | 17,906 | 23,311 |
| **Profit after taxes** | **14,516** | **18,795** |

### Balance sheet figures

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Balance sheet total** | **1,697,889** | **1,546,812** |
| Loans and advances to customers (net) | 1,142,002 | 1,089,221 |
| Deposits from customers | 1,052,165 | 976,504 |
| Shareholder funds | 184,341 | 180,825 |

### Indicators

| | 2011 | 2010 |
|---|---|---|
| Return on equity before taxes | 9.81% | 13.74% |
| Return on equity after taxes | 7.95% | 11.08% |
| Return on average assets (ROA) before taxes | 1.10% | 1.42% |
| Return on average assets (ROA) after taxes | 0.89% | 1.14% |
| Cost income ratio | 46.22% | 48.55% |
| Net fee income in percentage of total operating income | 31.31% | 30.55% |

### Indicators prescribed by HFSA (HAS)

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Regulatory capital * | 181,356 | 178,910 |
| Adjusted regulatory capital* | 182,279 | 178,163 |
| Risk weigthed assets | 1,272,759 | 1,115,690 |
| **Total capital ratios** | **14.32%** | **15.97%** |

### Other figures

| | 2011 | 2010 |
|---|---|---|
| **Headcount (FTE)** | **1,967** | **1,971** |
| Number of locations | 134 | 135 |
| Number of branches | 132 | 133 |

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

# The management's report

## Economic and financial enviroment in Hungary

Due to the aggravation of the sovereign debt crisis, uncertainties of crisis management in Europe and the USA, as well as the constraint of reducing general government deficits, the risk-avoiding behaviour of investors was globally on the rise in 2011. In addition to the increase in world market prices of raw materials and fuels, the slowdown in economic dynamics in the second half of 2011 hallmarked a further deterioration of global business conditions.

In 2011, unfavourable international trends represented a significant challenge for the economic policy announced by the government back in the autumn of 2010, aimed to stimulate domestic consumption through fiscal easing (partially financed from the nationalization of private pension fund assets). In response to negative market reactions to that strategy, in the spring of 2011 the Széll Kálmán Plan was created, foreseeing stabilisation measures to the effect of HUF 550 billion, to be followed by further HUF 902 billion in each of the two consecutive years, topped up with more austerity measures included in the convergence programme. Beyond all this the government also announced a long-term debt relief programme, intended to be achieved via the use nationalized of private pension fund assets, repayment of the unused part of the IMF loan and the improvement of fiscal balance. According to the original plans, by the end of 2011 public debt to GDP ratio should have declined to 73.9 percent and by 2015 to 65-70 percent.

The scheme that preceded the early final repayment program of FX retail mortgage loan rescue package - which generated another debt burden on a summary account from the unpaid redemption above the fixed rate - did not become popular among debtors. On top of that the redemption of debts and the outflow of revenues due to early repayments becoming increasingly common curtailed demand from the domestic economy and so, fiscal easing did not speed up economic growth. The early final repayment program developed to slow down the outflow of revenues failed to achieve the intended macroeconomic effect, partially because of the negative reaction from the money markets and creditors - such as the weakening of the forint, the deteriorating conditions for refinancing - and also because it was positioned to an inappropriate segment of debtors. According to data of PSZÁF (Hungarian Financial Supervisory Authority) as of 28 February 2012, in 2011 the Hungarian households repaid more than 169,000 foreign currency loans through the repayment program, whereof the financial sector suffered a loss of HUF 370 billion on the exchange rate difference accounted for. In line with the agreement between the Hungarian Banking Association and the government, financial institutions are entitled to a tax refund amounting to not more than 30 percent of the special bank tax paid, to cover their losses arising from the early final repayment program. This means that excluding the loss of interest and commission income the repayment program represented a net loss of 260 billion forints for the sector. On 15 December, as a result of the negotiations with the Banking Association the government announced the new rescue package designed for mortgage debtors of currency-based loans. As compared to the early final repayment program of FX retail mortgage loans, which implies concentrated losses during a set period, this package would represent a smaller burden for the banking system.

Because of the eurozone crisis, a slowdown in global economic growth and the weakening of investor confidence towards Hungary the scope of debt financing from the market narrowed to such an extent that the government had to apply for an IMF loan. On the basis of this step, Moody's lowered the Hungarian debt rating to Ba1 with a negative outlook indicating a potential further downgrade. Downgrades from S&P and Fitch were registered as well.

As for the country's fiscal situation, lower-than-expected growth and additional emerging financing needs (takeover of county municipality debts, partial takeover of MÁV's debt, recapitalisation of MFB (Hungarian Development Bank) and the 250 billion forints of VAT, ordered to be repaid by the European Court of Justice) led to a slippage in the budgetary path, with a substantial increase of the deficit. The general government deficit for the year 2011 according to cash based accounting excluding local municipalities was HUF 1734.4 billion, a multiple of the original appropriation of HUF 687 billion, approved in December 2011. Even though the ESA accrual accounting balance sheet closed with a surplus of approximately 4.3 percent because of the nationalization of private pension fund assets, the extent of the deficit excluding one-off items reached 6.5 percent. Due to foreign exchange rate effects plans regarding a lowering of public debt were not met either, given that instead of a target figure of 73.9 percent the debt to GDP ratio stood at 81.4 percent at the end of 2011.

The central bank's interest rate policy remained cautious in 2011 up until November, in spite of the repeatedly re-emerging money market tensions, the major temporary weakening of the forint from time to time and inflation risks generated by a sudden increase in the agricultural price index. The National Bank of Hungary started monetary tightening only subsequent to the increase in risk premiums on Hungarian assets in November-December. Because of this weakening, in the presence of strong demand constraints the exchange rate of the forint could hardly shape the level of consumer prices. Mainly due to base effects and stagnating consumption the inflation growth rate slowed down to 4.1 percent in December; the average inflation rate was 3.9 percent for the year.

Processes in real economy were basically shaped by the changes in external market opportunities. The GDP growth rate gradually

# The management's report (Continued)

decreased from 2.5 percent in the first quarter of the year to 1.4 percent, as the dynamics of exports, the only growth driver gradually moderated by the end of the year. For the whole of the year the expansion of the Hungarian economy was 1.7 percent, 0.2 percentage points better than expected. The slowdown in the dynamics of imports even surpassed that of exports, resulting in a trade surplus of 8 percent of GDP, and the balance of payments closed with a surplus of 1.4 percent.

Growth prospects for the economy in 2012 are overshadowed by the weakening external demand, the fiscal adjustment representing more than 4 percent of GDP, the inflation rate accelerating to above 5 percent, the narrowing of the banks' lending capacities and the higher than ever debt service burden due to the weak forint exchange rate. In this unfavourable economic environment it is expected that most of the enterprises will try to compensate the profit-cutting effects of changes in personal income tax and the increase in minimum wages by layoffs, partial-time employment and an increase in unreported jobs and so a high level of unemployment, above 11 percent can be predicted. Due to the financing and demand constraints, a rise cannot be expected in investment activities, either from households, business organizations or the government. Taking a look at the economic processes of the year 2012, we expect that the strong slowdown of export dynamics - representing the only driving factor - will probably be partially compensated by the low import demand originating from a depressed domestic consumption. Therefore, if the sovereign debt crisis remains manageable, with exports stabilising at high levels, the Hungarian economy might escape deep recession.

## Performance of the Hungarian banking sector in 2011[1]

From an economic point of view, 2011 was an extraordinarily eventful year that proposed a large number of challenges for the Hungarian banking sector. Financial stability as well as international economic outlook kept deteriorating throughout 2011, the debt crisis of the euro zone kept deepening, finance charges were increasing, the investors' risk appetite diminished. From domestic point of view, the operations of the financial system were affected by the measures aimed to moderate the debt burden from FX mortgages introduced in the country. Most important element was the temporary allowance of early final repayment of foreign currency-based mortgage loans (ERP, Early Repayment Program) at preferential exchange rates. The final realized FX loss of the banking sector exceeded 370 billion forints when the program ended in February 2012. Since banks are entitled to write off 30 percent of their losses originating from the ERP from their special tax for the year 2011, the adjusted actual loss was an estimated 260 billion forints.

In 2011, the number of loss-making credit institutions continued to rise. Due to the exchange rate losses of ERP and the increase in provisioning by the end of the year the profits of the sector tapered off. For the whole of 2011, the loss before taxes of the banking sector reached 46.5 billion forints mitigated somewhat by profits realised by cooperative credit institutions and branches, hence, the loss suffered by the credit institutions sector (state-owned entities excluded) was 38.3 billion forints as opposed to profits of 57.3 billion forints for the year 2010.[2]

The relative stability of the banks' operation is well reflected by the 9 percent increase in operating revenues on an annual basis. As a consequence of deteriorating economic outlook and measures with negative implications, several players in the banking sector were compelled to implement major reductions in their staff and branch network to ensure more efficient operation. Following the rationalisation measures, operating costs decreased by 3.5 percent in 2011.

The level of provisions created for lending and investment risks increased drastically by more than 40 percent in 2011, and so it reached more than 580 billion forints. The increase came mostly from actual realized FX losses of early repayments but the deterioration of the quality of the loan portfolio in line with the real economic environment and rising NPL ratios.

The balance sheet total of credit institutions increased by almost 3 percent in 2011, within that the volume of gross customer loans stagnated, in spite of the ERP, due to the weakness of the Forint at the end of the year 2011. Still, after adjusting to exchange rate effects, the stock of customer loans decreased by 7 percent in 2011. Regarding segments, retail loan volumes hardy changed, the effect of the early repayments was largely counterbalanced by the weak forint. Adjusted however to FX effects, retail loan stock fell by almost 9 percent. No major change took place in 2011 on the market of corporate loans either. The stock increased to a small extent by 1.9 percent at nominal, where again the significant devaluation of the forint against the euro played a role at the end of the year. After adjusting to exchange rate effects, a reduction was apparent in the case of corporate loans as well.

Regarding liabilities, several factors exercised their influence. The sovereign debt crisis in the euro zone has fundamentally weakened the liquidity and funding positions of the European banks, which was reflected in a decline in the financing of the

[1] Source of the data: Hungarian Financial Supervisory Authority, National Bank of Hungary

[2] The loss for the whole credit institutions sector (with state-owned banks included) was 74 billion forints in 2011. Hereafter, the credit institutions sector shall be interpreted without MFB (Hungarian Development Bank), EXIM (Hungarian Export-Import Bank) and KELER.

# The management's report (Continued)

Hungarian banking sector mostly in foreign currency due to the financial processes in the country. Strengthened further by the uncertainties in local institutional characteristics this led to the balance sheet adjustments of banks. Hence, from the second half of 2011 deposit-taking campaigns offering special bank interest rates started in an increasingly wide scope. On the whole, the total household deposit stock expanded by 5.6 percent in December 2011, despite the fact that almost 470 billion forints was repaid under the ERP in the last month of the year.

In 2011, the performance of the banking sector was determined in addition to poor real economy processes mainly by regulatory interventions. As a result, credit activity and profitability in banking deteriorated substantially. In 2012, lending will be affected by weak growth prospects from a demand point of view on one hand, on the other hand the reduction of the loan-to-deposit ratio may continue, in connection with the endeavour of banks to have a more balanced asset-liability structure in place.

## Performance and results of UniCredit Bank Hungary Zrt. in the year 2011

Despite a deteriorating economic environment and the negative effects for banking profits of state measures aimed to manage the foreign exchange exposure of Hungarian households, UniCredit Bank Hungary Zrt. closed another successful year in 2011. The Bank was one of the very few credit institutions that managed to be profitable last year as well, whilst the whole of the sector was a loss-maker – mostly because of the actual FX losses stemming from the early final repayment program of FX retail mortgage loans and the increased provisioning. Unlike a large number of competitors, UniCredit Bank Hungary Zrt. didn't have to implement mass redundancy measures, close branch offices or take similar drastic measures in order to maintain safe operation and to ensure adaptation to the market environment. Also in this challenging past year UniCredit Bank Hungary Zrt. was characterised by an outstandingly solid capital position, as a result similarly to the year 2010 the Bank did not need an equity capital injection.

Based on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), UniCredit Bank Hungary Zrt.'s balance sheet total was 1,697.9 billion forints in 2011. The Bank ranks seventh among large banks in Hungary, based on a market share of 5.6 percent calculated on the balance sheet total according to the Hungarian Accounting Standards. The Bank's prominently stable and strong operation is reflected by the fact that it could remain profitable in a challenging economic and institutional environment. The Bank's profit after taxes under IFRS was 14.5 billion forints at the end of 2011 that is merely 23 percent less than a year earlier. Despite negative effects of early repayments, total revenues increased slightly thanks to interest income, while operating costs decreased in 2011 supported by enhanced cost efficient operation of the Bank. As a result the cost-to-income ratio of UniCredit was well below the market average. Provisions increased significantly by 20 percent at the end of 2011 in line with further expected losses of ERP in 2012, on regular business (excluding ERP) however, provisioning showed a drop of more than 14 percent.

The volume of loans granted to customers increased by 5 percent in 2011, as opposed to the general market trends. As a result, the Bank could increase its market share last year, both in the corporate and in the retail segment.

In the spirit of adaptating to the market environment, as well as a strict asset-liability strategy, in 2011, the Bank launched new deposit-taking campaigns, which proved to be quite successful. Namely, the Bank's customer deposit stock expanded by almost 8 percent, and so in 2011 its market share reached 7 percent. By the end of the year, UniCredit Bank Hungary Zrt.'s net loan-to-deposit ratio dropped to 108.5 percent, a value that is far more favourable than the average indicator for the banking sector.

After an expansion in the year 2009, in spite of the unfavourable economic environment, UniCredit Bank Hungary Zrt. maintained the number of its branch offices and kept offering its products and services to its customers through a network of 132 branches. Due to such active and efficient operation, the Bank increased the number of its customers in both the retail and corporate segments and served almost 405 thousand customers by the end of 2011.

## UniCredit Bank's corporate social responsibility

Based on experiences and traditions of previous years, UniCredit Bank Hungary Zrt. provided assistance to the solution of important social problems in 2011 as well, and launched some new initiatives that actively shape the vision of our future.

One of the main pillars of UniCredit Bank Hungary Zrt.'s corporate social responsibility programme remained the assistance to child healthcare. In the framework of the indispensable Christmas donation, in 2011, support was provided for 16 foundations based in Budapest and the countryside, dealing with child healthcare. However, in addition to regular support, immediate, ad hoc help is also required. When this occurs, the Bank organises one-off campaigns, often with the involvement of our clients. In 2011, on our CSR Tennis Day, for instance, we collected donations from the attendants, to complement the Bank's grant to the Heim Pál

# The management's report (Continued)

Hospital Development Foundation for the purchase of essential micro-instruments for paediatric surgery.

Parallel to donations in the traditional sense, we went on with our awareness programs, implying medium-term and long-term social commitments. In September, already in its third consecutive year, we launched our "Pass it on!" programme, where we mobilise students from more and more schools. In 2011 students of 123 primary schools participated in the sports events of this programme. The attending schools can purchase new sporting goods from the amount provided by UniCredit Hungary Zrt., and they can organise further sporting events. In 2011, we undertook another task, besides providing financial means. Physical education teachers of the "Pass it on!" schools could attend, free of charge, a four-day professional training where they received theoretical and practical assistance for their job. The previous series of "Pass it on!" was recognised as a significant, efficient programme in the professional world as well, which is also reflected in the winning of the European Sponsorship Association Prize 2011.

A substantial portion of UniCredit Bank Hungary Zrt.'s assistance programmes is based on voluntary commitments of our colleagues. Their social sensitivity proves best that our commitment is a mentality, determining our everyday life. Many possibilities exist for our participation in the life of local communities: care for kindergarten and school buildings, playgrounds, garbage collection, clothing and toy collection initiatives, adventure programs organised for autistic children and, in the case of major disasters, immediate fund-raising for the poor.

Also in the task of protecting the environment, we expect our staff's utmost understanding and for that we provide the organisational framework of the "green office" programme. In our headquarter offices, selective waste collection and a separate handling of hazardous waste have been implemented for a long time now. Furthermore, we keep reducing the consumption of water, energy and paper, and we introduced the use of re-paper, that is, recycled paper, in a wider sense, office supplies as well. For the sake of reducing carbon dioxide emissions, we not only strive in our offices, but also outside our walls: for instance, for our colleagues using a bicycle we built a covered bicycle storage, we give those assets still in good condition that are no longer needed, in the spirit of recycling.

Another priority area in UniCredit Bank Hungary Zrt.'s wide-scale and differentiated support activities is cultural cooperation. In this field, the most important event in the life of the Bank in 2011 was the announcement of the UniCredit talent programme. The programme offers a scholarship for young artists and, parallel to that, it wishes to invigorate the market of contemporary art as well.

# Investing in sports at school.

Sports mean healthy lives, especially for young students at more than 100 Hungarian schools where UniCredit sponsors sporting events. The objective was to teach children to take care of their bodies and maintain proper health by participating in sports. This successful answer to the real and widespread need to promote physical and mental health is currently in its third year and has been enthusiastically embraced by teachers, children and their families. The programme “Pass it on!” is a concrete example of how UniCredit is close to Hungarian families and understands their needs.

# Report on the divisions

## Corporate and Investment Banking and Private Banking Division

In spite of the still depressed market environment and the ongoing crisis, the division managed to close a successful year thanks to the joint efforts of our committed and motivated staff to provide our clients with high value services. This is justified by the fact that we managed to maintain the Nr 1 position in customer satisfaction and even improve it compared to last year.

The year 2011 was successful in terms of revenues and value creation: profits before taxes in the division exceeded the budgeted level. In the course of the year more and more focus was given to new key performance indicators (KPIs), which reflect value creation and sustainability more realistically in addition to profitability. These KPI's are also above the required level implying that the operation of the division not only meets both client and investor requirements but it exceeds them as well.

In spite of former expectations over recovery, the corporate loan market stagnated in 2011 at the level of 2010. Nevertheless, we succeeded in raising our corporate customer loan volume that resulted in growing market shares. The volume of corporate deposits, too, grew in a slightly increasing market, having led to improving market share in the deposit market as well.

In 2011 we could keep and even strengthen our leading position in the business sector, especially among international clients. The continuously improving customer satisfaction level and increasing market share can be explained by the high standard of service quality offered to our clients, the flexible adjustment to the constantly changing market demand, responsible partnership and our tailor made, constantly developing solutions.

The quality of the portfolio of corporate clients remained at the former good level, however, real estate financing is still a problematic sector.

UniCredit Bank strengthened cash management services in terms of both sales and product innovation. As a response to more sophisticated demand of clients we set up a cash management sales team, which is specialized on tailoring the related products for the needs of the clients. As far as calls for tenders for banks and the introduction of related products are concerned, we continue to coordinate the quick and precise submission of proposals from a single entry point. An example for our product developments is that UniCredit Hungary became a provider of virtual POS service, which gives WebShop operating businesses a progressive, safe and fast solution to process bank card transactions. We emphasize that UniCredit's virtual POS service applies the latest so called 3D secure safety solution, which is introduced by MasterCard and Visa.

The merger of UniCredit Factoring into UniCredit Bank was successful at the beginning of 2011. As a result, we can offer a wider range of products to our customers looking for optimal financing solutions.

In 2011 under complicated and eventful circumstances our Fixed Income, Currencies and Interest Rate Management Department that is among the leaders on the domestic market reached an outstanding result similar to previous years. This success can be attributed to the outstanding professional standard represented by the department on one hand, and to the full compliance to the transparent and strict internal and external rules on the other one. As a consequence of this, in addition to extremely efficient risk/return and profitability ratios the department contributes to a large extent to the stable liquidity position of the bank.

In 2011, Treasury Sales achieved good results again well exceeding its plans. Factors supporting this achievement included mainly the smooth cooperation with the Fixed Income and Currencies and Interest Trading Team and the growing number of direct visits to clients. More than a dozen of our clients conducted interest rate hedging deals with the help of Treasury Sales, thus contributing to the good result.Cooperation with Private Banking generated significant sales revenues by the sale of FX premium deposits.

In 2011, in an environment full of challenges, Global Securities Services (GSS) could retain its leading position, mainly due to the significant mandates it had had from its domestic and international clients, as well as to its ability of quickly adapting to market changes and needs. In 2011 the main focus areas of the business included the acquisition of new clients as well as the strengthening of the relationship with existing ones and the widening of the scope of services. In response to the needs of clients, the bank extended the number of available foreign markets where it provides custody services, so by the end of the year it could grant access to more than 50 countries. The quality of services provided by GSS and the expertise of its colleagues have been perfectly reflected in customer satisfaction surveys promoted by Global Custodian and Global Investor magazines, in which the bank, uniquely in the market, has got the highest ratings in all categories.

Despite a shrinking investment market in Hungary, our Equity Sales & Trading division managed to improve its market share from 7.8 per cent in 2010 to close to 9 per cent in 2011. UniCredit`s Equity team was ranked third at the Budapest Stock Exchange in 2011. Both the Equity Sales & Trading and the Institutional Sales Desk posted revenues above the budgeted level.

# Report on the divisions (Continued)

The Private Banking division could further exploit the benefits of its merger into the Corporate and Investment Banking Division. As a result of this cooperation, several new and further developing client relationships emerged and existing ones, too, developed. In 2011 we provided services to meet the changing needs of our clients amid continuously and significantly changing external conditions.

In the light of macroeconomic changes, which occurred mainly in the second half of the year, the stability of the domestic bank and the whole group proved to be an important value to our customers. In our business activity the share of traditional security transactions decreased and a shift took place towards safer savings constructions. We closed 2011 with a stagnating savings volume.

# Report on the divisions (Continued)

## Retail Division

In 2011, UniCredit Bank Hungary's Retail Division continued to pay particular attention to flexibly adapt to market changes and to increase its customer satisfaction, even in an economic environment presenting increasingly difficult challenges.

In addition to customer acquisition, "retaining" customers became increasingly important, that is, building up long-term cooperation with the customers, providing incentives for a wide-range and permanent use of banking products.

In accordance with that, the retail division was consistently renewing its product pattern, in order to be able to satisfy customer needs in as wide range, as possible, both in terms of everyday transactions and in connection with savings.

In line with the internal governing principles, the division paid particular attention to the training of staff in the branch network, the development and active support of sales.

Thanks to this activity, the Bank increased the number of its customers by 9 percent and so, by the end of the year, it already had more than 395,000 customers, including almost 52,000 small business clients.

In 2011, the loan stock of the Retail Division increased by 2.4 percent by the amount of 8.7 billion forints. This moderate increase in stock was due primarily to the early final repayment program of FX retail mortgage loans in the fourth quarter of the year. Until the end of the year, repaid loans at fixed exchange rates represented HUF 20.2 billion, resulting in a decrease of HUF 27.7 billion in the loan stock, as calculated at actual exchange rates. During the year, the forint depreciated significantly against the euro and Swiss franc, which could have resulted in an opposite effect on its own. Annual loan disbursements of HUF 35 billion meant an important contribution to the increase of the loan stock.

UniCredit Bank's share of the loan market was 4.14 percent at the end of the year, representing a 0.13 basis point increase in one year.

The deposit stock of the retail division increased by 5.3 percent during the year, and by the end of the year, it reached HUF 482 billion. The Bank's market share practically stagnated on the market of retail and non-profit institutional deposit savings, by the end of 2011, it reached 5.46 percent.

Throughout the year the National Bank of Hungary modified the percentage rate three times, and this meant a total rate hike of 1.25 basis points from the 1 January to the end of the year. Adapting itself to that, UniCredit Bank Hungary continuously renewed its deposit products offering competitive special interest rates, therefore it managed to attract significant amounts of new funds from old and new customers. Outstandingly successful products included the MAXI8 2-months deposit offered with reduced rate in the spring, as well as the 2-months deposit with 8 percent interest rate and the 2-year deposit with 9 percent interest rate by the end of the year.

The stock of securities decreased by 8.4 percent during the year, thus it amounted to 139.3 billion forints at the end of the year, with investment funds accounting for 60.3 percent in it. With the widening of the product range, the "Regular Savings Programme" offers a new possibility for customers to achieve savings continuously, with monthly payment of even small amounts in the form of a standing order by selecting a portfolio appropriate for them from the point of yield expectations and risks. In 2011, the Bank launched several larger investment funds in cooperation with Pioneer Fund Management: at the beginning of the year in a successful offering the Super 8 Plus Fund, in the summer the long-term Horizont 20, 25 and 30 Funds, as well as the Trend Change (Trendváltó) investment fund, whilst in the autumn the Trend Change Plus fund. The Bank's market share of retail investment funds was 4,5 percent.

In the field of bank accounts, with the product designated as "I-Account", the Bank provided customers with a tool allowing them to select the optimal and at the same time free services associated to this account individually, such as ATM use, text messages or transfers within the Bank and outside of it.

In the retail and small business division, the number of customers with contracts entitling them to the use of one or more electronic channels increased by 19 percent during 2011. 80 percent of the total clientele have TeleBank contracts, a total of 315,000 customers. Easy banking from home is made possible by the SpectraNet Internet Banking service, available day and night, and 262,000 customers had already opted for that by the end of the year, which means an expansion of 19 percent. During the year, UniCredit Bank Hungary Zrt. introduced the Mobile Banking service, permitting customers to administer their banking matters comfortably via smart phones. The number of customers using the text message (sms) service increased by 18 percent, a total of 246,000 customers have this type of contract.

The number of bank cards issued by UniCredit Bank Hungary Zrt. increased by 10 percent, almost 30,000 in number, which can be attributed to the increase in the sales of retail and small business debit cards. By the end of the year the Bank held 275,000 debit cards and 36,000 credit cards.

In 2011, in the "Bank of the Year" competition, UniCredit Bank Hungary Zrt. won the title of "The Retail Loan Product of the Year

# Report on the divisions (Continued)

2011", with the loan product "Foresee". This product represents a new approach to financing housing, because customers can learn in advance the size of their loan facility, and after that, they have half a year to select their new home. In addition, UniCredit Bank also won the title of "The Most Innovative Bank of the Year 2011", with the cash deposit enabled ATM service, unique in the domestic market.

# Report on the divisions (Continued)

## Human Resources

In 2011, the prime task of the Human Resources Department was to give support to achieving the profit targets, in cooperation as a strategic partner, offering new, creative solutions and development projects. In the human resources strategy, a key element remained the retention of existing staff in the business and supporting fields, and the integration of new colleagues selected on the basis of their skills and professional experience into the organisation, as well as ensuring the permanent development of their skills.

UniCredit Bank Hungary Zrt.'s Human Resources Department continues to stress the importance of ongoing professional training for the staff, to ensure that they keep their knowledge up-to-date. In 2011, a top priority was to train the management in development-focused leadership.

The Department considers job and career support for its employees a priority task, that is achieved through the annual appraisal system, talent management and training programs for upper management.

The review and development of the annual appraisal system through standardization of competencies, carried out year by year, contributes to the deepening of a sense of belonging to UniCredit Group, thus supporting the achievement of business targets. In UniCredit countries, from 2011 onwards a standardized appraisal process will ensure cross-border career opportunities for its employees. This system promotes the mapping of the staff's career plans and readiness for mobility, thus contributing to an enlivening of internal mobility, and the filling of available vacant positions from internal resources.

One of the most important elements of the human resources strategy at UniCredit Group is to take care of talent. The Talent Management Programme is a group-level initiative, introduced by UniCredit Bank Hungary Zrt. already in 2007. Its goal is to identify people within the organisation with outstanding skills and professional knowledge and to take charge of the implementation of their career plans, at both national and international levels. In 2011 a renewed programme was launched with the participation of 53 colleagues; the Bank pays special attention to the development of these colleagues, in order to ensure management reinforcement within our organisation. The latter is also supported by the programme titled "Our Region with No Borders", allowing international mobility and knowledge sharing for colleagues participating in talent care.

UniCredit Bank Hungary Zrt. remains committed to providing services to our customers at the highest level, to be among the best in the frontline of the financial sector. In order to meet these goals, intensive training and retaining of key persons, talents at the Bank remains indispensable, through training programmes like career development training, development centres and participation in international projects. At the same time, in addition to training and retaining colleagues continuously performing at high levels, management training has equal importance. The Bank's managers and colleagues selected for their replacement receive training in the so-called upper management training programme to become stronger in their managerial career and to develop their managerial skills. For the middle management, management modules are organised within the framework of the management academy, based on a standardized UniCredit methodology.

The Bank continues to put particular stress on the importance of employee mobility within the organisation, both on the local and international levels. For any vacancies or newly opened positions, the Bank first reviews internal applications from colleagues, and the evaluation of external applications follows only after that. This goal is also served by the reintegration programme for young mothers, launched at the end of 2009, ensuring the return to work to 53 mothers in 2011, in part-time or full-time employment.

In 2011, the Bank hired 332 new employees. Through internal reassignments and promotions, more than 200 colleagues accessed new career opportunities. Seven colleagues submitted successful applications to international positions within UniCredit Group. Thanks to the deliberate, appropriately-timed staffing at the Bank, there was no need to lay off staff – as opposed to the market trend. For the whole of the Bank, the annual fluctuation was 11.4 percent.

In 2011, we successfully adapted the Captain work attitude test, making the hiring processes even more efficient. Parallel to that, we applied the methodology for organization development purposes, too.

During the year, the Bank introduced in Hungary as well the global career model of UniCredit Group. This is a state-of-the-art system describing and evaluating all jobs within UniCredit Group, at the same time, it supports the management of processes relating to the employees' internal mobility. It is easy to understand, is based on best market practices and adapts itself to the Bank's business needs. The objective of its introduction was to simplify the organisation, to make the progress of employees more transparent, simple and consistent for the whole of the Group and so, to improve customer satisfaction inside and outside the Group. Given that this new model is uniform within the Group and it is more transparent and more consistent than the previously applied ones, it can provide a more efficient support to all HR processes built on this basis, such as career planning of replacements, hiring and selection, training and development, performance management, compensation and benefits. Besides making interoperability and comparison between different countries much easier, it also strengthens UniCredit Bank Hungary Zrt. integration into the banking group.

# Report on the divisions (Continued)

The staff of the Human Resources Department continued in 2011, with the same commitment, their support work for the business and other areas, so the endeavours formulated by UniCredit Group can be realised at the highest possible levels. An important part thereof is the already regular survey of staff satisfaction and, based on its results, UniCredit Bank Hungary Zrt. sets up action plans for 2012. The tasks specified in these plans are realised throughout the year with the active support from the management and under the leadership of the talent management programme.

UniCredit Bank Hungary Zrt. participated in 2011 for the first time in the domestic best job survey too, where the Bank ranked fourth in the category of "more than 1000 employees". In this category, this was the best result achieved by a financial institution.

The human resources strategy for 2012 is determined by further strong support from the management and by strategic manpower planning, aimed to promote an even more efficient operation.

# Report on UniCredit Jelzálogbank Zrt.

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

In addition to the issue of mortgage bonds and unsecured bonds, UniCredit Jelzálogbank deals principally with long-term mortgage loans where the primary collateral for the transactions are first-ranking mortgage liens or independent liens on properties financed in the territory of Hungary.

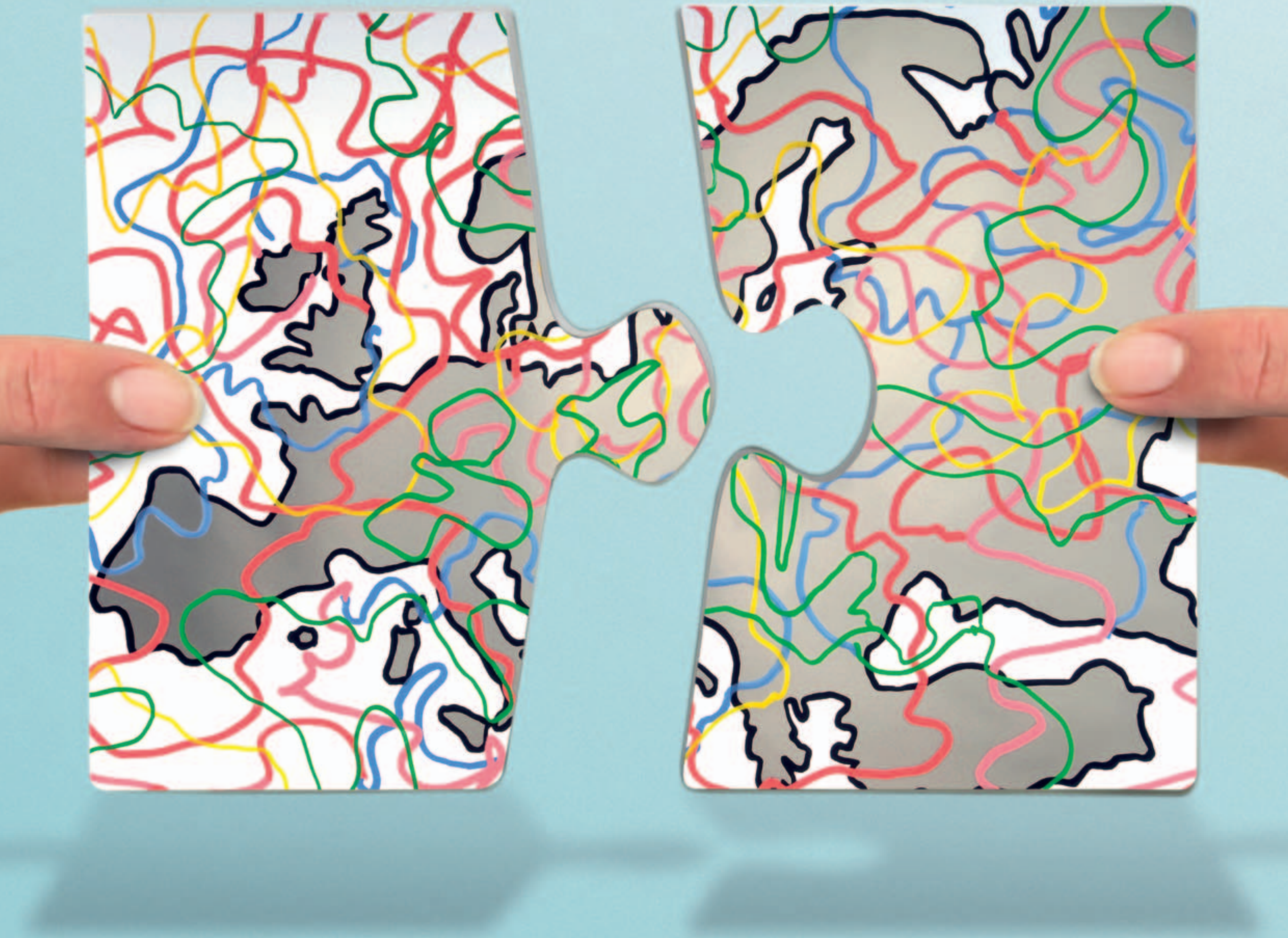
The balance sheet total of UniCredit Jelzálogbank, as of 31 December 2011, under the International Financial Reporting Standards (IFRS) was 127.4 billion forints, its profit before taxes was 1,012 million forints, and its profit after taxes was 732 million forints.

The main activity of UniCredit Jelzálogbank Zrt. is the issueance of mortgage bonds and unsecured bonds, providing typically medium- and long-term funds for its own and refinanced loan stocks. In the issues, UniCredit Jelzálogbank raises forint- and foreign currency-denominated funds in the capital market in order to offer partner banks refinancing loans calculable on long-term and at lower interest rates than the market interest rate of products for similar purposes, and to allow the customers of partner banks to make maximum use of the interest rate subsidies provided by the government.

Since demand from households for loans with interest rate subsidies typically appears for housing loan products with longer interest periods, subject to the circumstances on the capital market, UniCredit Jelzálogbank Zrt. also issues a larger portion of longer term or fixed rate mortgage bonds and unsecured bonds. Investor demand is also generally higher for fixed interest rate securities. The main reason for that is the limited predictability of capital market trends and low liquidity in the market. Even though mortgage bonds may have risk ratings identical with or better than government securities and may offer higher yields than these, participation of retail investors in auctions is not typical yet, and hence the presence of institutional investors is prevailing on tenders.

In addition to financing through the issue of mortgage bonds and unsecured bonds, UniCredit Jelzálogbank Zrt. obtains long- and short-term forint and foreign currency resources also from the interbank money market. Typically, these funds are provided by UniCredit Bank Hungary Zrt.

# An umbrella covering countries in Central and Eastern Europe.



Many Austrian companies have subsidiaries in other European countries that do not always engage in cross-border treasury operations. When new funding is needed, especially during the start-up phase of a business, local regulations that must be addressed can often present major obstacles to success. UniCredit has created the Umbrella Facility, a flexible and user-friendly credit facility based on the parent company's credit rating, that can be accessed in most Central and Eastern European countries. Bank Austria coordinates every phase of negotiation, acting as the single point of contact between the client and UniCredit's banks across the region.
A simple way to help companies focus on their business, leaving the bank to manage their financials.

*Michelangelo Pistoletto - Embrace Differences - Serigraphy on Thermodeth Mirror 2005 - 2006*
*UniCredit Art Collection - © Michelangelo Pistoletto - Courtesy Cittadellarte - Pistoletto Foundation - Details*

# Independent Auditor's report

KPMG

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**Independent Auditor's Report on the Financial Statements**

To the shareholder of UniCredit Bank Hungary Zrt.

The accompanying summary financial statements presented on pages 20 to 50 of the 2011 Annual Report, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated income statement and consolidated statement of comprehensive income for the year then ended, the consolidated statement of changes in shareholder's equity, the consolidated statement of cash-flows and related notes (hereinafter referred to as "the summary financial statements"), are derived from the audited financial statements of UniCredit Bank Hungary Zrt. (hereinafter referred to as "the Company") as at and for the year ended December 31,. 2011 prepared and presented in accordance with IFRSs (hereinafter referred to as "the IFRS financial statements"). We expressed an unmodified audit opinion on those IFRS financial statements in our report dated February 15, 2012. Those IFRS financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those IFRS financial statements.

The summary financial statements do not contain all the disclosures required by the IFRSs. Reading the summary financial statements, therefore, is not a substitute for reading the audited IFRS financial statements of UniCredit Bank Hungary Zrt..

*Management's Responsibility for the Summary Financial Statements*

It is the responsibility of the management to ensure that the summary financial statements presented in the 2011 Annual Report are identical to the financial statements under the same titles in the audited IFRS financial statements.

*Auditor's Responsibility*

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

*Opinion*

In our opinion, the statement of financial position as at December 31, 2011, the statement of comprehensive income for the year then ended and related notes presented on pages 20 to 50 of the 2011 Annual Report are identical to the consolidated statement of financial position as at December 31, 2011, the consolidated income statement and consolidated statement of comprehensive income for the year then ended, the consolidated statement of changes in shareholder's equity, the consolidated statement of cash-flows and related notes, respectively, included in the audited IFRS financial statements of UniCredit Bank Hungary Zrt. as at and for the year ended December 31, 2011.

*Emphasis of matter*

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

Budapest, June 5, 2012

KPMG Hungária Kft.
Registration number: 000202

István Henye
*Partner*

# Financial statements

## Consolidated statement of financial position (balance sheet) – 31 December 2011

### Assets

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | NOTE | HUF MILLION | EUR MILLION | HUF MILLION | EUR MILLION |
| Cash and unrestricted nostros with Central Bank | 15 | 8,213 | 26.4 | 8,633 | 31.0 |
| Financial assets held for trading | 16 | 57,800 | 185.8 | 79,859 | 286.5 |
| Available-for-sale financial assets | 17 | 309,054 | 993.3 | 245,479 | 880.6 |
| Held-to-maturity investments | 18 | 6,643 | 21.4 | 10,633 | 38.1 |
| Placements with. and loans and advances to banks | 19 | 90,115 | 289.6 | 39,270 | 140.9 |
| Loans and advances to customers | 20 | 1,142,002 | 3,670.5 | 1,089,221 | 3,907.5 |
| Hedging derivative assets | 21 | 15,261 | 49.1 | 6,066 | 21.8 |
| Equity investments | 22 | 1 | 0.0 | 1 | 0.0 |
| Investment properties | 23 | 24,939 | 80.2 | 25,765 | 92.4 |
| Property, plant and equipment | 24 | 28,222 | 90.7 | 28,940 | 103.8 |
| Intangible assets | 25 | 3,668 | 11.8 | 3,672 | 13.2 |
| Tax assets | 14 | 4,106 | 13.2 | 3,187 | 11.4 |
| Other assets | 26 | 7,865 | 25.3 | 6,086 | 21.8 |
| **Total assets** | | **1,697,889** | **5,457.2** | **1,546,812** | **5,549.1** |

### Liabilities

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | NOTE | HUF MILLION | EUR MILLION | HUF MILLION | EUR MILLION |
| Deposits and loans from banks | 27 | 365,467 | 1,174.6 | 278,039 | 997.4 |
| Deposits from customers | 28 | 1,052,165 | 3,381.8 | 976,504 | 3,503.2 |
| Subordinated loans | 29 | 21,225 | 68.2 | 19,016 | 68.2 |
| Issued bonds | 30 | 15,214 | 48.9 | 30,293 | 108.7 |
| Financial liabilities held for trading | 16 | 32,231 | 103.6 | 36,926 | 132.5 |
| Hedging derivative liabilites | 21 | 6,063 | 19.5 | 5,391 | 19.3 |
| Tax liabilities | 14 | 5,754 | 18.5 | 2,029 | 7.3 |
| Other liabilities | 31 | 10,737 | 34.5 | 13,993 | 50.2 |
| Other provisions | | 2,076 | 6.7 | 1,655 | 5.9 |
| **Total liabilities** | | **1,510,932** | **4,856.3** | **1,363,846** | **4,892.7** |

### Equity

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | NOTE | HUF MILLION | EUR MILLION | HUF MILLION | EUR MILLION |
| Share capital | 32 | 24,118 | 77.5 | 24,118 | 86.5 |
| Capital reserve | | 3,900 | 12.5 | 3,900 | 14.0 |
| Retained earnings | | 110,148 | 354.0 | 102,716 | 368.5 |
| Statutory reserves | 33 | 32,227 | 103.6 | 33,237 | 119.2 |
| Valuation reserves | | (822) | (2.6) | (2,195) | (7.9) |
| Other reserves | | 254 | 0.8 | 254 | 0.9 |
| Net profit for the year | | 14,516 | 46.7 | 18,795 | 67.4 |
| **Total equity attributable to the equity holder of the Bank** | | **184,341** | **592.5** | **180,825** | **648.7** |
| Minority interest | | 2,616 | 8.4 | 2,141 | 7.7 |
| **Total equity** | | **186,957** | **600.9** | **182,966** | **656.4** |

| | | | | |
|---|---|---|---|---|
| **Total Liabilities and Equity** | **1,697,889** | **5,457.2** | **1,546,812** | **5,549.1** |

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

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

# Financial statements (Continued)

## Consolidated income statement – 31 December 2011

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | NOTE | HUF MILLION | EUR MILLION | HUF MILLION | EUR MILLION |
| Interest and similar income | 6 | 130,275 | 418.7 | 119,268 | 427.9 |
| Interest expense and similar charges | 6 | (67,554) | (217.1) | (60,435) | (216.8) |
| **Net interest income** | **6** | **62,721** | **201.6** | **58,833** | **211.1** |
| Fee and commission income | 7 | 38,149 | 122.6 | 36,656 | 131.5 |
| Fee and commission expense | 7 | (11,188) | (36.0) | (10,817) | (38.8) |
| **Net fee and commission income** | **7** | **26,961** | **86.7** | **25,839** | **92.7** |
| Dividend income | 8 | 102 | 0.3 | 139 | 0.5 |
| Net trading income | 9 | 3,800 | 12.2 | (242) | (0.9) |
| Realised loss on Early Repayment Scheme | 10 | (7,485) | (24.1) | – | – |
| Net gain and loss on other financial instruments | 10 | 555 | 1.8 | 1,448 | 5.2 |
| **Operating income** | | **86,654** | **278.5** | **86,017** | **308.6** |
| Impairment and losses on credit products | 34 | (18,960) | (60.9) | (22,111) | (79.3) |
| Impairment due to Early Repayment Scheme | 34 | (7,210) | (23.2) | – | – |
| Impairment losses | | (26,170) | (84.1) | (22,111) | (79.3) |
| **Net financial activity result** | | **60,484** | **194.4** | **63,906** | **229.3** |
| | | | | | |
| Personnel expenses | 11 | (16,274) | (52.3) | (16,041) | (57.5) |
| General operating expenses | 12 | (22.114) | (71.1) | (23,368) | (83.8) |
| Other provision | 34 | (426) | (1.4) | (297) | (1.1) |
| Amortization and impairment on property, plant and equipments | 24 | (1,768) | (5.7) | (1,844) | (6.6) |
| Amortization and impairment on intangible assets | 25 | (927) | (3.0) | (1,304) | (4.7) |
| Other income | 13 | 1,285 | 4.1 | 1,498 | 5.4 |
| **Operating costs** | | **(40,224)** | **(129.3)** | **(41,356)** | **(148.4)** |
| | | | | | |
| Gain / (losses) on investments | 22 | (441) | (1.4) | 719 | 2.6 |
| Gain / (losses) on investment properties | | (1,913) | (6.1) | 42 | 0.2 |
| | | | | | |
| **Profit before tax** | | **17,906** | **57.6** | **23,311** | **83.6** |
| Income tax expense | 14 | (3,390) | (10.9) | (4,516) | (16.2) |
| **Net profit for the year** | | **14,516** | **46.7** | **18,795** | **67.4** |

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

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

# Financial statements (CONTINUED)

## Consolidated statement of comprehensive income – 31 December 2011

(HUF million)

| | NOTE | 2011 | 2010 |
|---|---|---|---|
| **Net profit for the year** | | **14,516** | **18,795** |
| | | | |
| Movement in fair value reserve (available-for-sale financial assets) | | (5,764) | (2,716) |
| Income tax on fair value reserve | 14 | 501 | 523 |
| **Net movement in fair value reserve** | | **(5,263)** | **(2,193)** |
| | | | |
| Movement in cash flow hedge reserve | | 8,192 | 6,711 |
| Income tax on cash flow hedge reserve | 14 | (1,556) | (1,275) |
| **Net movement in cash flow hedge reserve** | | **6,636** | **5,436** |
| | | | |
| **Total comprehensive income for the year** | | **15,889** | **22,038** |

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

# Financial statements (Continued)

## Consolidated statement of changes in Shareholder's equity – 31 December 2011

(HUF million)

| | ORDINARY SHARES | CAPITAL RESERVE | RETAINED EARNINGS | STATUTORY RESERVES | VALUATION RESERVES | | OTHER RESERVES | NET PROFIT | TOTAL | MINORITY INTEREST | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value reserve | Hedging reserve | | | | | |
| **Balance at 1 January 2010** | **24,118** | **3,900** | **85,560** | **34,863** | **3,223** | **(8,661)** | **–** | **15,491** | **158,494** | **–** | **158,494** |
| | | | | | | | | | | | |
| Net profit for the previous year | – | – | 15,491 | – | – | – | – | (15,491) | – | – | – |
| Total comprehensive income for the year | – | – | – | – | (2,193) | 5,436 | – | 18,795 | 22,038 | – | 22,038 |
| Dividend to equity holder | – | – | – | – | – | – | – | – | – | – | – |
| Business combination | – | – | – | – | – | – | 254 | – | 254 | 2,141 | 2,395 |
| Change in the scope of consolidation | – | – | 39 | – | – | – | – | – | 39 | – | 39 |
| Appropriations | | | | | | | | | | | |
| Transfer to retained earnings | – | – | 1,626 | (1,626) | – | – | – | – | – | – | – |
| **Balance at 31 December 2010** | **24,118** | **3,900** | **102,716** | **33,237** | **1,030** | **(3,225)** | **254** | **18,795** | **180,825** | 2,141 | 182,966 |
| | | | | | | | | | | | |
| Net profit for the previous year | – | – | 18,795 | – | – | – | – | (18,795) | – | – | – |
| Total comprehensive income for the year | – | – | – | – | (5,263) | 6,636 | – | 14,516 | 15,889 | – | 15,889 |
| Dividend to equity holder | – | – | (10,000) | – | – | – | – | – | (10,000) | | (10,000) |
| Other | – | – | – | (2,373) | – | – | – | – | (2,373) | 475 | (1,898) |
| Appropriations | – | – | – | | – | – | – | – | – | – | – |
| Transfer to retained earnings | – | – | (1,363) | 1,363 | – | – | – | – | – | – | – |
| **Balance at 31 December 2011** | **24,118** | **3,900** | **110,148** | **32,227** | **(4,233)** | **3,411** | **254** | **14,516** | **184,341** | **2,616** | **186,957** |

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

# Financial statements (Continued)

## Consolidated statement of cash flows – 31 December 2011

### Cash flows from operating activities

(HUF million)

| | NOTE | 2011 | 2010 |
|---|---|---|---|
| **Profit before tax** | | **18,261** | **23,311** |
| Items not involving movement of cash: | | | |
| Depreciation and amortisation | 24, 25 | 2,695 | 3,148 |
| Scrapped and transferred fixed assets | | 275 | 29 |
| Profit on disposal of property, plant and equipment | | (35) | (100) |
| Consolidation effect | | – | (985) |
| Net impairment and losses in credit products | | 23,016 | 17,259 |
| Net loss/gain from cash flow hedging assets | | (331) | (2,222) |
| Foreign exchange loss on subordinated loans | | 2,209 | 539 |
| Taxation paid | 14 | (3,745) | (4,516) |
| **Cash flows from operating profits before changes in operating assets and liabilities** | | **42,345** | **36,463** |
| | | | |
| Change in financial assets held for trading | | 22,059 | 216,099 |
| Change in tax assets | | (1,079) | 2,565 |
| Change in other assets | | (1,054) | 3,672 |
| Change in tax liabilities | | 458 | 167 |
| Change in other liabilities | | (1,952) | (9,674) |
| Change in unrestriced nostros with Central Bank | | – | – |
| Change in loans and advances to customers | | (76,930) | (33,094) |
| Change in deposits with other banks | | (50,845) | 138,219 |
| Change in deposits from customers | | 75,661 | (131,142) |
| Change in deposits from other banks | | 87,428 | (72,477) |
| Change in financial liabilities held for trading | | (4,695) | 7,753 |
| **Net cash from operating activities** | | **49,051** | **122,088** |

### Cash flows from investing activities

(HUF million)

| | NOTE | 2011 | 2010 |
|---|---|---|---|
| Proceeds on sale of property, plant and equipment | | 56 | 517 |
| Proceeds on sale of intangible assets | | – | 1,552 |
| Addition of property, plant and equipment | | (1,071) | (1,504) |
| Addition of intangible assets | | (1,198) | (1,357) |
| Change in equity investments | | – | 750 |
| Change in held-to-maturity investments | | 3,990 | 1,785 |
| Change in available-for-sale financial assets | | (69,340) | (156,214) |
| Change in investment properties | | 826 | (1,075) |
| **Net cash used in investing activities** | | **(66,737)** | **(155,546)** |

### Cash flows from financing activities

(HUF million)

| | NOTE | 2011 | 2010 |
|---|---|---|---|
| Change in issued bonds | | (15,079) | (2,641) |
| Change in the scope of consolidation | | – | 39 |
| Dividend paid | | (10,000) | – |
| **Net cash from financing activities** | | **(25,079)** | **(2,602)** |
| | | | |
| Net increase in cash | | (420) | 403 |
| Cash at the beginning of the year | 15 | 8,633 | 8,230 |
| **Cash at the end of the year** | **15** | **8,213** | **8,633** |

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 Bank Austria AG, Austria, with the ultimate parent company being UniCredito Italiano S.p.A.

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

These financial statements were authorised by the Supervisory Board on 15 February 2012.

## 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").

### 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. 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.

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 equity. 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

# Notes to the financial statements (Continued)

consolidated income statement. As soon as the circumstances, which led to the impairment cease to exist, the recovery in the fair value of the impaired available-for-sale equity security is recognised directly in equity.

### b.) Consolidation procedures

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

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

### c.) Comparatives

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

### d.) Cash and cash equivalents

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

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

### e.) Financial instruments

#### *i) Classification*

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

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

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

*Available-for-sale financial assets* are those non-derivative financial assets that are designated 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. The effective portion of the changes in the fair values of derivatives designated as hedging instruments is recognised as a separate component of shareholder's equity (cash flow hedge reserve) with no effect on income.

#### *ii) Recognition and de-recognition*

The Group recognises financial assets and liabilities 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 where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

# Notes to the financial statements (Continued)

*iii) 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 financial assets and liabilities and all available-for-sale financial assets are measured at fair value, except that, where no quoted market price exists in an active market and fair value cannot be reliably measured, these are carried at cost less impairment. All non-trading financial assets, loans and receivables and held-to-maturity investments are measured at their amortised cost less accumulated impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and are amortised. Financial assets, with the exception of loans which are reviewed quarterly, 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.

**Fair value measurement principles**

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

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

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

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

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

## f.) Transactions in foreign currency

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

## g.) Securities

Securities can be held for short-term profit taking, available-for-sale or held-to-maturity purposes. The principles governing the recognition and classification of each category of security are stated in Note 3. e.) above.

## h.) 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.).

## i.) Property, plant and equipment

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

# Notes to the financial statements (CONTINUED)

### j.) Intangible assets and goodwill

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

### k.) 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 |

### l.) Finance leases

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

### m.) 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.

### n.) Loans and advances

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

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

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

### o.) Impairment and losses on credit products

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

### p.) 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.

# Notes to the financial statements (Continued)

## q.) 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 face value, plus directly attributable transaction costs and subsequently measured at amortised cost.

## r.) 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 is required to be made in the Hungarian statutory accounts. Increases in the general reserve, as calculated under Hungarian Accounting and Banking Rules are treated as appropriations from retained earnings, and are not charged against income.

**General risk reserve**

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

**Tied-up reserve**

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

### *ii) Valuation reserves*

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

## s.) 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.

## t.) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group normally issues either short-term guarantees, with an initial payment, or long term guarantees, for which it receives regular fee income. Financial guarantees are reviewed quarterly, and a provision is created in the amount of any expected payment. These provisions are included within other liabilities.

## u.) 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.

# Notes to the financial statements (Continued)

**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.

## v.) Income tax

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

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

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

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.

## w.) Events after the reporting date

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

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

## x.) 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.

# Notes to the financial statements (Continued)

- 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.

### y.) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, with the exception of:

- IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

  The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated, instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

  The standard is effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted.

  The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have an impact on the Group's consolidated financial statements.

## 4. Risk Management Policies

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

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

### *i) Credit risk*

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

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

**Client and transaction classification**

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

# Notes to the financial statements (Continued)

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

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

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

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

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

The basis for the valuation of collateral is the market value adjusted by the following factors:
- Collateral haircut: a percentage showing the expected loss (in%) of the market value in case of realisation of the collateral. Haircut is separately defined for every collateral type.
- Currency haircut: in case of mismatch between the currency of the loan and that of the collateral, the Group applies currency haircut to take into account currency risk. The extent of haircut for each currency is specified centrally by the Market Risk Department of UniCredit Bank Austria, and this is also the department which carries out the regular review (at least once a year).
- 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 predefined limit. 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 resaleability and liquidity of the item (the market conditions of supply and demand, the available market prices and participation in the issuer's equity capital in proportion to the investment);
f) the future payment obligation recognized as a loss arising from the item.

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

According to IFRS the need for impairment is estimated based on the cash flows originating from both the loan and the collaterals, also taken into account the time-value.

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 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 destressed (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). 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.

In this regard, a restructuring is considered as distressed, and resulting in a default event, 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.

**Impaired loans and securities**

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

**Past due but not impaired loans**

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

**Impairment loss**

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

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

For predefined subportfolios expected loss is calculated based on the following formula:

$$\mathbf{EL = EaD \times PD \times LGD}$$

Where

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

# Notes to the financial statements (Continued)

Also at subportfolio level the loss confirmation period (LCP) is defined (ranging 4-6 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.

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

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

In the retail portfolio the effects of the economic turmoil were perceivable also in 2011, but their seriousness eased compared to the previous year. The pace of deterioration stabilized though having lower inflows and more modest new lending activity.

Due to the fact that the Group lays emphasis on all elements of collection it continuously offers the possibility of renegotiation to its private individual clients in payment delay due to the negative effects of the unfavourable exchange rate movements.

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

**Early Repayment Program**
The Home protection Act (Act LXXV of 2011) became effective in September 2011. The Act grants an option to the borrowers to repay their fx mortgage loans at preferencial fx rates. Only those borrowers may take part in the scheme who had borrowed loans in CHF, EUR, or JPY at exchange rates below the repayment rates. The repayment rates are: 180 CHF/HUF; 250 EUR/HUF; 2 JPY/HUF. The difference between the amount at market rate and at the preferencial rate is the loss of the financing banks. The program started at the end of September 2011, and the customers have the possibility to repay their loans within 60 days after the announcement of their intention, which could take place until end of 2011. So the end of the repayment period is 29 February 2012. Additional criterion for the eligibility for repayment is that the customers have to prove that they have the sufficient funds until end of January 2012, the latest.

All the losses realized already in 2011 (HUF 7,485 million) had been booked under the revenue line as a revenue decreasing item. All the submitted applications, which will be realized only after closing of the financial year are booked as IBNR (HUF 7,210 million) – using an expert based discount model.

In the corporate segment in 2011 the Group continued to lay special emphasis on the monitoring, restructuring, and collection activity, whereas in case of new corporate loans the Group aimed to set up prudent financing structures. In case of corporate portfolio the Group's lending policy is differentiated by sectors and it defines a selective risk approach for new transactions in the most endangered sectors.

For 2012 a new FX debtors saving scheme is planned based on the agreement of the Hungarian Government and the Banking Association, which also expected to affect the banks P&L.

The idea is different for debtors with more than 90 days past due debt, and for performing (<90 dpd as of September 30, 2011) clients.

In case of the first, the FX loan will be converted to HUF, and 25% of the debt will be forgiven. Additionally, with certain criteria, interest subsidy is also possible.

For performing clients (under 90 dpd as of September 30, 2011) within a predefined exchange rate range (in case of CHF 180-250 CHF/HUF the solution will be similar to what was implemented in August 2011: instalment above the HUF sum calculated with a given exchange rate (according to the lower threshold of the range) will be set aside to an escrow account, but only the principal part. The interest will be paid by the bank and the State.

However, the final text of the law is not known yet, thus change in the above written may happen, and also therefore a precise pre-calculation of the effect is not yet possible.

The special bank tax will be reduced by the realised lost on Early Repayment Scheme.

### *ii) Liquidity risk*
Liquidity risk is the risk that the Group will encounter difficulty in meeting due obligations associated with its financial liabilities.

The objective of prudential liquidity management is to ensure that the Group has the ability to generate sufficient funds to meet all cash flow obligations as these fall due. Effective liquidity management is gaining importance in recent years ensuring market confidence, and protect the capital base while permitting effective growth. UniCredit Group has created its own short term and structural liquidity models similar to the efforts

# Notes to the financial statements (Continued)

of the Basel Committee. The Group takes into account also the local legal requirements and limitations and monitors the Basel3 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 2011. The degree to which accumulated liquidity outflows are covered by accumulated inflows within the following month and year is determined on an ongoing basis. It was used as a key figure in managing the Group's liquidity and funding. Beyond the limits on ratios, absolute gap limits were introduced 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 value of its holdings of financial instruments.

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

The Group uses the risk management procedures of UniCredit Bank Austria Group (as a subgroup of UniCredit Group) that complies with UniCredit standards and implements UniCredit Group's new Internal Model (IMOD). These procedures provide aggregate data and make available the major risk parameters for the various trading operations at least once a day. 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 also implemented within the "NoRISK" system as a replacement of the old Monte Carlo simulation. Internal risk model is used for computing economic capital in Hungary, but the capital requirement is calculated by the regulatory standard method. The computation of economic capital takes into account the statutory parameters (confidence interval of 99%, 10-day holding period) and additionally the multiplier determined as part of the model review is applied. 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 presented over time and compared with current budget figures. Reporting includes marking to market of all investment positions regardless of their treatment/classification in the IFRS-based financial statements ("total return"). The results are reported directly to the Group's trading and risk management units, and also via the access-protected web application "ERCONIS" maintained centrally in Vienna, analysed by portfolio, income statement item and currency.

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

The daily reporting also includes details of volume-oriented sensitivities which are compared with the respective limits. The most important detailed presentations include: basis point results (interest rate / spread changes of 0.01%) by maturity band, FX sensitivities and sensitivities in equities and emerging-market/high-yield positions (by issue, issuer and market). 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 maturity band, basis point totals per currency and/or per maturity 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 curve and maturity band (the Bank currently uses credit spread curves for its risk calculations).

# Notes to the financial statements (Continued)

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

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

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

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

### *iv) Compliance with Basel II*
The implementation of Basel II, and respectively the European Capital Requirement Directive has been established as a group-wide project overseen by UniCredit Italiano S.p.A. (hereafter: "UniCredit Group") with regard to group-wide topics and decisions. Also the Group operates its Basel II project accordingly. Close cooperation ensures consistency within the Group, during the implementation and ongoing compliance of Basel II. UniCredit Group standards prepared by the UniCredit Group in cooperation with the major legal entities are used as an instrument for common implementation with a view to meet the legal requirements and ensuring group-wide control.

The Group used the Basel II standardised approach from the beginning of 2008. Efforts are made to switch finally to the Advanced Internal Rating-Based Approach ("A-IRB") approach in order to realise the expected cost savings on the cost of capital beside implementation and application of more enhanced and more efficient risk management models. A high-level roll-out plan for the gradual switch to the IRB approaches at the subsidiaries was set up in the project. At the first phase, the Group got the permission from the Supervisor to use the Foundation IRB (hereafter F-IRB) approach for mid-corporate clients, multinational companies, and banks from 1st July 2011 and then A-IRB should be used for retail and corporate segments starting from 2014.

In October 2007, a local Basel II IRB project was set up comprising all three pillars of Basel II. The IRB roll-out is being carried out locally. This decentralized approach means that the requirements of A-IRB approach will be implemented by the UniCredit Group with the support of UniCredit S.p.A. and UniCredit Bank Austria AG, they give support during the implementation by providing guidelines and standards and in terms of coaching and advice. The Group is responsible for the use and development of methods and local models, and the compliance to local regulatory requirements, while for UniCredit Group wide models it is the task of UniCredit Group.

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

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

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

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

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

The Group's Management Board is responsible for the effective oversight over operational risk exposure. The operational risk office will notify the Management Board (partly via the Operational Risk Committee) 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.

# Notes to the financial statements (Continued)

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

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

In the Group, the Operational Risk Committee is responsible for making decisions on Operational Risk.

Members of the Operational Risk Committee are the Management Board members, representing: CEO's Division, Corporate, Investment Banking and Private Banking Division, Retail Division, Global Banking Services Division, Risk Management Division, and Finance Division. Representatives of Internal Audit, Human Resources, Legal Department, and Identity & Communications are also invited.

The Operational Risk Committee holds its meeting at least quarterly or more frequently if necessary.

Besides the responsibilities stated in internal regulation, in reviewing the operational risk framework, the Internal Audit Department is responsible for evaluating its functionality and effectiveness, as well as its compliance with the regulatory requirements. At least annually, it analyses the operational risk data collection, management and storage process to ensure the data quality.

The centralized Operational Risk Controlling has to operate the whole 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.

The Group prepares a self-assessment about compliance with the regulatory requirements, the group standards, and the internal rules. Also UniCredit Group Internal Validation unit gives a non-binding opinion on the self-assessment, and 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, that reflects the significance of the inputs used in measuring fair values and contains the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2 – inputs, other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

### *iii.) Financial assets and liabilities classification*
The Group's accounting policies determine the different accounting categories for the classification of financial assets and liabilities. The criteria for classification is described in accounting policies 3. e.), g.) and h.).

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

# Notes to the financial statements (Continued)

In addition, the Group continuously monitors the correlation of the underlying financial assets and liabilities with the hedges on a volume basis. This specific documentation also exhibits the periods when the cash flows are expected to occur and affect profit and loss, as well as if any forecast transaction is no longer expected to occur; the amount that was recognized in equity, or was removed from equity and included in profit or loss for the period.; or the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction; and any potential ineffectiveness recognised in profit or loss that arises from cash flow hedges.

### *v.) Effect of credit crunch and sovereign debt crisis in valuations*

a) Cash flow hedge effectiveness is assured through applying rigorous volume limits prohibiting overhedging and includes back-testing charges (e.g. in case of a significant prepayments or deposit withdrawals).

b) Debt securities classified as available-for-sale, were not impaired, as the Group does not doubt neither the issuers' (Hungarian Government, local mortgage banks) ability not their willingness to fulfil their due payments. The few price losses observed through market prices, hence, were realised in the AFS Reserves in the Equity statement.

c) The Group was not engaged in securitization, nor does it possess financial instruments particularly hit by the 2008 market, nor the Greek crises, such as asset-backed securities, credit derivatives and structured OTC products (e.g. CDOs, ABCP, SIV), or assets affected by the 2009-2010 sovereign crises (e.g. Irish, Greek, Portuguese debt securities).

d) The Group is exposed towards the Hungarian Government and the National Bank of Hungary, but the vast majority of those exposures are liquidity reserves, mostly short term government bonds, bills and 2-week central bank notes.

e) The major effect of the long lasting crisis the recent Hungary-specific concerns are that the liquidity charges (CDS of the Group) and the country spread of Hungary have widened, HUF yields have risen . These impact the Bank through repricing 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)

| | 2011 | 2010 |
|---|---|---|
| **Interest and similar income** | | |
| Interest income from Central Bank | 1,515 | 1,278 |
| Interest income from banks | 3,170 | 3,686 |
| Interest income from customers | 72,738 | 65,253 |
| Interest income on trading financial instruments | 4,344 | 6,375 |
| Interest income on hedge derivatives | 32,012 | 23,517 |
| Interest income on available-for-sale financial assets | 15,731 | 18,036 |
| Interest income on held-to-maturity assets | 765 | 1,123 |
| **Total** | **130,275** | **119,268** |
| | | |
| **Interest expense and similar charges** | | |
| Interest expense to Central Bank | (11) | (17) |
| Interest expense to banks | (9,587) | (8,638) |
| Interest expense related to hedge derivatives | (22,435) | (14,302) |
| Interest expense to customers | (33,766) | (35,067) |
| Interest expense on subordinated loans | (322) | (210) |
| Interest expense on issued bonds | (1,433) | (2,201) |
| **Total** | **(67,554)** | **(60,435)** |
| | | |
| **Net interest income** | **62,721** | **58,833** |

# Notes to the financial statements (Continued)

## 7. Net fee and commission income

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Fees and commission income** | | |
| Payment transaction fees | 31,269 | 29,167 |
| Custody service fees | 2,759 | 2,766 |
| Brokerage | 2,677 | 3,155 |
| Financial guarantee fees | 1,094 | 1,206 |
| Other financial fees and commissions | 350 | 362 |
| **Total** | **38,149** | **36,656** |
| | | |
| **Fees and commission expense** | | |
| Payment transaction fees | (9,311) | (8,828) |
| Custody service fees | (629) | (656) |
| Brokerage | (404) | (402) |
| Financial guarantee fees | (334) | (366) |
| Other financial fees and commissions | (510) | (565) |
| **Total** | **(11,188)** | **(10,817)** |
| | | |
| **Net fee and commission income** | **26,961** | **25,839** |

## 8. Dividend income

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Dividends on trading assets | 2 | 1 |
| Dividends on investments | 100 | 138 |
| **Total** | **102** | **139** |

## 9. Net trading income

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Gain/(loss) on foreign exchange | 3,707 | (538) |
| Gain/(loss) on trading interest rate swaps | (775) | 705 |
| Gain/(loss) on debt securities | 143 | (490) |
| Gain/(loss) on equities | 2 | 5 |
| Gain/(loss) on trading FRAs | 709 | 60 |
| Other trading income | 14 | 16 |
| **Total** | **3,800** | **(242)** |

# Notes to the financial statements (Continued)

## 10. Net gain and loss on other financial instruments

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Gain** | | |
| Available-for-sale debt securities | 987 | 1,458 |
| **Loss** | | |
| Loans and receivables ( Early Repayment Scheme) | (7,485) | – |
| Available-for-sale debt securities | (432) | (10) |
| | **(7,917)** | **(10)** |
| | | |
| **Total** | **(6,930)** | **1,448** |

## 11. Personnel expenses

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Wages and salaries | 11,616 | 11,236 |
| Statutory social-security contributions | 3,401 | 3,388 |
| Other employee benefits | 1,087 | 1,224 |
| Employer's contributions | 170 | 193 |
| **Total** | **16,274** | **16,041** |

The number of employees (in full time equivalent) was 1,967 on 31 December 2011 (2010: 1,971).

## 12. General operating expenses

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Indirect tax expense and fees to authorities | 10,195 | 11,750 |
| Renting costs and operating expenses of property | 3,648 | 3,952 |
| Advertising | 1,454 | 1,690 |
| Information technology costs | 4,338 | 3,013 |
| Material and office equipments costs | 436 | 496 |
| Other administrative expenses | 2,043 | 2,467 |
| **Total** | **22,114** | 23,368 |

# Notes to the financial statements (Continued)

## 13. Other income and expenses

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Operating income** | | |
| Service transfer fees received | 247 | 326 |
| Renting activity | 1,555 | 1,357 |
| Other | 215 | 655 |
| **Total** | **2,017** | **2,338** |
| | | |
| **Operating expenses** | | |
| Service transfer fees paid | (355) | (360) |
| Indemnity paid | (43) | (328) |
| Penalties | (17) | (11) |
| Other | (317) | (141) |
| **Total** | **(732)** | **(840)** |
| | | |
| **Net other operating income** | **1,285** | **1,498** |

## 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 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 2011 for the tax base was 10% up to 500 million HUF; for the tax base exceeding 500 million HUF the rate was 19%. The Bank has to pay the additional supplementary tax to income earned on special loans.

### 14.1 Tax expense for the year

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Current tax expense | 3,083 | 4,625 |
| Adjustments for prior years | 346 | 588 |
| Reversal of current tax on business combination | – | (59) |
| **Total** | **3,429** | **5,154** |
| Deferred tax (income) | (39) | (638) |
| **Total income tax expense in income statement** | **3,390** | **4,516** |

### 14.2 Reconciliation of effective tax rate

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | % | HUF MILLION | % | HUF MILLION |
| Profit before tax | | 17,906 | | 23,311 |
| | | | | |
| Income tax using the domestic corporate tax rate | 18.2 | 3,266 | 18.71 | 4,361 |
| Supplementary corporate tax for banks | 1.2 | 216 | 1.1 | 247 |
| Adjustments for prior years | 1.9 | 346 | 2.5 | 588 |
| Tax effects of income/expenses exempt from corporate tax | (2.2) | (397) | (2.1) | (499) |
| General risk reserve release | 0.4 | 66 | – | – |
| | | | | |
| Income/expenses giving rise to permanent differences: | | | | |
| Other | (0.6) | (107) | (0.8) | (181) |
| **Total** | **18.9** | **3,390** | **19.4** | **4,516** |

# Notes to the financial statements (Continued)

### 14.3 Balances related to taxation

(HUF million)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | ASSETS | LIABILITIES | NET | ASSETS | LIABILITIES | NET |
| Current tax assets/(liabilities) at year-end | 307 | – | 307 | 136 | (38) | 98 |
| | | | | | | |
| Deferred tax assets/(liabilities) | | | | | | |
| Available-for-sale securities | 667 | (399) | 268 | 71 | (305) | (234) |
| Cash flow hedges | – | (800) | (800) | 757 | – | 757 |
| Allowances for loan losses (IBNR) | 1,176 | – | 1,176 | 1,198 | – | 1,198 |
| Legal reserve (General risk reserve) | – | (2,706) | (2,706) | – | (245) | (245) |
| Property and equipment from tied up capital | – | (439) | (439) | – | (383) | (383) |
| Effect of items, increasing/(decreasing) the local tax base | 1,582 | (1,410) | 172 | 1,025 | (33) | (33) |
| Total deferred tax assets/(liabilities) | 3,425 | (5,754) | (2,329) | 3,051 | (1,991) | 1,060 |
| | | | | | | |
| **Total tax assets / (liabilities)** | **4,106** | **(5,754)** | **(1,648)** | **3,187** | **(2,029)** | **1,158** |

### 14.4 Movements in temporary differences during the year – 2011

(HUF million)

| | OPENING BALANCE | RECOGNISED IN PROFIT AND LOSS | RECOGNISED IN EQUITY | CLOSING BALANCE |
|---|---|---|---|---|
| Available-for-sale securities | (234) | – | 502 | 268 |
| Cash flow hedges | 757 | – | (1,557) | (800) |
| Allowances for loans (IBNR) | 1,198 | (22) | – | 1,176 |
| Legal reserve (General risk reserve) | (245) | (88) | (2,373) | (2,706) |
| Property and equipment from tied up capital | (383) | (56) | – | (439) |
| Effect of items, increasing/(decreasing) the local tax base | (33) | 205 | – | 172 |
| **Total** | **1,060** | **39** | **(3,428)** | **(2,329)** |

### 14.5 Movements in temporary differences during the year – 2010

(HUF million)

| | OPENING BALANCE | RECOGNISED IN PROFIT AND LOSS | RECOGNISED IN EQUITY | CLOSING BALANCE |
|---|---|---|---|---|
| Available-for-sale securities | (757) | – | 523 | (234) |
| Cash flow hedges | 2,032 | – | (1,275) | 757 |
| Allowances for loans (IBNR) | 562 | 636 | – | 1,198 |
| Legal reserve (General risk reserve) | (318) | 73 | – | (245) |
| Property and equipment from tied up capital | (305) | (78) | – | (383) |
| Effect of items, increasing/(decreasing) the local tax base | (40) | 7 | – | 33 |
| **Total** | **1,174** | **638** | **(752)** | **1,060** |

## 15. Cash and unrestricted balance with the Central Bank

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Cash on hand | 8,213 | 8,633 |
| Unrestricted balance with the Central Bank | – | – |
| **Total** | **8,213** | **8,633** |

# Notes to the financial statements (Continued)

## 16. Financial instruments held for trading

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Financial assets held for trading** | | |
| State treasury bills | 17,577 | 53,403 |
| State bonds | 1,868 | 1,777 |
| Other bonds | 952 | 2,443 |
| Equity securities | 26 | 32 |
| *Positive fair value of derivatives* | | |
| FX derivatives | 22,819 | 5,163 |
| Interest rate derivates | 14,492 | 16,923 |
| Commodity derivatives | 66 | 118 |
| **Total** | **57,800** | **79,859** |
| | | |
| **Financial liabilities held for trading** | | |
| *Negative fair value of derivatives* | | |
| FX derivatives | 13,602 | 4,053 |
| Interest rate derivatives | 18,566 | 32,757 |
| Commodity derivatives | 63 | 116 |
| **Total** | **32,231** | **36,926** |

## 17. Available-for-sale financial assets

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| State treasury bills | 227,402 | 162,922 |
| State bonds | 81,317 | 82,219 |
| Other bonds | – | 3 |
| Equities | 340 | 340 |
| **Total** | **309,059** | **245,484** |
| Impairment | (5) | (5) |
| **Total** | **309,054** | **245,479** |

## 18. Held-to-maturity investments

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| State bonds | 5,494 | 7,923 |
| Mortgage bonds | 1,149 | 2,710 |
| **Total** | **6,643** | **10,633** |

The net market value of the held-to-maturity securities portfolio as at 31 December 2011 is HUF 6,993 million (2010: HUF 10,310 million).

# Notes to the financial statements (Continued)

## 19. Placements with, and loans and advances to banks

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Placements with Central Bank** | | |
| Maturity less than one year | 58,497 | 17,677 |
| **Loans and advance to other banks** | | |
| Nostros with other banks | 12,492 | 3,501 |
| Maturity less than one year | 2,782 | 3,889 |
| Maturity more than one year | 16,344 | 14,203 |
| **Total** | **90,115** | **39,270** |

## 20. Loans and advances to customers

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Private and commercial** | | |
| Maturity less than one year | 616,223 | 509,671 |
| Maturity more than one year | 606,720 | 635,094 |
| Securities, recognised as loans | 8,650 | 5,030 |
| **Total** | **1,231,593** | **1,149,795** |
| Provision for impairment and losses on credit products (Note 34 | (82,381) | (60,574) |
| Impairment due to Early Repayment Scheme | (7,210) | – |
| **Total** | **(89,591)** | **(60,574)** |
| | | |
| **Total** | **1,142,002** | **1,089,221** |

### A. Analysis by industrial sector

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | HUF MILLION | % | HUF MILLION | % |
| Private clients | 358,626 | 29.12 | 352,418 | 30.65 |
| Real estate finance | 208,914 | 16.96 | 198,201 | 17.24 |
| Community | 148,227 | 12.04 | 105,489 | 9.18 |
| Trade | 103,687 | 8.42 | 86,419 | 7.52 |
| Transportation | 79,363 | 6.44 | 101,807 | 8.86 |
| Chemicals/Pharmaceutical | 72,083 | 5.85 | 44,433 | 3.87 |
| Construction | 53,898 | 4.38 | 44,356 | 3.86 |
| Financial activities | 44,733 | 3.63 | 68,992 | 6.00 |
| Food processing | 29,675 | 2.41 | 24,683 | 2.15 |
| Machine industry | 29,011 | 2.36 | 26,622 | 2.32 |
| Light industry | 26,332 | 2.14 | 22,400 | 1.95 |
| Communication | 18,918 | 1.54 | 17,940 | 1.56 |
| Electric energy industry | 14,689 | 1.19 | 19,432 | 1.69 |
| Catering trade | 12,642 | 1.03 | 11,999 | 1.04 |
| Agriculture | 10,271 | 0.83 | 7,606 | 0.66 |
| Metallurgy | 9,796 | 0.80 | 6,153 | 0.53 |
| Mining | 230 | 0.02 | 713 | 0.06 |
| Other | 10,498 | 0.84 | 9,700 | 0.86 |
| **Total** | **1,231,593** | **100.00** | **1,149,795** | **100.00** |

# 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)

| | 2011 | 2010 |
|---|---|---|
| **Against individually impaired** | | |
| Guarantees | 10,924 | 3,149 |
| Blocked cash deposits | 4,106 | 2,377 |
| Property | 24,861 | 26,952 |
| Debt securities | – | – |
| Equities | – | – |
| Others | 2,345 | 4,648 |
| | | |
| **Against collectively impaired** | | |
| Guarantees | 333 | 444 |
| Blocked cash deposits | 88 | 241 |
| Property | 27,017 | 30,430 |
| Debt securities | – | – |
| Equities | – | – |
| Others | 17 | 48 |
| | | |
| **Against past due, but not impaired** | | |
| Guarantees | 2,259 | 638 |
| Blocked cash deposits | 3,527 | 2,759 |
| Property | 21,490 | 40,071 |
| Debt securities | – | – |
| Equities | 27 | 30 |
| Others | 1,288 | 114 |
| | | |
| **Against neither past due nor impaired** | | |
| Guarantees | 53,738 | 75,974 |
| Blocked cash deposits | 26,991 | 28,969 |
| Property | 260,071 | 237,827 |
| Debt securities | 1,139 | 9,564 |
| Equities | 3,923 | 4,879 |
| Others | 36,345 | 27,600 |

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

# 21. Hedging derivative instruments

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| **Derivative assets held for risk management purposes** | | |
| Interest rate swaps | 15,261 | 6,066 |
| | | |
| **Derivative liabilities held for risk management purposes** | | |
| Interest rate swap | 6,005 | 5,391 |
| Forward rate agreements | 58 | – |
| **Total** | **6,063** | **5,391** |

# Notes to the financial statements (Continued)

## 22. Equity investments

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Investments in associated companies | 1 | 1 |

As at 31 December 2011 investments in consolidated subsidiaries were as follows:

(HUF million)

| NAME OF INVESTMENT | GROSS BOOK VALUE | SHAREHOLDER'S EQUITY |
|---|---|---|
| UniCredit Jelzálogbank Zrt. | 3,761 | 17,100 |
| Arany Pénzügyi Lízing Zrt. | 453 | 2,118 |
| Sas-Reál Kft. | 750 | 835 |

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

## 23. Investment properties

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Investment property in usage | 16,835 | 17,238 |
| Investment property, held for sale | 8,104 | 8,527 |
| **Total** | **24,939** | **25,765** |

The Group's investment properties are held within Europa Investment Fund, of which 84.1% of the units is owned by the Bank.
The investment properties are regularly valued by an independent real estate appraiser company, as required by the respective law.
Those investment properties, held for usage are valued at fair, those, that are held for sale are valued at the lower of their fair value or cost.
These properties earned HUF 1,487 million rental income in 2011 (2010: HUF 1,522 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 | CHANGE IN THE SCOPE OF CONSOLIDATION | ADDITIONS | DISPOSALS NET | DEPRECIATION | CARRYING AMOUNT AT THE END OF THE YEAR |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| Land and buildings | 29,816 | 3,785 | – | 375 | 12 | 789 | 25,605 |
| Office equipment | 9,889 | 7,583 | – | 629 | – | 829 | 2,106 |
| Motor vehicles | 940 | 541 | – | 95 | 9 | 142 | 343 |
| Capital work in progress | 210 | 6 | – | 1,071 | 1,099 | 8 | 168 |
| **Total** | **40,855** | **11,915** | – | **2,170** | **1,120** | **1,768** | **28,222** |
| | | | | | | | |
| **2010** | | | | | | | |
| Land and buildings | 28,113 | 3,058 | 985 | 649 | 23 | 635 | 26,031 |
| Office equipment | 11,181 | 8,252 | – | 830 | 401 | 1,052 | 2,306 |
| Motor vehicles | 926 | 561 | – | 196 | 11 | 151 | 399 |
| Capital work in progress | 381 | – | – | 1,504 | 1,675 | 6 | 204 |
| **Total** | **40,601** | **11,871** | **985** | **3,179** | **2,110** | **1,844** | **28,940** |

# Notes to the financial statements (Continued)

## 25. Intangible assets

**Movement in intangible assets**

(HUF million)

| | ACQUISITION COST AT THE BEGINNING OF THE YEAR | ACCUMULATED AMORTISATION AT THE BEGINNING OF THE YEAR | CHANGE IN THE SCOPE OF CONSOLIDATION | ADDITIONS | DISPOSALS NET | AMORTISATION | CARRYING AMOUNT AT THE END OF THE YEAR |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| Rental rights | 210 | 136 | – | 62 | – | 28 | 108 |
| Licenses | 568 | 104 | – | 33 | 275 | 29 | 193 |
| Software | 10,244 | 7,110 | – | 1,103 | – | 870 | 3,367 |
| Goodwill | – | – | – | – | – | – | – |
| **Total** | **11,022** | **7,350** | **–** | **1,198** | **275** | **927** | **3,668** |
| | | | | | | | |
| **2010** | | | | | | | |
| Rental rights | 128 | 109 | – | 82 | – | 27 | 74 |
| Licenses | 2,355 | 1,389 | – | 451 | 727 | 226 | 464 |
| Software | 11,782 | 7,899 | – | 824 | 522 | 1,051 | 3,134 |
| Goodwill | – | – | – | – | – | – | – |
| **Total** | **14,265** | **9,397** | **–** | **1,357** | **1,249** | **1,304** | **3,672** |

## 26. Other assets

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Trade receivables, advances and other receivables | 4,747 | 3,935 |
| Accrued income and prepaid expenses | 2,861 | 3,159 |
| Other | 411 | 124 |
| **Total** | **8,019** | **7,218** |
| Impairment losses | (154) | (1,132) |
| **Total** | **7,865** | **6,086** |

## 27. Deposits and loans from banks

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Maturity less than one year | 182,367 | 148,630 |
| Maturity more than one year | 183,100 | 129,409 |
| **Total** | **365,467** | **278,039** |

# Notes to the financial statements (Continued)

## 28. Deposits from customers

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Maturity less than one year | 968,649 | 874,546 |
| Maturity more than one year | 83,516 | 101,958 |
| **Total** | **1,052,165** | **976,504** |

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

## 29. Subordinated loans

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| UniCredit Bank Austria AG | 10,567 | 9,467 |
| UniCredit Bank Austria AG | 10,658 | 9,549 |
| **Total subordinated loans** | **21,225** | **19,016** |

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 should be requested by the Group for an additional period of 12 months every year between 15 November and 30 November. The Lender UniCredit Bank Austria will advise of its decision not later than 15 December of the relevant calendar year. Interest based on EURIBOR is payable quarterly in arrears.

## 30. Issued mortgage bonds

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Maturity less than one year | 7,355 | 15,647 |
| Maturity more than one year | 7,859 | 14,646 |
| **Total** | **15,214** | **30,293** |

## 31. Other liabilities

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Accrued expenses and prepaid income | 5,800 | 7,201 |
| Provision on guarantees and unutilised loans | 2,609 | 2,628 |
| Trade payable | 772 | 2,604 |
| Other taxes payable | 1,357 | 1,452 |
| Other | 199 | 108 |
| **Total** | **10,737** | **13,993** |

# Notes to the financial statements (CONTINUED)

## 32. Share capital

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| 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 Bank Austria AG.

## 33. Statutory reserves

(HUF million)

| | GENERAL RESERVE | GENERAL RISK RESERVE | TIED-UP RESERVE | TOTAL |
|---|---|---|---|---|
| Balance at 31 December 2010 | 18,852 | 13,885 | 500 | **33,237** |
| Appropriations from retained earnings | 1,248 | 27 | 88 | **1,363** |
| Other | – | (2,373) | – | **(2,373)** |
| Balance at 31 December 2011 | 20,100 | 11,539 | 588 | **32,227** |

## 34. Impairments and provisions

### 34.1 Impairments and provisions on credit products

(HUF million)

| | LOANS | GUARANTEES AND UNUTILISED LOANS | OTHER ASSETS | TOTAL FINANCIAL INSTRUMENTS |
|---|---|---|---|---|
| **Balance 31 December 2010** | **60,574** | **2,628** | **738** | **63,940** |
| Write-offs | (1,581) | – | (738) | (2,319) |
| Amounts released | (13,606) | (2,271) | – | (15,877) |
| Additional impairment and provisions | 32,126 | 1,442 | – | 33,568 |
| Impairment due to Early Repayment Scheme | 7,210 | – | – | 7,210 |
| Effect of FX rate fluctuation | 5,376 | 49 | – | 5,425 |
| Transfer | (508) | 761 | – | 253 |
| **As at 31 December 2011** | **89,591** | **2,609** | **–** | **92,200** |
| | | | | |
| Net movement in impairment and provisions | 16,939 | (829) | (738) | 15,372 |
| Impairment due to Early Repayment Scheme | 7,210 | – | – | 7,210 |
| Write-offs | 1,581 | – | 738 | 2,319 |
| **Net amount charged to the income statement** | **25,730** | **(829)** | **–** | **24,901** |
| Receivables written-off | 1,269 | – | – | 1,269 |
| **Total charged to the income statement, excluding the effect of f/x rate fluctuation** | **26,999** | **(829)** | **–** | **26,170** |

# Notes to the financial statements (CONTINUED)

### 34.2 Other impairments and provisions

(HUF million)

| | PROVISION MOVEMENT ON NON-CREDIT RISK ITEMS | IMPAIRMENT ON AFS AND EQUITY INVESTMENTS |
|---|---|---|
| **Balance 31 December 2010** | **2,049** | **5** |
| Write-offs | (7) | – |
| Amounts released | (119) | – |
| Additional impairment provisions | 558 | – |
| Effect of FX rate | 2 | |
| Transfer | (253) | – |
| **As at 31 December 2011** | **2,230** | **5** |
| | | |
| Net movement in impairment provisions | 432 | – |
| Write-offs | 7 | – |
| Other | - | – |
| | | |
| **Net amount charged to the income statement** | **439** | **–** |

## 35. Commitments and contingent liabilities

At 31 December 2010, the Group had the following commitments and contingent liabilities (in nominal values):

(HUF million)

| | 2011 | 2010 |
|---|---|---|
| Loan and overdraft facilities granted not disbursed | 489,225 | 423,487 |
| Financial guarantees | 178,591 | 160,411 |
| Letters of credit | 57,234 | 44,128 |
| FX spot sales (notional) | 245,397 | 96,203 |

As at 31 December 2011, the total face value of client assets held in safe custody by the Group was 2,574,676 HUF million (2010: 3,070,087 HUF million).

# Financing the excitement of UEFA EURO 2012™.

Bank Pekao participated in acquisition of financing of three UEFA EURO 2012™ stadiums: Stadion Narodowy in Warsaw, the Poznań Stadium and Stadium in Gdańsk. From an architectural standpoint, the Stadium in Gdańsk is considered the most impressive construction of UEFA EURO 2012™. This year for UEFA EURO 2012™ Bank Pekao has also financed other infrastructures, such as highways, regional airports and public transportation. As the official slogan states "simple emotions are sometimes not enough", Bank Pekao has really become part of EURO UEFA 2012™ as a National Sponsor.
This is another way to be close to local communities and a concrete sign of trust in the future of the country.

*Stadium in Gdańsk*

# Supervisory Board and Management Board

## UniCredit Bank Hungary Zrt.

### Supervisory Board

#### Chairman

**Dr. Erich Hampel**
UniCredit S.p.A.

#### Deputy Chairman

**Claudio Cesario**
UniCredit Bank Austria AG

#### Members

**Gianfranco Bisagni**
UniCredit Bank Austria AG

**Alicja Kornasiewicz**
UniCredit Bank Pekao SA

**Friederike Kotz**
UniCredit Bank Austria AG

**Tomica Pustisek**
UniCredit Bank Austria AG

**Pettkó-Szandtner Judit**
UniCredit Bank Hungary Zrt.

**Bolyán Róbert**
UniCredit Bank Hungary Zrt.

**Horváth Gábor**
UniCredit Bank Hungary Zrt.

### Management Board

#### Chairman and CEO

**Dr. Patai Mihály**
UniCredit Bank Hungary Zrt.

#### Members

**Ihász Csilla**
UniCredit Bank Hungary Zrt., Head of Retail Division

**Kaliszky András**
UniCredit Bank Hungary Zrt., Chief Operation Officer

**Stefano Santini**
UniCredit Bank Hungary Zrt., Chief Financial Officer

**Tóth Balázs**
UniCredit Bank Hungary Zrt., Chief Risk Officer

# Supervisory Board and Management Board (Continued)

## UniCredit Jelzálogbank Zrt.

### Supervisory Board

#### Chairman

**Stefano Santini**
UniCredit Bank Hungary Zrt.

#### Members

**Elena Goitini**
UniCredit S.p.A.

**Dr. Pettkó-Szandtner Judit**
UniCredit Bank Hungary Zrt.

**Kaliszky András**
UniCredit Bank Hungary Zrt.

**Sipos József**
UniCredit Bank Hungary Zrt.

**Tóth Balázs**
UniCredit Bank Hungary Zrt.

### Management Board

#### Chairperson and CEO

**Tölli Gabriella**
UniCredit Jelzálogbank Zrt.

#### Members

**Dr. Füredi Júlia**
UniCredit Bank Hungary Zrt.

**Novákné Bejczy Katalin**
UniCredit Jelzálogbank Zrt.

**Horváth István**
UniCredit Bank Hungary Zrt.

**Komócsi Sándor**
UniCredit Bank Hungary Zrt.

# Calendar

## 22 March 2011

According to the evaluation of the economic processes and trends in the previous years, UniCredit Bank has made an important step in the further development of its customer relationships. The Bank found an efficient method to support its customers in making really responsible financial decisions and to undertake a further risk management role. The Foresee housing loan, introduced in March changed the usual schedule and moved the starting point of responsible home purchase to the bank. After a joint analysis of the availability of own funds, solvency and the value of properties eligible as collateral, in possession of loan promissory note, customers have half a year at their disposal to select their suitable home.

## 26 March 2011

UniCredit Group participated in 2011 again in "Earth Hour", an international programme initiated by WWF. From half past eight in the evening (by Central European Time), in 47 central buildings of UniCredit throughout Europe, including Budapest, the lights were switched off for 60 minutes. This symbolic action indicates the Group's commitment for climate protection and the reduction of greenhouse gas emissions, but this is only one of several measures applied by UniCredit in recent years, to protect the environment.

## 1 April 2011

UniCredit Bank joined the Széchenyi Card Programme, previously already successful, and doing so, the Bank opened up new opportunities for domestic enterprises. The Bank assists export and import operations of small businesses by offering them a unique SME foreign currency account, elaborated by the European network of the banking group. With a UniCredit Széchenyi Card, cash withdrawals are free of charge at a total of more than 19,000 UniCredit teller machines in Hungary and in another 17 countries, whilst the Bank's forex account for small businesses makes cheaper and faster euro-based transfers and settlements as well.

## September-December 2011

In 2011 the Bank continued its CSR programmes for awareness, implying medium and long term social commitments. In September, the Group carried on the Pass it on! programme, also connected to its UEFA Champions League sponsorship, mobilising students of 123 schools throughout the country at different sports events. The attending schools could purchase new sporting goods from the amount provided by UniCredit Bank Hungary Zrt., and they could organise further sporting events. Physical education teachers of the "Pass it on!" schools could attend, free of charge, a four-day professional training where they received theoretical and practical assistance for their job.

## November 2011

After an in-depth review of needs and an extremely successful test period, UniCredit Bank announced in November that in addition to the already operating ten, twenty five new ATMs would be put into operation before the end of the year, able to accept forint cash payments. The new teller machines can be used to deposit cash round-the-clock, the deposited amount is immediately available on the account and accessible for example for bank card usage. This way, relatives or business partners at great distances from one another at a given time can transfer money to partner cards, without losing time or money. The operation is completely free of charge, like cash withdrawals from UniCredit teller machines, using the Bank's debit cards.

## November 2011

In the traditional Best Job survey of Aon Hewitt, in the category of more than one thousand employees, UniCredit Bank ranked fourth, and so it achieved the best result among financial institutions involved in this survey. According to the UniCredit staff, the most important factors for this high level of satisfaction are: payment of wages in due time, stability of the community and workplace, human-centric management, as well as mutual respect and appreciation between colleagues.

# Calendar (Continued)

## 10 November 2011

In the MasterCard – Bank of the Year 2011 competition UniCredit reached outstanding results in four categories: the products and services proving the Bank's long-term commitment were recognised with two first places and two second places. The title of "The Most Innovative Bank of the Year" was earned with the introduction of the new-type ATMs, and the Foresee loan became the winner as "The Retail Loan Product of the Year". In the category of retail savings, UniCredit's Regular Savings Programme ranked second, due to its flexible adaptation to the changing customer needs and possibilities. Also in the category of "The Account Package of the Year", the Bank ranked "runner up" with its "I-Account" product.

## 21 November 2011

As another professional recognition, in the competition of Excellent Hungarian Content eFestival 2011, the Bank's website ranked first in the Business category, and so, UniCredit became eligible for the titles of User-Friendly Website and Excellent Hungarian Content as well.

## 23 November 2011

UniCredit Bank's local Pass it on! programme attracted international interest as well: in the competition of the European Sponsorship Association, the programme ranked first in the "Business to Community" category.

## 22 December 2011

To close this year rich in recognitions, UniCredit Bank announced that a comprehensive programme will be launched, to support young artists and to invigorate the market of contemporary Hungarian art as well. Main elements of this programme planned for several years include the organization of an exhibition of contemporary art in the Kieselbach Gallery, announcement of scholarship opportunities available for young artists in a tendering process and the publication of a catalogue, to be distributed internationally. The Bank holds a substantial collection of contemporary art and makes use of its international relationships as well, to give stimulus not only to the local economy, but also to the market of Hungarian contemporary art, to play a facilitator's role in enhancing the reputation of local artists and in the start-up of young artists.

# Network units

## Head Office

H-1054 Budapest, Szabadság tér 5–6.
Telephone: +36-1/301-1271
Fax: +36-1/353-4959
E-mail: info@unicreditgroup.hu
UniCredit Call Centre 0-24: 06-40/50-40-50 (from abroad: +36-1/325-3200)
www.unicreditbank.hu


On 31 December 2011 UniCredit Bank's network consisted of 132 units throughout Hungary, from which 61 branches were located in Budapest, while 71 in the country.

# Network units (Continued)

## Branches in Budapest

**Batthyány téri fiók**
1011 Budapest, Fő u. 52.

**Törökvészi úti fiók**
1022 Budapest, Törökvészi út 30/a

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

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

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

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

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

**Békásmegyeri fiók**
1039 Budapest, Heltai Jenő tér 15. (Heltai Bank Center)

**Újpesti fiók**
1042 Budapest, István út 10. (Újpest Áruház)

**Fehérhajó utcai fiók**
1052 Budapest, Fehérhajó u. 5.

**Astoria fiók**
1052 Budapest, Károly krt. 6.

**Ferenciek tere fiók**
1053 Budapest, Ferenciek tere 2.

**Alkotmány utcai fiók**
1054 Budapest, Alkotmány u. 4.

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

**Deák téri fiók**
1061 Budapest, Deák tér 6.

**Nagymező utcai fiók**
1065 Budapest, Nagymező u. 44.

**Nyugati fiók**
1066 Budapest, Teréz krt. 62.

**Oktogon fiók**
1067 Budapest, Teréz krt. 21.

**Erzsébet körúti fiók**
1073 Budapest, Erzsébet krt. 56.

**Baross téri fiók**
1076 Budapest, Thököly út 4.

**József körúti fiók**
1085 Budapest, József krt. 46.

**Arena Corner fiók**
1087 Budapest, Hungária krt. 40-44. (Arena Corner)

**Arena Plaza fiók**
1087 Budapest, Kerepesi út 9.

**Blaha Lujza téri fiók**
1088 Budapest, József krt. 13.

**Haller Gardens fiók**
1091 Budapest, Soroksári út 32-34.

**Ferenc körúti fiók**
1092 Budapest, Ferenc krt. 24.

**Vámház körúti fiók**
1093 Budapest, Vámház krt. 15.

**Boráros téri fiók**
1095 Budapest, Boráros tér 7.

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

**Kőbányai fiók**
1102 Budapest, Kőrösi Csoma stny. 8.

**Gyömrői úti fiók**
1103 Budapest, Gyömrői u. 99.

**Andor utcai fiók**
1119 Budapest, Andor u. 2.

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

**Bartók Béla úti fiók**
1115 Budapest, Bartók Béla út 88.

# Network units (Continued)

**Fehérvári úti fiók**
1117 Budapest, Fehérvári út 23.

**Új Buda Center fiók**
1117 Budapest, Hengermalom út 19-21.

**Gazdagrét fiók**
1118 Budapest, Rétköz u. 5. (BudaWest Irodaház)

**Alkotás úti fiók**
1123 Budapest, Alkotás u. 50.

**Déli pu. fiók**
1123 Budapest, Alkotás út 1/A.

**Váci út 20 fiók**
1132 Budapest, Váci út 20.

**Capital Square**
1133 Budapest, Váci út 76.

**Lehel úti fiók (Medimpex)**
1134 Budapest, Lehel utca 11.

**Central Park fiók**
1135 Budapest, Lehel u. 70-76.

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

**Váci út 85. fiók**
1139 Budapest, Váci út 85.

**Váci úti fiók**
1139 Budapest, Váci út 99.

**Nagy Lajos király úti fiók**
1141 Budapest, Nagy Lajos király útja 214.

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

**Bosnyák téri fiók**
1149 Budapest, Nagy Lajos király útja 135.

**Pólus fiók**
1152 Budapest, Szentmihályi út 137.

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

**Pestszentlőrinci fiók**
1182 Budapest, Üllői út 455.

**Üllői úti fiók**
1182 Budapest, Üllői út 661.

**Pestszentimrei fiók**
1188 Budapest, Nagykőrösi út 49.

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

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

**Pesterzsébeti fiók**
1201 Budapest, Kossuth Lajos u. 32-36.

**Csepeli fiók**
1211 Budapest, Kossuth Lajos út 93.

**Csepel Plaza fiók**
1211 Budapest, II. Rákóczi Ferenc út 154-170. (Csepel Plaza)

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

**Soroksári fiók**
1239 Budapest, Hősök tere 14.

# Network units (Continued)

## Branches in the country

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

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

**Budaörsi fiók**
2040 Budaörs, Szabadság út 49.

**Budaörs – Tesco fiók**
2040 Budaörs, Kinizsi utca 1-3.

**Budakeszi fiók**
2092 Budakeszi, Fő út 139.

**Gödöllői fiók**
2100 Gödöllő, Dózsa György út 13.

**Dunakeszi fiók**
2120 Dunakeszi, Fő út 70.

**Vecsési fiók**
2220 Vecsés, Lincoln út 1.

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

**Tököli fiók**
2316 Tököl, Repülőgépgyár, Iparterület

**Dunaújvárosi fiók**
2400 Dunaújváros, Dózsa György út 4/D

**Esztergomi fiók**
2500 Esztergom, Kossuth Lajos u. 14.

**Váci fiók**
2600 Vác, Szent István tér 4.

**Ceglédi fiók**
2700 Cegléd, Kossuth tér 4.

**Tatabányai fiók**
2800 Tatabánya, Szent Borbála tér 2.

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

**Salgótarjáni fiók**
3100 Salgótarján, Rákóczi út 13.

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

**Egri fiók**
3300 Eger, Bajcsy-Zsilinszky u. 2.

**Eger – Agria Park fiók**
3300 Eger, Törvényház u. 4. (Agria Park)

**Miskolc – Széchenyi úti fiók**
3500 Miskolc, Széchenyi út 35.

**Miskolci fiók**
3530 Miskolc, Hunyadi u. 3.

**Miskolc – Búza téri fiók**
3525 Miskolc, Búza tér 1.

**Tiszaújvárosi fiók**
3850 Tiszújváros, Mátyás Király út 3.

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

**Debrecen – Kálvin téri fiók**
4026 Debrecen, Kálvin tér 2/A.

**Hajdúszoboszlói fiók**
4200 Hajdúszoboszló, Szilfákalja u. 4.

**Nyíregyházi fiók**
4400 Nyíregyháza, Dózsa György út 1-3.

**Nyíregyháza 2 fiók**
4400 Nyíregyháza, Nagy Imre tér 1. (Korzó Bevásárlóközpont)

**Nyíregyháza 3 fiók**
4400 Nyíregyháza, Szarvas u. 2.

**Szolnoki fiók**
5000 Szolnok, Baross Gábor út 27.

**Szolnok 2 fiók**
5000 Szolnok, Kossuth Lajos utca 18.

**Jászberényi fiók**
5100 Jászberény, Szabadság tér 3.

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

# Network units (Continued)

**Békéscsaba 2 fiók**
5600 Békéscsaba, Szabadság tér 2.

**Gyulai fiók**
5700 Gyula, Városház u. 12.

**Kecskeméti fiók**
6000 Kecskemét, Kisfaludy u. 8.

**Kecskemét 2 fiók**
6000 Kecskemét, Rákóczi út 4.

**Kiskunfélegyházi fiók**
6100 Kiskunfélegyháza, Kossuth u. 2.

**Bajai fiók**
6500 Baja, Tóth Kálmán tér 3.

**Szentesi fiók**
6600 Szentes, Kossuth u. 8.

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

**Szeged – Széchenyi téri fiók**
6720 Szeged, Széchenyi tér 2/A

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

**Hódmezővásárhely**
6800 Hódmezővásárhely, Andrássy u. 3.

**Paksi fiók**
7030 Paks, Dózsa György út 63-73.

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

**Szekszárd – Széchenyi utcai fiók**
7100 Szekszárd, Széchenyi utca 43.

**Kaposvári fiók**
7400 Kaposvár, Dózsa György u. 1.

**Kaposvár 2 fiók**
7400 Kaposvár, Áchim András u. 4.

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

**Pécsi fiók**
7621 Pécs, Rákóczi út 17. (Fészek Áruház)

**Székesfehérvári fiók**
8000 Székesfehérvár, Budai út 1.

**Székesfehérvár 2 fiók**
8000 Székesfehérvár, Palotai u. 4.

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

**Veszprém 2 fiók**
8200 Veszprém, Kossuth u. 6.

**Keszthelyi fiók**
8360 Keszthely, Kossuth u. 41.

**Ajkai fiók**
8400 Ajka, Szabadság tér 12.

**Pápai fiók**
8500 Pápa, Fő u. 25.

**Siófok**
8600 Siófok , Fő u. 174-176.

**Nagykanizsai fiók**
8800 Nagykanizsa, Fő út 8.

**Zalaegerszegi fiók**
8900 Zalaegerszeg, Kovács Károly tér 1/a

**Zalaegerszeg 2 fiók**
8900 Zalaegerszeg, Kossuth u. 1.

**Győri fiók**
9021 Győr, Árpád út 45.

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

**Győr-ETO Park fiók**
9027 Győr, Nagysándor József u. 31. (ETO Park)

**Mosonmagyaróvári fiók**
9200 Mosonmagyaróvár, Fő u. 6.

**Soproni fiók**
9400 Sopron, Várkerület 1-3.

# Network units (Continued)

**Sárvári fiók**
9600 Sárvár, Hunyadi u. 1.

**Szombathelyi fiók**
9700 Szombathely, Kőszegi u. 30-32.

**Szombathely 2 fiók**
9700 Szombathely, Fő tér 26.

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