UniCredit Bank

Clear answers for real benefits.

2012 Annual Report

Customer testimonials are the common thread of this year's annual report to illustrate the concrete solutions we provide every day. These true stories were told first-hand and collected by the colleagues who worked with them to offer real benefits.

Each story lends an authentic voice to how we are having a positive impact on our stakeholders. We are making a difference by recognizing everyday challenges and opportunities, and by contributing to the economic, social and cultural well-being of the communities we serve.

This report's creative concept reflects our commitment by displaying two pieces that fit together. This represents the union between the real-life needs of our clients and the practical solutions that we offer.

Above all, we believe that being a commercial bank means engaging in meaningful dialogue with those with whom we come into contact. This enables us to provide simple, quick and effective responses that perfectly meet customer needs.

Inside you will find some of these stories. We hope the next one will be yours.

2012 Annual Report

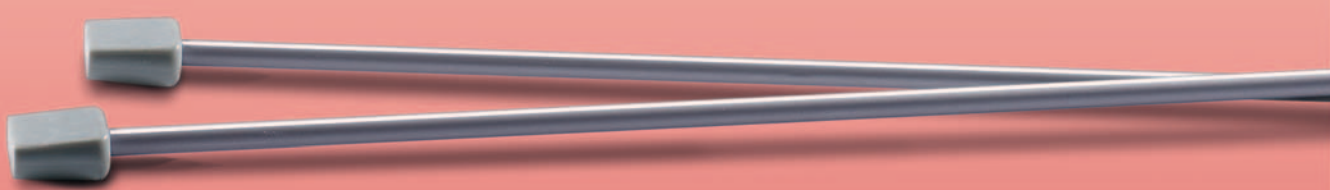
Content

Meeting customers' specific needs with flat fee

CUSTOMIZED

"Even when it comes to fairly simple banking transactions like payments, we know that UniCredit Bank finds solutions that are mutually beneficial. Their customized payment system, flat fee, not only helps us to understand and plan our monthly expenses but also saves our accountant's time."

Pauls Ābele, Head of Finance, Accounting and IT Board Member of AS "Latvijas Finieris," customer of UniCredit Bank in Baltics



Financial highlights

UniCredit Group Hungary – IFRS consolidated

Profit figures

(HUF million)

	2012	2011
Operating result	25,868	20,260
Profit before taxes	26,043	17,906
Profit after taxes	**20,972**	**14,516**

Balance Sheet figures

(HUF million)

	2012	2011
Balance Sheet Total	**1,657,411**	**1,697,889**
Loans and Advances to customers (net)	964,668	1,142,002
Deposits from customers	1,022,018	1,052,165
Shareholder Funds	207,084	184,341

Indicators

	2012	2011
Return on Equity before taxes	13.31%	9.81%
Return on Equity after taxes	10.72%	7.95%
Return on Average Assets (ROA) before taxes	1.55%	1.10%
Return on Average Assets (ROA) after taxes	1.25%	0.89%
Cost Income Ratio*	52.62%	46.22%
Net fee income in percentage of Total Operating Income	22.69%	19.34%

Indicators prescribed by HFSA (HAS)**

(HUF million)

	2012	2011
Regulatory Capital	204,870	183,940
Adjusted regulatory capital	204,869	182,279
Risk Weigthed Assets	1,121,283	1,272,762
Total Capital Ratios	**18.27%**	**14.32%**

Other figures

	2012	2011
Headcount (FTE)	**1,878**	**1,967**
Number of locations	122	134
Number of branches	120	132

* based on standard of Consolidated Financial Statement

** incl. dividends

The management's report

Economic and financial environment

In 2012 both domestic and international trends were characterised by strong duality. In the first half of the year the crisis of the eurozone made new waves in the peripheral countries. The improving market sentiment due to ECB's Long-term refinancing operation (LTRO) at the beginning of the year proved to be rather temporary. In the spring Greece got threateningly close to an exit from the eurozone or the suspension of loans provided by international organisations and then in May it was Spain's turn to acknowledge that it needed financial aid to inject capital in its banking system. These countries carried out significant fiscal adjustments, which resulted in considerable sacrifices in terms of GDP growth and social tensions, whereas the core countries of the EU as well as the global economy showed signs of the slowdown of economic growth. Although the efficient management of the sovereign debt crisis and the problems of the banking system is a key task for the eurozone, promoting economic growth is indispensable for recovery. As a part of the complex management of the problem the establishment of the European Banking Union was announced and the last obstacle for launching the European Stability Mechanism (ESM) was removed. It was of key importance that the ECB undertook to start unlimited purchases of sovereign bond in the secondary markets (Outright Market Transaction) under certain conditions. As a result of all these market tensions eased considerably and risk appetite increased to which the announcement of a new round of quantitative easing (QE3) by the Fed also contributed substantially. The risks around the eurozone, however, are still significant due to the quick and complete implementation of the crisis management measures and their negative effect on economic growth. Nonetheless, considering the current trends and market responses the measures might fulfil the hopes invested in them resulting in a gradual upswing in the European market over the two coming years.

The duality of improving risk assessment and moderate performance in the real economy could be observed in Hungary's economic trends as well, mostly in the second half of the year. The major loss of investors' confidence at the end of 2011 continued to cause significant tensions also at the beginning of 2012, which were further aggravated by the early halt in the EU/IMF negotiations over a loan agreement. The CDS premium reflecting the sovereign risk was above 700 basis points for a short while and the yields of Hungarian government bonds exceeded even 10 percent on certain days. After the European Commission indicated that part of the cohesion funds might possibly be suspended, budgetary discipline became the top priority of economic policy. To support its commitment the government presented Széll Kálmán Plan 2.0, which intended to ensure the improvement of the general government balance primarily by increasing its revenues and was the first document to refer to the introduction of a financial transaction tax. In April the agreement between Hungary's Prime Minister and the President of the European Commission on the new Act on the Central Bank among others was a turning point in the assessment of the country by investors, which re-opened the road to negotiations with international creditors. However, the risk assessment of Hungary, which started to improve significantly from the summer was mainly due to a positive atmosphere abroad and not to Hungarian economic policy, although the Commission's positive decision on the cohesion funds and the arrival of the EU/IMF delegation in Budapest were clearly important factors, although the positions did not get closer by the end of the year and the possibility of a future loan agreement also became uncertain.

Although this "bullish" investor sentiment improved the risk assessment of the CEE region and Hungary, which was reflected in an increasing capital influx, falling yields and CDS premium (<300 basis points), it became clear in the autumn that the pace of growth of both the European and the Hungarian economy lagged behind earlier expectations. This is in itself a threat to fiscal stability as well as to a sustainable – in the case of Hungary decreasing – debt path. The government's commitment to keep the general government deficit below 3 percent of GDP as requested by the EU and thus to get out of the excessive deficit procedure (EDP) led to the announcement of three consecutive adjustment packages. Although in structural terms they were increasingly dominated by revenue boosting measures including the maintenance of the bank tax, the introduction of the financial transaction tax, an increase in the tax burden of energy companies, and the launch of the electronic road toll, their impact might impede economic growth. According to preliminary 2012 figures the general government deficit was kept below 3 percent of GDP and although the Commission's official forecast anticipates 2.9 percent for 2013, the negative impact of the announced measures on GDP growth and the risk of incomplete implementation may trigger further consolidation measures.

Considering real economic trends following the considerable recession in the first quarter of 2012, in the second quarter Hungary officially got into a technical recession. The decrease of output continued – although at a lower rate – in the third quarter; the really bad surprise, however, came with the data of the fourth quarter when industrial production considered as the driving force of the economy and the related exports stalled by the year-end. Thus the performance of the Hungarian economy decreased by 1.7 percent, by more than expected in 2012. Both internal and external factors contributed to the decrease of GDP. While the slowdown recorded in external markets curbed export growth, measures taken in order to decrease private and government debts accumulated before the crisis, the special taxes levied on individual industries, tight lending conditions and the uncertain economic and regulatory environment restrained domestic demand and investments permanently. On the production side even the huge investments undertaken in the automobile industry and the

The management's report (Continued)

subsequent increase of production could not counter-balance the downsizing of other industries, in particular the production of telecommunication and electronic devices, which pushed the entire industry into recession. By mid-2012 the performance of construction seemed to have bottomed out, then it declined further in the rest of the year and year-on-year. The service sector, which was rather sensitive to domestic demand and was also burdened by special taxes dragged down overall economic performance as well. Last year bad weather conditions reduced the level of agricultural production by about one quarter. In 2013, similarly to the previous year, the only driving force of GDP growth may be net exports, which could be underpinned by already announced investments as well as capacity increases in car manufacturing, whereas domestic consumption is expected to remain subdued due to trends having characterised the year 2012, as a result of which we expect a quasi-stagnation (-0.1 percent drop) of GDP.

Despite the recessionary environment the consumer price index was permanently above the inflation target rate of the National Bank of Hungary (5.7 percent vs. 3.0 percent) in 2012. High inflation reflects primarily the commodity price shock and indirect tax increases by the government, while trends in underlying inflation show more moderate dynamics. Based on the majority decision of external members the Monetary Council of the National Bank of Hungary (NBH) started a monetary easing and by the end of the year the benchmark interest rate was cut in five steps by 125 basis points to 5.75 percent. The decisions of the Council were motivated by considerations that weak demand would have a significant disinflationary effect in the future, which, with the fading away of the cost shock that kept inflation high in the short term, might increasingly dominate and help to attain the inflation target. In this period global risk appetite intensified significantly, which moderated Hungary's risk premiums substantially and thus enlarged the room of manoeuvring of monetary policy.

Performance of the Hungarian banking sector in 2012[1]

In the first half of 2012 international financial trends and investor sentiment were shaped mostly by risks related to fiscal problems in the eurozone including the stalling of the negotiations aimed at managing the Greek sovereign debt and the continuously worsening growth prospects. The loss of investor confidence led in the case of more vulnerable countries that are more exposed to the spill over effects of an incidental new financial turbulence – including Hungary – to a drastic rise in exchange rates, yields and country risk premiums. In the second half of the year, simultaneously with the substantial improvement of global risk assessment and investor appetite, however, some stabilisation took place, which enabled the central bank to launch a series of interest rate cuts in the Hungarian market. As a result the benchmark interest rate of the NBH fell from 6.75 percent in August 2012 to 5.75 percent by year-end.

The development of the Hungarian banking system was still shaped by actions taken by the Hungarian government and weak real economic trends. The early repayment of foreign currency based mortgage loans at preferential exchange rates continued in the first quarter of 2012. The final realised FX loss of the banking sector exceeded HUF 370 billion when the programme was terminated in February 2012. Since banks were entitled to write off 30 percent of their FX losses related to the early repayment programme from their special bank levy, the adjusted actual loss was an estimated HUF 260 billion.

Based on preliminary information from PSZÁF (Hungarian Financial Supervisory Authority) in 2012 the Hungarian banking sector again reported a loss (similarly to 2011), with the profit/loss after taxation of credit institutions operating in the joint-stock company form amounting to HUF -160 billion. The loss of the credit institutions as a whole (state-owned entities excluded) is lower than that, as it also includes the altogether positive profit before taxation of cooperative credit institutions and branches.[2] Losses related to the early repayment programme and the special bank tax contributed to the negative profitability significantly but real economic trends – including a weak credit demand reinforced by a bad domestic consumption and investment appetite, the still unfavourable income position of households and enterprises and a decreasing interest rate environment – also weakened the profitability of the sector.

Operating revenues decreased considerably, by 36 percent in 2012, in which the exchange rate losses arising from the early repayment programme continued in 2012 had a significant role. The participants of the sector tried to counter-balance decreasing revenues by cost rationalisation, as a result of which operating expenses stagnated in 2012 despite the fact that the annual average rate of inflation was 5.7 percent. As a result of stable costs but significantly decreasing revenues, the cost/income ratio of the sector rose from 54 percent in 2011 to 84 percent in 2012.

After an annual decrease of about 80 percent the level of provisions for lending and investment risks amounted to HUF 173 billion in 2012. In the first half of the year – due to the releases carried out simultaneously with the realisation of the exchange rate losses connected to the early repayment – provisions had a temporary

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

[2] Hereafter, credit institutions shall be interpreted without state-owned entities – MFB (Hungarian Development Bank), EXIM (Hungarian Export-Import Bank) and KELER –, while banking sector including only credit institutions operating in a joint-stock company form (excluding cooperatives and branches).

The management's report (Continued)

positive effect on the profitability of the banking sector. Upon the exhaustion of this one-off effect and in line with the further increase of the number of non-performing loans, provisioning started to increase again from the second half of the year.

The balance sheet total of credit institutions decreased by about 10 percent in 2012 within which the volume of gross loans to resident customers fell by 13 percent due to the early repayment the weak credit demand and the appreciation of HUF exchange rates. As regards the different segments, retail loans shrank by 15 percent including a decrease in FX loans by 26 percent. At the same time, HUF loans increased by 6 percent, to a minor degree due to the HUF-based loans taken for the purposes of early repayments and in a larger degree on account of the increase of consumption loans. However, the market of housing loans is still characterised by the net repayment position of retail customers. New loan placements may get some impetus to move from its historic low level by the new system of state interest rate subsidies, however, its effect has hardly been apparent yet due to the cautious investment appetite of retail customers. No substantial change occurred in the market of corporate loans in the previous year either. Loans decreased by 10 percent nominally while adjusted to exchange rate effects, the decrease was 7 percent in 2012. The corporate segment shows a weak demand for investment loans – along with a typically low degree of capacity utilisation – while regarding business loans the negative economic prospects and the limited risk tolerance of banks resulted in the sustenance of tight credit conditions, even in a decreasing interest rate environment. At the same time the decrease of municipality loans in December 2012 by 11 percent year-on-year and 9 percent month-on-month reflects the launching of the programme announced by the central government for the assumption of municipality debts.

In line with European trends the balance sheet adjustment of the banking system continued in Hungary as well. Although in the second half of the year – in accordance with developments typical of the CEE region – the decrease of foreign funds picked up in Hungary as well, this has not yet caused substantial financial tensions. In a relatively favourable global atmosphere the liquidity position was affected favourably by the decrease of Hungarian risk premiums and funding costs as well as deposit campaigns and the early repayment programme. Despite the fact that the Hungarian state also joined the competition for retail savings with favourable interest rate terms the deposits of domestic retail customers in the banking sector decreased only slightly in 2012. All this – coupled with the strong setback of loan volumes – resulted in a further significant decline of the loan-to-deposit ratio in the previous year. At the same time the capital position of the sector may be termed adequate. Despite the losses and due to the capital increases carried out at a large number of players the capital adequacy ratio of the banking sector reached 15.7 percent in 2012 showing a significant growth from the previous year.

In 2013 the lending and profitability trends of the banking sector are still overshadowed by the weak performance of the real economy as well as the special bank tax – which remained despite previous expectations permanent and in the same amount – and the financial transaction levy entering into force as of 2013.

The performance and the results of UniCredit Bank Hungary Zrt. in the year 2012

Despite the gradually deepening economic recession last year and the negative effects of the early repayment programme of FX loans, which continued in 2012, on banking profitability, UniCredit Bank Hungary Zrt. closed another successful year in 2012. While the sector as a whole and the profit generating capacity of a large number of our competitors turned negative – mainly due to losses arising from the early repayment programme and to provisioning, which started to increase again in the second half of 2012 – UniCredit Bank Hungary Ltd managed to retain its profitability. The Bank's solid capital position further strengthened in 2012, as a result of which – similarly to the previous years – it was in no need of capital injections in 2012 either, and the Bank is going to pay dividends to its shareholders from last year's result as well.

Based on its consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), UniCredit Bank Hungary Zrt.'s balance sheet total amounted to HUF 1,657.4 billion at the end of 2012. On the basis of its balance sheet calculated according to the Hungarian Accounting Standards the Bank had a market share of 6 percent in 2012; therefore it is still a dominant member of the Hungarian banking sector. The Bank's stable and strong operation is reflected in the fact that it could remain profitable in a challenging economic and institutional environment. The Bank's profits after taxes under IFRS totalled HUF 20.97 billion at the end of 2012, up 45 percent from the previous year. As a result of losses from the early repayments and falling interest revenues due to the decreasing loan portfolio, revenues decreased, whereas costs increased only slightly in 2012, significantly below the rate of inflation, due to enhanced cost efficiency. As a result of this the cost/income ratio of UniCredit Bank Hungary Zrt. was slightly above 50 percent, far more favourable than the market average. Provisions decreased significantly by more than 60 percent in 2012, largely due to the releases carried out simultaneously with the realisation of the foreign exchange rate losses related to the early repayments. At the same time the provisions connected to regular business

The management's report (Continued)

activities (without the effect of early repayments) also fell by 11 percent in a year.

In line with market trend induced by early repayments, loans to customers altogether fell by 16 percent in 2012. Despite this the Bank managed to increase its market share in the retail segment due to the provision of HUF loans for the early repayment of foreign exchange loans.

In the spirit of adjustment to the market environment as well as a strict asset-liability strategy the Bank continued its deposit collecting campaigns in 2012 that proved to be quite successful. As a result the Bank's retail deposit portfolio and market share rose significantly compared to 2011. However, as a consequence of the deposit withdrawal experienced in the other segments, customer deposits on the whole fell by 3 percent. By the end of 2012 with some further improvement UniCredit Bank Hungary Zrt.'s net loan-to-deposit ratio dropped to 94 percent, a value that is far more favourable than the banking sector average.

Due to its active and efficient operation the Bank raised the number of its customers in both the retail and the corporate segments, serving about 424,000 customers in the country in its network of 120 branches by the end of 2012.

UniCredit Bank's corporate social responsibility

Based on the traditions of previous years UniCredit Bank Hungary Zrt. provided assistance in the solution of important social problems in 2012 as well, launching some new initiatives that actively shape our vision of the future or continuing successfully operating ones.

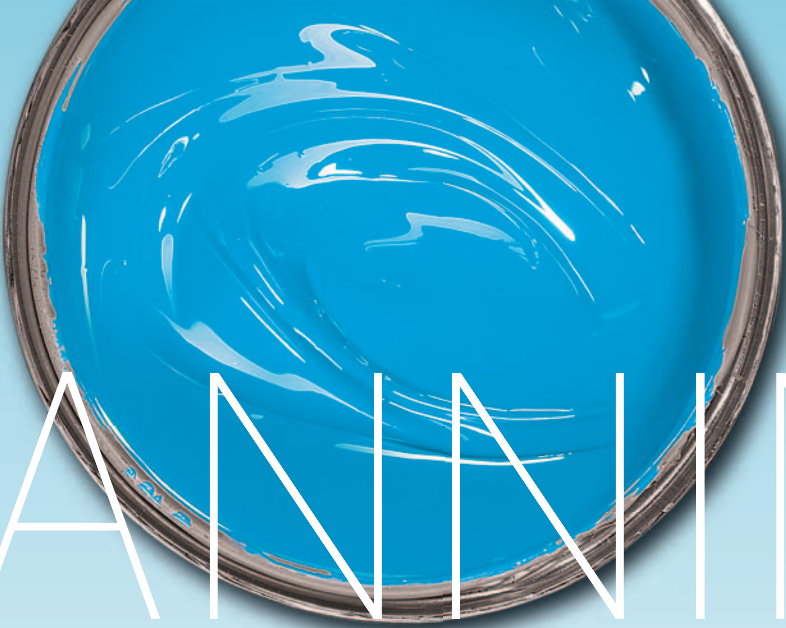
One of the main pillars of UniCredit Bank Hungary Zrt.'s corporate social responsibility programme remains the promotion of child health care and health-conscious education. In the course of the already obligatory Christmas donation event grants were provided in 2012 to 19 foundations based in Budapest and the countryside that are involved in curing children. However, in addition to regular support immediate, ad hoc help is also required in many cases. When such help occurs the Bank organises one-off campaigns often with the involvement of our clients. In 2012 on our already traditional CSR Tennis Day, for instance, we collected donations from the attendants to complement the Bank's grant to the Szent Márton Paediatric Emergency Medical Service Foundation. With our joint support the foundation managed to buy life-saving equipment for the ambulance cars operated by them in Budapest and in the country, and we contributed to the funding of the purchase of a new vehicle as well.

Parallel to donations in the traditional sense we also went on with our awareness increasing programmes in 2012 implying medium- and long-term social commitments on our part. In September we launched our "Pass it on!" programme already for the fourth time. It is a proof of the undiminished success of the initiative that we are able to mobilise students from more and more schools from year to year, with the involvement of the parents in many cases. In 2012 altogether 140 primary schools participated in the sports events of this programme. The attending schools could purchase new sporting goods from the amount provided by UniCredit Bank Hungary Zrt. as well as organise further sports events.

A substantial portion of UniCredit Bank Hungary Zrt.'s assistance programmes is based on voluntary commitments from our colleagues. Their social sensitivity proves best that our commitment is a mentality that determines our everyday life. Many possibilities exist for our participation in the life of local communities including environmental planning, maintaining kindergarten and school buildings and playgrounds, garbage collection, clothing and toy collection initiatives and the organisation of adventure programmes.

We rely on the cooperation of our staff in the protection of the natural environment as well and for this purpose provide the organisational framework of the "green office" programme. In our headquarters, selective waste collection and the 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 have introduced the use of re-paper, that is recycled paper. We do our best in order to reduce carbon dioxide emissions not only in our offices, but outdoors as well: for instance, a covered bicycle storage is maintained for our colleagues travelling by bicycle, and any equipment that is still in a good condition but is no longer needed by us is donated to schools in the spirit of recycling.

Another priority area in UniCredit Bank Hungary Zrt.'s corporate social responsibility is cultural cooperation. In this field the most important event in the life of the Bank in 2012 was the tradition setting and successful implementation of the UniCredit Talent Programme. In line with group-level traditions UniCredit Bank Hungary Zrt. assumes a vitalising and constructive role in the Hungarian market of contemporary art as well—similarly to the role played by the Bank in the domestic economy—that involves the transmission of news across the borders of the domestic art market. For this very reason this initiative serves several purposes: on one hand, it is supposed to help new talents succeed in Hungary and internationally, and on the other to direct attention to long-term opportunities in the art market. In UniCredit's competition entitled "Talent Programme for Contemporary Art 2012" four young artists received scholarships for six months, and ten other young talents were supported by one-off purchases of their works. As an essential part of the programme the works of art that were awarded with scholarship and their artists will be presented at an exhibition organised by the Bank to anyone interested in visual arts and some of the paintings produced during the period of the scholarship may also be added to the internationally recognised art collection of UniCredit Bank.



PLANNING

Customer care that crosses national boundaries

"UniCredit Bank Hungary Zrt.'s products and services have had a strong impact on our business.
And their representatives always demonstrate a keen interest in meeting our needs – delivering solutions with a high level of flexibility and professionalism. Their tailored solutions are priced appropriately and applied quickly and easily to our business. UniCredit's presence throughout numerous countries also makes the bank a reliable partner in internationalizing our business."

Carlo Innocenti, CEO of Serioplast,
customer of UniCredit Bank in Hungary

Report on the divisions

Corporate and Investment Banking and Private Banking Division

The dragging economic stagnation was the main characteristic which defined the operation of the division and the bank in 2012. Loan demand is still weak, investment willingness is on a low level due to high uncertainty. Despite the above mentioned circumstances, the division closed a successful year thanks to stable and sustainable revenue generation of mid-corporate clients which underlies in the good bank-client relationship. This is reflected in the customer satisfaction: we kept our number 1 position, and even improved compared to last year.

Corporate and Investment Banking and Private Banking Division (CIB&PB) remained the main driver of the bank net profit. CIB managed to keep its leading position on loan and deposit market, in cash management especially in large corporate and international client segment thanks to the dedicated service model. Product development receives strong focus, several new facilities were introduced during the year such as subsidized loan facilities, export and trade financing facilities etc. The continuous renewal of the product portfolio enables customer satisfaction and sustainable profitability at the same time.

Loan portfolio quality kept it's relatively good level during the year thanks to the good cooperation of business and risk management.

In 2012 Cash Management and Electronic Banking won the Best Cash Management Bank award according to Euromoney and Global Finance survey. In July, new domestic payment system was successfully launched, which enables our customers to execute payments within four hours. This significant service level increase is automatic and bears no extra charge. We also extended our cut off times for foreign payments giving an extra two and half hours for our customers' processes. Our card acquiring services continued to expand and by the end of the year we had well over 4000 terminals countrywide. On top of that this was our first year selling eCommerce (virtual terminals), where we have dozens of active clients exponentially growing.

The Fixed Income, Currencies and Interest Rate Management Department – similarly to prior years – had an eventful year. In 2012. trading opportunity on the market shrank principally due to risk limiting regulations. In spite of this tightening, we managed to keep our outstanding position on the interbank market relying on our professionalism. In accordance with it, complying with all liquidity and risk management regulations, the department contributed to the bank's profitability and stable liquidity with its prominent results.

Treasury Sales closed a good year in 2012 again. Among the main results, the tighter client relationship can be mentioned, which was supported by the client events and the 40% increased volume of client meetings. The greatest part of the revenues are added up from spot and forward foreign exchange deals, but the increase of interest rate hedge deal related revenues and the introduction of gold forward deals are also great results.

In 2012 Global Securities Services (GSS) strengthened its market leader position among its domestic and international client base and significantly increased further the number of client relationships it manages. The tailor-made customer service, flexibility, continuous investment in people and technology all contributed to the success of the business line as well as to the close relationship with clients. By keeping profitability goals maximally in mind during the challenging year the bank invested significantly in systems used by GSS clientele, this way increasing client satisfaction. The quality of services provided by GSS and the expertise of its colleagues have been perfectly reflected in the customer satisfaction survey promoted by Global Custodian magazine, in which the bank has got the highest rating in the "Leading Client" category.

The Equity team was ranked in Top5. at the Budapest Stock Exchange in 2012. Although the total market turnover declined by close to 40%, UniCredit managed to keep its market share of 9% in the local equity market.

UniCredit is a dominant force in the Hungarian investment banking market - partly as a result of the 100% acquisition in 2012 of the prestigious market player, UniCredit CAIB Hungary Ltd. Despite a very challenging market environment - partly due to the contraction of global and especially Hungarian M&A (Merger and Acquisition) market - the Bank's investment banking business closed a successful year with healthy profitability and an increasing client base. The activity centered around executing a number of live M&A transactions aimed at raising financing for the growth of successful domestic and internationally owned large and midcap companies, as well as at realizing the shareholder value for current owners through sell-side transactions. During 2012 UniCredit was one of the most active players in providing investment banking products and services to Hungarian clients who are either wishing to access or are already present in the international capital markets. Building on its track record and experience of the previous years, during 2012 UniCredit also worked extensively on the preparation of a number of high profile equity and debt capital market issuances which are expected to turn into execution during 2013 in light of improving international capital market sentiment.

At the start of 2012, UniCredit Private Banking faced an unsecure market environment, though this externality has disappeared quite early on, ensuring the business line's further development, and a growth in both the number of PB clients (+3.5%) as well as the total financial assets (+15%). In the first part of the year, our clients showed more demand towards local, low and medium risk,

Report on the divisions (Continued)

fixed income products (incl. deposits), as these assets provided better yield potential than those foreign assets in the same asset classes. As we moved into the second half of the year, the continuous decrease in the local yield environment supported our efforts to utilize the group's investment philosophy, the Global Investment Strategy in reallocation of more and more clients' long term investment portfolios.

In line with our investment concept, 2012 marked further extension of our strategic partners, as in this year, UniCredit Private Banking launched the distribution of BlackRock and Templeton mutual funds. Beyond the expert advice from their personal advisors, our clients received great support for their investment decisions through our regular investment newsletter as well as at the events of the UniCredit Private Banking Business Club.

Report on the divisions (Continued)

Retail Customers and Small Businesses Division

In 2012 UniCredit Bank Hungary's Retail Customers and Small Businesses Division continued to pay particular attention to flexibly adapting to market changes and to improve the satisfaction of its customers, even in an economic environment presenting increasingly difficult challenges. Managing the early repayment programme closed in February 2012 was a significant challenge for the Bank; in which about 7,000 customers of the Bank took the opportunity of early repayment, half of them in 2012.

In addition to customer acquisition customer retention became increasingly important. We continued our previous efforts to build long-term cooperation with the customers, inspire them to use a wide range of banking products on a permanent basis.

In this spirit the retail division was renewing its product supply on an ongoing basis in order to be able to satisfy customer needs related to everyday transactions as well as to savings in as wide a range as possible. About 30 percent of private individual customers have arranged their incomes to be credited to their bank accounts kept at us, and every fourth customer of the Bank gave direct debit orders as well.

In line with its internal guidelines the division paid particular attention on an ongoing basis to the training of staff in the branch network and the development and active support of sales in order to attain a high degree of customer satisfaction. In this environment, the Bank increased the number of its customers by 5 percent by successful customer acquisition, thus by the end of the year it had already more than 414,000 customers. About 57,000 of them are small businesses.

The Bank carried out rationalisation in its branch network by opening a new branch in January 2012 in Budapest and closing 11 of its inefficiently operating branches at the end of March. The service of the clientele was taken over in each case by a nearby branch operating in the same town.

In 2012 the loan portfolio of the Division decreased by 11 percent or by a total amount of HUF 41.9 billion. The cause underlying the drastic decrease of the portfolio was the early repayment programme finished at the end of February 2012 in which loans amounting to HUF 25 billion (calculated at the fixed rate) were repaid only in 2012. As a result of this the loan portfolio decreased by HUF 34.5 billion calculated at current exchange rates. Meeting its statutory obligation the Bank also provided its customers with the opportunity of using the buffer account structure of the "Home Saving" Programme for which about 3,300 applications were submitted by our customers until the end of 2012.

UniCredit Bank Hungary Zrt.'s share in the loan market was 4.21 percent at the end of 2012, showing slight increase compared with last year's 4.14 percent value.

The deposit portfolio of the retail division increased by 7.6 percent during the year and reached HUF 519 billion by the year-end. The Bank's share increased significantly in the market of retail deposits (including the deposits of non-profit institutions), reaching 5.84 percent with an increase of 0.38 percentage points by the end of 2012.

UniCredit Bank Hungary Zrt. continuously renewed its deposit products by offering competitive interest rates, therefore it managed to attract significant amounts of new funds from old and new customers alike. The outstandingly successful products included a 2-month saving deposit promotion, where highly competitive deposit interest rates were offered for newly deposited funds of old and new customers.

The securities portfolio increased by 9.7 percent during the year, thus it amounted to HUF 150.8 billion at year-end with investment funds accounting for 59.1 percent in it. Our "Regular Savings Programme" product offers an opportunity to customers to save continuously on a monthly basis, even smaller amounts, in the form of a standing order, selecting a portfolio appropriate for them in terms of yield expectations and risks appetite. In 2012 the Bank created several larger investment funds in cooperation with Pioneer Fund Management: in May the Pioneer Regatta investment fund was launched, which in the course of continuous sales following the subscription period became one of the most demanded investment funds at the Bank in the autumn. The Bank's market share in retail investment funds rose to 4.6 percent.

In the Retail and Small Businesses Customers Division the number of customers with contracts entitling them to use one or more electronic channels increased by 6.1 percent in 2012. 84 percent of the total clientele have TeleBank contracts; therefore at the end of the year about 337,000 customers had the opportunity to conduct their banking affairs by phone. Easy banking from home is made possible by the SpectraNet Internet Banking service available day and night. By the end of the year 298,000 customers opted for this facility implying an expansion of 13.6 percent. The number of customers choosing the Mobile Banking service introduced in 2011 increased dynamically in 2012. At year-end already 55,000 customers made used of the opportunity to conduct their banking transactions conveniently from their smartphones. The Bank has offered an SMS messaging service connected to debit cards, current accounts and credit cards for a long time. By this service customers are promptly informed on every transaction and their account balances, and may continuously check their accounts. The number of customers using at least one SMS service increased by 10.1 percent in 2012. 271,000 customers have this type of contract.

The number of debit and credit cards issued by UniCredit Bank Hungary Zrt. grew by 5.4 percent or by 17,000 pieces due to an increase in the sales of retail and small business debit cards. By

Report on the divisions (Continued)

the end of 2012 the Bank's Retail Customers and Small Businesses Division had about 300,000 debit cards and 33,000 credit cards.

In 2012, the Bank further increased the number of its deposit enabled ATMs by replacing the existing machines in order to enable our customers to make cash deposits at any time of the day even after the opening hours of our branch offices. Any amount placed in a deposit enabled ATM will be credited immediately to the customer's account, which makes it possible for them to use the deposited amount promptly for other transactions.

This convenience function was available at 59 ATMs of ours at the end of 2012.

The Bank pays particular attention to environmental protection, and many of our customers chose e-documents in 2012 instead of paper-based bank account statements. By the end of the year 43 percent of the customers of the division received e-statements.

Report on the divisions (Continued)

Human Resources

In 2012 the primary task of the Human Resources Department was to provide support for achieving the profit targets of the Bank in a difficult economic environment, cooperate as a strategic partner, offer creative solutions and develop projects. The key elements of the human resources strategy are still the retention of existing staff in the business and supporting fields and the integration in the organisation of new colleagues selected on the basis of their skills and professional experience as well as ensuring their personal development.

UniCredit Bank Hungary Zrt.'s Human Resources Department continues to lay major emphasis on the ongoing professional training of the staff and ensuring that their knowledge is kept up-to-date. In 2012 top priorities included the personal development of the managers and the participants of the international talent programme.

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

Talent management is one of the most important elements of the human resources strategy of UniCredit Group. The talent management programme is a group-level initiative introduced by UniCredit Bank Hungary Zrt.. as well in 2007. Its goal is to identify people in the organisation with outstanding skills and professional knowledge and take charge of the implementation of their career plans at both national and international level. In 2012 53 colleagues participated in the programme; the Bank paid special attention to their personal development and training in order to ensure management succession in the organisation. In 2012 the concept for a local talent programme was also set up focusing on colleagues who envisage their careers within the boundaries of Hungary.

Our international and local talent programmes are run simultaneously within the organisation.

UniCredit Bank Hungary Zrt. remains committed to providing services to its customers at the highest level and thereby to be among the best in the frontline of the financial sector. In order to meet these goals the intensive training and retention of the key persons and the Bank's talents remain indispensable by offering continuous professional development programmes as well as those focused on skills, in development centres and participation in international projects. In addition to the training and retention of continuously well-performing colleagues management training is of equal importance. In the so-called upper management training programme, the Bank's managers and the colleagues selected as their future successors receive training courses that strengthen them in their commitment to become managers and develop their managerial skills. For medium-level managers management modules are organised in the framework of the management academy based on a standardised UniCredit methodology.

Apart from the colleagues participating in management and talent programmes all employees were provided opportunities to participate in the training courses developed by the Bank's internal training team. These training courses are focused on the development of skills in response primarily to the development needs of the organisation and are rather popular among the staff.

The Bank continues to put particular emphasis on employee mobility within the organisation, both at the local and international level. For any vacancies or newly opened positions the Bank first reviews internal applications from colleagues and external applications are evaluated only after that.

In 2012 the Bank hired 178 new employees. Through internal relocations and promotions more than 180 colleagues got access to new career opportunities. Three colleagues submitted successful applications to international positions within UniCredit Group. Thanks to a deliberate, appropriately timed staffing at the Bank as a whole there were no layoffs at UniCredit as opposed to market trends. In 2012 81 female colleagues returned from maternity leave. In the Bank annual fluctuation was 11.6 percent.

In 2012 we successfully applied the Captain work attitude test making our hiring processes even more efficient. In addition the methodology was applied for organisation development purposes as well.

Employee satisfaction surveys and the implementation of the subsequent action plans are of key importance for the Group as well as for UniCredit Bank Hungary Zrt.. For the first time in 2012 the action plans were elaborated and implemented by the colleagues participating in the talent programme under the sponsoring of the top management. The effect of the action plans is clearly demonstrated by the conspicuously positive result of the year-end "light" employee satisfaction survey.

As the novelty of 2012 a series of mental hygiene lectures were launched in which the organisation provided the staff with an opportunity to process such everyday topics as self-esteem or the balance between work and private life.

The Human Resources Department makes efforts to increase the satisfaction of the staff through the development of its own processes as well. In 2012 primarily the development of the recruitment and selection, admission and exit processes was started.

The human resources strategy for 2013 is determined by further strong support from the management and by strategic workforce planning in order to promote an even more efficient operation.

Report on UniCredit Jelzálogbank Zrt.

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

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

In order to increase efficiency since 2008 UniCredit Jelzálogbank Zrt. has continuously outsourced some of its supporting activities such as banking operations, human resources, IT, accounting, etc., to UniCredit Bank Hungary Zrt.. Since 1 April 2009 the tasks of specific business areas of UniCredit Jelzálogbank Zrt. have also been performed by UniCredit Bank Hungary Zrt. Accordingly total administration related to the financing of business properties and home-purchasing private individuals and land financing are fulfilled by UniCredit Bank Hungary Zrt. The issue of mortgage bonds and unsecured bonds serving as the basis for the lending activity and refinancing activity continue to be the responsibility of UniCredit Jelzálogbank Zrt..

The main activity of UniCredit Jelzálogbank Zrt. is the issuance of mortgage bonds and unsecured bonds that provide typically medium- and long-term funding for its own and refinanced loan portfolios.

The issue of mortgage bonds and unsecured bonds takes place in the framework of issuance programmes in the course of which UniCredit Jelzálogbank Zrt. collects typically long-term HUF and foreign currency funds from the capital market.

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 the largest portion of UniCredit Jelzálogbank Zrt.'s issues are also longer term or fixed rate mortgage bonds and unsecured bonds. Investor demand is also generally higher for fixed coupon securities, the main reason being the limited predictability of capital market trends and low liquidity in the market. Mortgage bonds typically have risk ratings identical with or better than those of government securities. In the current market environment Hungarian mortgage bonds provide higher attainable yields to investors than government securities. The participation of retail investors in auctions is not typical, and hence the tenders are dominated by the presence of institutional investors.

In addition to financing through the issue of mortgage bonds UniCredit Jelzálogbank Zrt. obtains long- and short-term HUF and foreign currency funding from the money market as well. These funds are typically provided by UniCredit Bank Hungary Zrt.

As of 31 December 2012 the balance sheet of UniCredit Jelzálogbank Zrt. according to the International Financial Reporting Standards (IFRS) was HUF 104.5 billion, its profit before taxation totalled HUF 1,590 million and its profit after taxation HUF 1,264 million.

RECHARGING

Supporting enterprise with concrete actions
UniCredit International

“I own a small business that produces equipment for recycling precious metals. After winning a bid for a project with the Indian government last year, we were in need of a qualified patner to manage our complex operations abroad. UniCredit believed in us and our work, providing us with the initial warranty request, a letter of credit and the loans we needed. Thanks to their support, we successfully completed the project.”

Paolo Balestri, Balestri Impianti,
customer of UniCredit in Italy

Independent Auditor's report

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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 51 of the 2012 Annual Report, which comprise the consolidated statement of financial position as at December 31, 2012, 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, 2012 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 19, 2013. 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 2012 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, 2012, the statement of comprehensive income for the year then ended and related notes presented on pages 20 to 51 of the 2012 Annual Report are identical to the consolidated statement of financial position as at December 31, 2012, 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, 2012.

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, 29 April 2013

KPMG Hungária Kft.
Registration number: 000202

István Henye
Partner

Financial statements

Consolidated statement of financial position (Balance Sheet) – 31 December 2012

Assets

		2012		2011	
	NOTE	HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Cash and unrestricted nostros with Central Bank	15	8,682	29.8	8,213	28.2
Financial assets held for trading	16	34,595	118.8	57,800	198.4
Available for sale financial assets	17	383,777	1,317.5	309,054	1,061.0
Held to maturity investments	18	6,626	22.7	6,643	22.8
Placements with, and loans and advances to banks	19	180,308	619.0	90,115	309.4
Loans and advances to customers	20	964,668	3,311.7	1,142,002	3,920.5
Hedging derivative assets	21	18,720	64.3	15,261	52.4
Equity investments	22	536	1.8	1	0.0
Investment properties	23	22,754	78.1	24,939	85.6
Property, plant and equipment	24	26,868	92.2	28,222	96.9
Intangible assets	25	2,735	9.4	3,668	12.6
Current tax assets	14	40	0.1	681	2.3
Deferred tax assets	14	2,302	7.9	3,425	11.8
Other assets	26	4,800	16.5	7,865	27.0
Total assets		**1,657,411**	**5,689.9**	**1,697,889**	**5,828.9**

Liabilities

		2012		2011	
	NOTE	HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Deposits and loans from banks	27	338,415	1,161.8	365,467	1,254.7
Deposits from customers	28	1,022,018	3,508.6	1,052,165	3,612.1
Subordinated loans	29	19,872	68.2	21,225	72.9
Issued bonds	30	8,895	30.5	15,214	52.2
Financial liabilities held for trading	16	35,398	121.5	32,231	110.6
Hedging derivative liabilites	21	5,079	17.4	6,063	20.8
Current tax liabilities	14	311	1.1	1	0.0
Deferred tax liabilities	14	6,539	22.4	5,753	19.8
Other liabilities	31	11,088	38.1	10,737	36.9
Other provisions		2,320	8.0	2,076	7.1
Total liabilities		**1,449,935**	**4,977.6**	**1,510,932**	**5,187.0**

Equity

		2012		2011	
	NOTE	HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Share capital	32	24,118	82.8	24,118	82.8
Capital reserve		3,900	13.4	3,900	13.4
Retained earnings		114,686	393.7	110,148	378.1
Statutory reserves	33	32,429	111.3	32,227	110.6
Valuation reserves		10,979	37.7	(822)	(2.8)
Other reserves		–	–	254	–
Net profit for the year		20,972	72.0	14,516	49.8
Total equity attributable to the equity holder of the Bank		**207,084**	**710.9**	**184,341**	**632.8**
Minority interest		392	1.3	2,616	9.0
Total equity		**207,476**	**712.3**	**186,957**	**641.8**
Total Liabilities and Equity		**1,657,411**	**5,689.9**	**1,697,889**	**5,828.9**

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 2012

		2012		2011	
	NOTE	HUF MILLION	EUR MILLION	HUF MILLION	EUR MILLION
Interest and similar income	6	137,001	470.3	130,275	447.2
Interest expense and similar charges	6	(74,350)	(255.2)	(67,554)	(231.9)
Net interest income	**6**	**62,651**	**215.1**	**62,721**	**215.3**
Fee and commission income	7	28,824	99.0	27,839	95.6
Fee and commission expense	7	(11,763)	(40.4)	(11,188)	(38.4)
Net fee and commission income	**7**	**17,061**	**58.6**	**16,651**	**57.2**
Dividend income	8	146	0.5	102	0.4
Net trading income	9	4,550	15.6	14,110	48.4
Realised loss on Early Repayment Scheme	10	(9,200)	(31.6)	(7,485)	(25.7)
Net gain and loss on other financial intruments	10	452	1.6	555	1.9
Operating income		**75,660**	**259.7**	**86,654**	**297.5**
Impairment and losses on credit products	34	(16,911)	(58.1)	(18,960)	(65.1)
Impairment due to Early Repayment Scheme	34	7,209	24.7	(7,210)	(24.8)
Impairment losses		(9,702)	(33.3)	(26,170)	(89.8)
Net financial activity result		**65,958**	**226.4**	**60,484**	**207.6**
Personnel expenses	11	(16,542)	(56.8)	(16,274)	(55.9)
General operating expenses	12	(22,193)	(76.2)	(22,114)	(75.9)
Other provision	34	(512)	(1.8)	(426)	(1.5)
Amortization and impairment on property, plant and equipments	24	(2,117)	(7.3)	(1,768)	(6.1)
Amortization and impairment on intangible assets	25	(969)	(3.3)	(927)	(3.2)
Other income	13	2,243	7.7	1,285	4.4
Operating costs		**(40,090)**	**(137.6)**	**(40,224)**	**(138.1)**
Gain / (losses) on investments	22	175	0.6	(441)	(1.5)
Gain / (losses) on investment properties		–	–	(1,913)	0.0
					0.0
Profit before tax		**26,043**	**89.4**	**17,906**	**61.5**
Income tax expense	14	(5,071)	(17.4)	(3,390)	(11.6)
Net profit for the year		**20,972**	**72**	**14,516**	**49.8**

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 2012

(HUF million)

	NOTE	2012	2011
Net profit for the year		**20,972**	**14,516**
Movement in fair value reserve (available-for-sale financial assets)		9,109	(5,764)
Income tax on fair value reserve	14	(1,144)	501
Net movement in fair value reserve		**7,965**	**(5,263)**
Movement in cash-flow hedge reserve		4,736	8,192
Income tax on cash-flow hedge reserve	14	(900)	(1,556)
Net movement in cash-flow hedge reserve		**3,836**	**6,636**
Total comprehensive income for the year		**32,773**	**15,889**

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 2012

(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 2011	**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**
Net profit for the previous year	–	–	14,516	–	–	–	–	(14,516)	–	–	–
Total comprehensive income for the year	–	–	–	–	7,965	3,836	–	20,972	32,773	–	32,773
Dividend to equity holder	–	–	(10,000)	–	–	–	–	–	(10,000)		(10,000)
Other	–	–	–	–	–	–	–	–	–	(2,224)	(2,224)
Business combination	–	–	(30)	–	–	–	–	–	(30)	–	(30)
Appropriations											
Transfer to retained earnings	–	–	52	202	–	–	(254)	–	–	–	–
Balance at 31 December 2012	**24,118**	**3,900**	**114,686**	**32,429**	**3,732**	**7,247**	**–**	**20,972**	**207,084**	**392**	**207,476**

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

Financial statements (Continued)

Consolidated statement of cash flows – 31 December 2012

Cash flows from operating activities

(HUF million)

	NOTE	2012	2011
Profit before tax		**26,043**	**18,261**
Items not involving movement of cash:			
Depreciation and amortisation	24, 25	3,086	2,695
Scrapped and transferred fixed assets		–	275
Profit on disposal of property, plant and equipment		(40)	(35)
Net impairment and losses in credit products		11,798	23,016
Net loss/gain from cashflow hedging assets		293	(331)
Foreign exchange loss on subordinated loans		(1,353)	2,209
Taxation paid	14	(5,071)	(3,745)
Cash flows from operating profits before changes in operating assets and liabilities		**34,756**	**42,345**
Change in financial assets held for trading		23,205	22,059
Change in tax assets		1,111	(1,079)
Change in other assets		3,112	(1,054)
Change in tax liabilities		(288)	458
Change in other liabilities		(2,032)	(1,952)
Change in loans and advances to customers		165,892	(76,930)
Change in deposits with other banks		(90,193)	(50,845)
Change in deposits from customers		(30,147)	75,661
Change in deposits from other banks		(27,052)	87,428
Change in financial liabilities held for trading		3,167	(4,695)
Net cash from operating activities		**46,775**	**49,051**

Cash flows from investing activities

(HUF million)

	NOTE	2012	2011
Proceeds on sale of property, plant and equipment		56	56
Proceeds on sale of intangible assets		–	–
Addition of property, plant and equipment		(779)	(1,071)
Addition of intangible assets		(36)	(1,198)
Change in equity investments		(572)	–
Change in held to maturity investments		17	3,990
Change in available for sale financial assets		(65,614)	(69,340)
Change in investment properties		2,185	826
Net cash used in investing activities		**(64,743)**	**(66,737)**

Cash flows from financing activities

(HUF million)

	NOTE	2012	2011
Change in issued bonds		(6,319)	(15,079)
Dividend paid		(10,000)	(10,000)
Net cash from financing activities		**(16,319)**	**(25,079)**
Net Increase in cash		469	(420)
Cash at the beginning of the year	15	8,213	8,633
Cash at the end of the year	**15**	**8,682**	**8,213**

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

Transactions with members of 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 as of 19 February 2013.

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 data presented in Hungarian Forints were 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. as subsidiaries and Europa Investment Fund as a special purpose vehicle (together the "Group").

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

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

3. Significant accounting policies

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

a.) Consolidation principles

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

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

Notes to the financial statements (Continued)

Investments in shares in companies, which are not consolidated are classified as available for sale investments and recognised at their fair values, when that fair value is reliably measurable. Changes in fair values are thus directly recognised in 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 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 incomes and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements.

c.) Comparatives

Certain items previously reported in the prior years' financial statements 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 consist 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.

Notes to the financial statements (Continued)

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.

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 by using pricing models or discounted cash-flow techniques.

Where discounted cash-flow techniques are used, the estimated future cash-flows are based on the management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the 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 whose measurement is based on Note 3.(a.).

Notes to the financial statements (Continued)

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.

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 by 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 section on Risk Management Policies.

Notes to the financial statements (CONTINUED)

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.

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 issue price, 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. The general reserve is set aside to offset potential future losses according to Hungarian Accounting and Banking Rules. Increases in the general reserve are treated as appropriations from retained earnings, and are not charged against income.

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 in other liabilities.

Notes to the financial statements (Continued)

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.

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 de-recognition.

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

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

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

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 were 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 were 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.
- 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 as of 31 December 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below:

(i) IFRS 9 Financial instruments (2009) and IFRS 9 Financial instruments (2010) (together IFRS 9)

IFRS 9 (2009), published as of 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.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Group is currently in the process of evaluating the potential effect of these standards. Given the nature of the Group's operations, this standard is expected to have an impact on the Group's consolidated financial statements.

(ii) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. If the effect or potential effect of netting arrangements, including rights of set-off is material, the Group will disclose information enabling users of the financial statements to evaluate the effect of such arrangements on the Group's financial position.

Notes to the financial statements (Continued)

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. Based on initial assessment the Group is not expecting a significant impact from adoption of the amendments to IAS 32.

(iii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. IFRS 11 is not expected to have any impact on the Group because the Group does not have interests in joint ventures. IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iv) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

4. Risk Management Policies

The most significant business risks, to which the Bank is exposed include 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.

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

Collateral

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

General principle is that the collateral:
- shall be legally binding and recoverable;
- shall be directly accessible and

Notes to the financial statements (Continued)

- appropriate to be liquidated in time.

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

The basis for the valuation of collateral is the market value adjusted by the following factors:
- Collateral haircut: a percentage showing the expected loss (in per cent) of the market value in case of the 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.

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

Notes to the financial statements (Continued)

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.

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

Impaired loans and securities

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

Past due but not impaired loans

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 on the basis of the following formula:

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

Where

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

Also at subportfolio level the loss confirmation period (LCP) is defined (ranging 4-8 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.

Current 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 still present in 2012 and the limitations and programs imposed by respective legislation were perceivable, however, the pace of portfolio quality deterioration stabilized, despite lower volume of newly disbursed loans.

The Group lays emphasis on all elements of collection and – in addition to the programs prescribed by law – 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 or unfavourable economic conditions.

Notes to the financial statements (Continued)

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 preferential 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 preferential rate is the loss of the financing banks. The program started at the end of September 2011, and the customers had the possibility to repay their loans within 60 days after the announcement of their intention, which could take place until end of 2011. The repayment period ended on February 29th,2012. The Group booked the losses realized due to the program in 2011 and 2012 but the loss expected for 2012 was already included in the provisions set up in 2011. The high volume of performing deals leaving the portfolio due to this program increased the ratio of non-performing deals significantly as the economic conditions and other limitations allowed for neither an amount of new disbursement, which could offset this outflow nor the appropriate decrease of the non-performing stock.

Other programs
In accordance with the respective legislation, in 2012 the Group allowed its debtors with at least 90 days overdue debt regarding their FX based mortgage loan to convert their loan to HUF in cases prescribed by the law, coupled with the release from 25% of the outstanding debt. The clients showed only moderate interest to the program. The impact of this program was booked fully in 2012.

Moreover the Group allows in cases prescribed by the law for debtors with less than 90 days overdue debt to fix the FX rates of their monthly installments similarly to the case of ERP with the simultaneous opening of a buffer account. The difference between the principal amount calculated at spot and the fixed FX rate will be accumulated on the buffer account, while the difference in the interest amount calculated at the spot and the fixed FX rate is to be released, the losses are borne to 50% by the Bank and to 50% by the State. The scheme leads to a loss of interest revenue. The buffer account is set to exist for at least five years with an interest rate equaling to BUBOR. After this period, the buffer account will be set to market interest rate and its repayments starts. The availability of this program was prolonged to March 29th, 2013. Debtors entering this arrangement will pay their monthly installments at fixed FX rates for 60 months at most, but till June 2017 the latest.

The Mortgage Bank disbursed its loans in FX. The above two programs were not applicable according to the respective law for its customers.

In 2012 the Group made a contract with the National Asset Management Company (Nemzeti Eszközkezelő, NET) and, on the basis of individual assessment and decision, it allows debtors fulfilling the criteria set forth in the respective legal rules to participate in the program whereby the NET purchases the mortgaged real estate, pays the purchase price to the Bank as repayment to the outstanding loan and the Bank releases the rest of the loan whereas the debtor is allowed to remain in the property as renter.

In the corporate segment in 2012 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. A significant part of the problem loans came from the real estate financing sector in 2012 as well. Thanks to our prudent risk taking policy however, the portfolio composition in the other sectors is still balanced regarding the problem-free exposures and among the clients handed over to special treatment in 2012.

ii) Liquidity risk
Liquidity risk is the risk of meeting due obligations associated with its financial liabilities in time regarding each currency.

The objective of prudential liquidity management is to ensure that the Group has the ability to generate sufficient funds to meet all cash flow obligations as they fall due. Effective liquidity management is gaining importance in recent years ensuring market confidence, and protecting the capital base while permitting effective growth. UniCredit Group has created its own short term and structural liquidity models similar to the efforts of the Basel Committee. The Group takes into account also the local legal requirements of asset, deposit coverage ratio and foreign funding adequacy ratio limitations and monitors the Basel III liquidity ratios besides its own internal regulations in managing liquidity.

Limits regarding the maximum net outflow of funds in a particular period (typically short-term) and in a particular currency and all currencies are in place and are monitored daily. The long-term funding plan and structural liquidity are 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.

Notes to the financial statements (Continued)

Short-term and structural liquidity limits of the Group were observed continuously in 2012. 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 fair value of its holdings of financial instruments.

Market risk management encompasses all activities in connection with the Group's Treasury and Asset-Liability Management ("ALM") operations and the 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 International Markets Divisions' operations.

The Group uses the risk management procedures of 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 daily. Besides Value at Risk ("VaR"), other factors of equal importance are stress-oriented volume and position limits. Additional elements of the limit system are loss-warning level limits and options-related limits applied to trading and positioning in non-linear products.

IMOD, the UniCredit Group-wide pure historic VaR model has been used from January 1st, 2011. It is currently implemented in the "NoRISK" system of Bank Austria. The IMOD internal risk model is used for computing economically necessary 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 Bank Austria to review comprehensively and systematically 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 values (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) by delta equivalents. Risk management is performed with details varying according to the risk-takers. In the interest rate sector, for example, basis point limits per currency and 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).

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 result in a positive contribution to profits from customer business.

Notes to the financial statements (Continued)

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 Spa. (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 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 started with standardised approach of the Basel II in 2008. Efforts are made to switch finally to the Advanced Internal Rating-Based Approach ("A-IRB") 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 medium-sized corporate clients, multinational companies and banks from July 1st, 2011 and then A-IRB should be used for retail and corporate segments starting from 2015.

– The IRB roll-out is being carried out locally. This decentralized approach means that the requirements of the A-IRB approach will be implemented by UniCredit Group, but at the same time UniCredit S.p.A. and Bank Austria AG, 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 responsibility is with 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 have to be validated by 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.[1]

The Group is permitted and has used the Advanced Measurement Approach (AMA) since July 1st, 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 and Reputational 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.

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 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 and Reputational Risk Controlling unit, Compliance and Internal Audit.

1 However, due to the increasing importance of reputational risk and in compliance with the group-rules reputational risk was nominated at organizational level: Operational Risk Committee became Operational and Reputational Risk Committee, and Operational Risk Controlling became Operational and Reputational Risk Controlling in 2012.

Notes to the financial statements (Continued)

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 and Reputational Risk Committee is responsible for making decisions on Operational Risk.

Members of the 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 as well as Finance Division. Representatives of Internal Audit, Human Resources, Legal Department, and Identity & Communication are also invited.

The Operational and Reputational 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 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 in 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.

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

Notes to the financial statements (Continued)

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

a) Cash flow hedge effectiveness was hit by the Early Repayment Programme; resulting in overhedges that were restored by closing out respective hedging deals. Efficiency is checked by means of volume limits broken down by currencies and maturity buckets.
b) Debt securities classified as Available for Sale, were not impaired, as the Group doubts neither the issuers' (Hungarian Government, local Mortgage Banks) ability, nor their willingness to fulfil their due payments. The few price losses observed through market prices, hence, were realised in the 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 default, such as credit derivatives or structured OTC products (e.g. CDOs, SIV), or assets affected by recent sovereign crises. The mortgage bonds issued by Jelzálogbank are covered bonds, the assets staying in the mortgage bank's portfolio and complying with the standards of the mortgage bank law, thus qualifying state subsidy schemes.
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 and 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)

	2012	2011
Interest and similar income		
Interest income from Central Bank	1,766	1,515
Interest income from banks	3,302	3,170
Interest income from customers	71,127	72,738
Interest income on trading financial instruments	1,911	4,344
Interest income on hedge derivatives	32,167	32,012
Interest income on available-for-sale financial assets	26,174	15,731
Interest income on held to maturity assets	554	765
Total	**137,001**	**130,275**
Interest expense and similar charges		
Interest expense to Central Bank	(19)	(11)
Interest expense to banks	(9,489)	(9,587)
Interest expense related to hedge derivatives	(23,340)	(22,435)
Interest expense to customers	(40,138)	(33,766)
Interest expense on subordinated loans	(211)	(322)
Interest expense on issued bonds	(1,153)	(1,433)
Total	**(74,350)**	**(67,554)**
Net interest income	**62,651**	**62,721**

Notes to the financial statements (Continued)

7. Net fee and commission income

(HUF million)

	2012	2011
Fees and commission income		
Payment transaction fees	22,685	20,959
Custody service fees	2,185	2,759
Brokerage	2,288	2,677
Financial guarantee fees	1,359	1,094
Other financial fees and commissions	307	350
Total	**28,824**	**27,839**
Fees and commission expense		
Payment transaction fees	(10,051)	(9,311)
Custody service fees	(536)	(629)
Brokerage	(406)	(404)
Financial guarantee fees	(258)	(334)
Other financial fees and commissions	(512)	(510)
Total	**(11,763)**	**(11,188)**
Net fee and commission income	**17,061**	**16,651**

8. Dividend income

(HUF million)

	2012	2011
Dividends on trading assets	1	2
Dividends on investments	145	100
Total	**146**	**102**

9. Net trading income

(HUF million)

	2012	2011
Gain/(Loss) on foreign exchange	5,458	14,017
Gain/(Loss) on trading interest rate swaps	(1,289)	(775)
Gain/(Loss) on debt securities	510	143
Gain/(Loss) on equities	2	2
Gain/(Loss) on trading FRAs	(95)	709
Other trading income	(36)	14
Total	**4,550**	**14,110**

Notes to the financial statements (Continued)

10. Net gain and loss on other financial instruments

(HUF million)

	2012	2011
Gain		
Available-for-sale debt securities	969	987
Loss		
Loans and receivables (Early Repayment Scheme)	(9 200)	(7 485)
Available-for-sale debt securities	(517)	(432)
Total	**(9 717)**	**(7 917)**
Net loss on other financial instruments	**(8 748)**	**(6 930)**

11. Personnel expenses

(HUF million)

	2012	2011
Wages and salaries	11,863	11,616
Statutory social-security contributions	3,349	3,401
Other employee benefits	1,089	1,087
Employer's contributions	241	170
Total	**16,542**	**16,274**

The number of employees (in full time equivalent) was 1,878 on 31 December 2012 (2011: 1,967).

12. General operating expenses

(HUF million)

	2012	2011
Indirect tax expense and fees to authorities	9,480	10,195
Renting costs and operating expenses of property	3,786	3,648
Advertising	1,382	1,454
Information technology costs	4,818	4,338
Material and office equipments costs	446	436
Other administrative expenses	2,281	2,043
Total	**22,193**	22,114

Notes to the financial statements (Continued)

13. Other income and expenses

(HUF million)

	2012	2011
Operating income		
Renting activity	1,435	1,555
Service transfer fees received	109	247
Indemnity received	145	–
Other	1,142	215
Total	**2,831**	**2,017**
Operating expenses		
Expenses related to rented investment properties	(66)	–
Indemnity paid	(329)	(43)
Service transfer fees paid	–	(355)
Penalties	–	(17)
Other	(193)	(317)
Total	**(588)**	**(732)**
Net other operating income	**2,243**	**1,285**

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 2012 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)

	2012	2011
Current tax expense	5,439	3,083
Adjustments for prior years	16	346
Subtotal	**5,455**	**3,429**
Deferred tax (income)	(384)	(39)
Total income tax expense in income statement	**5,071**	**3,390**

14.2 Reconciliation of effective tax rate

	2012		2011	
	%	HUF MILLION	%	HUF MILLION
Profit before tax		26,043		17,906
Income tax using the domestic corporate tax rate	18.5	4,821	18.2	3,266
Supplementary corporate tax for banks	0.8	216	1.2	216
Adjustments for prior years	0.1	16	1.9	346
Tax effects of income/expenses exempt from corporate tax	0.2	41	(2.2)	(397)
General risk reserve release	–	–	0.4	66
Income/expenses giving rise to permanent differences:				
Other	0.1	(23)	(0.6)	(107)
Total	**19.5**	**5,071**	**18.9**	**3,390**

Notes to the financial statements (Continued)

14.3 Balances related to taxation

(HUF million)

	2012			2011		
	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET
Current tax assets/(liabilities) at year-end	40	311	271	(681)	–	(681)
Deferred tax assets / (liabilities)						
Available-for-sale securities	(14)	889	875	(667)	398	269
Cash flow hedges	–	1,700	1,700	–	800	800
Tax effect on business combination	(7)	–	(7)	–	–	–
Allowances for loan losses (IBNR)	(1,029)	–	(1,029)	(1,176)	–	(1,176)
Legal reserve (General risk reserve)	–	2,201	2,201	–	2,706	2,706
Property and equipment from tied up capital	–	401	401	–	439	439
Effect of items, increasing / (decreasing) the local tax base	(1,252)	1,348	96	(1,582)	1,410	(172)
Total deferred tax assets / (liabilities)	(2,302)	6,539	4,237	(3,425)	5,753	2,328
Total tax assets / (liabilities)	**(2,342)**	**6,850**	**4,508**	**(4,106)**	**5,753**	**1,647**

14.4 Changes in temporary differences during the year – 2012

(HUF million)

	OPENING BALANCE	RECOGNISED IN PROFIT AND LOSS	RECOGNISED IN EQUITY	CLOSING BALANCE
Available-for-sale securities	(269)	–	1,144	875
Cash flow hedges	800	–	900	1,700
Tax effect on business combination	–	–	(7)	(7)
Allowances for loans (IBNR)	(1,176)	147	–	(1,029)
Legal reserve (General risk reserve)	2,706	(505)	–	2,201
Property and equipment from tied up capital	439	(38)	–	401
Effect of items, increasing /(decreasing) the local tax base	(172)	268	–	96
Other	–	(256)	256	–
Total	**2,328**	**(384)**	**2,293**	**4,237**

14.5 Changes 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	–	(503)	(269)
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)**	**3,427**	**2,328**

15. Cash and unrestricted balance with the Central Bank

(HUF million)

	2012	2011
Cash on hand	8,682	8,213
Total	**8,682**	**8,213**

Notes to the financial statements (Continued)

16. Financial instruments held for trading

(HUF million)

	2012	2011
Financial assets held for trading		
State treasury bills	93	17,577
State bonds	1,329	1,868
Other bonds	2,682	952
Equity securities	16	26
Positive fair value of derivatives		
FX derivatives	4,703	22,819
Interest rate derivates	25,757	14,492
Commodity derivatives	15	66
Total	**34,595**	**57,800**
Financial liabilities held for trading		
Negative fair value of derivatives		
FX derivatives	5,086	13,602
Interest rate derivatives	30,265	18,566
Commodity derivatives	47	63
Total	**35,398**	**32,231**

17. Available-for-sale financial assets

(HUF million)

	2012	2011
State treasury bills	272,537	227,402
State bonds	110,099	81,317
Other bonds	806	–
Equities	340	340
Total	**383,782**	**309,059**
Impairment	(5)	(5)
Total	**383,777**	**309,054**

18. Held-to-maturity investments

(HUF million)

	2012	2011
State bonds	5,585	5,494
Mortgage bonds	1,041	1,149
Total	**6,626**	**6,643**

The market value of the held-to-maturity securities portfolio as of 31 December 2012 was HUF 6,787 million (2011: HUF 6,993 million).

Notes to the financial statements (Continued)

19. Placements with, and loans and advances to banks

(HUF million)

	2012	2011
Placements with Central Bank		
Maturity less than one year	119,361	58,497
Loans and advance to other banks		
Nostros with other banks	13,087	12,492
Maturity less than one year	25,981	2,782
Maturity more than one year	21,879	16,344
Total	**180,308**	**90,115**

20. Loans and advances to customers

(HUF million)

	2012	2011
Private and commercial		
Maturity less than one year	535,924	616,223
Maturity more than one year	511,101	606,720
Securities, recognised as loans	8,388	8,650
Subtotal	**1,055,413**	**1,231,593**
Provision for impairment and losses on credit products (Note 34	(90,745)	(82,381)
Impairment due to Early Repayment Scheme	–	(7,210)
Subtotal	**(90,745)**	**(89,591)**
Grandtotal	**964,668**	**1,142,002**

A. Analysis by industrial sector

	2012		2011	
	HUF MILLION	%	HUF MILLION	%
Private clients	308,003	29.18	358,626	29.12
Real estate finance	167,641	15.88	208,914	16.96
Community	127,912	12.12	148,227	12.04
Trade	94,009	8.91	103,687	8.42
Transportation	68,075	6.45	79,363	6.44
Construction	58,540	5.55	53,898	4.38
Financial activities	36,070	3.42	44,733	3.63
Food processing	35,273	3.34	29,675	2.41
Chemicals / Pharmaceutical	31,383	2.97	72,083	5.85
Machine industry	25,796	2.44	29,011	2.36
Light industry	24,674	2.34	26,332	2.14
Electric energy industry	16,974	1.61	14,689	1.19
Metallurgy	14,939	1.42	9,796	0.80
Communication	14,555	1.38	18,918	1.54
Catering trade	11,000	1.04	12,642	1.03
Other	10,824	1.03	10,498	0.84
Agriculture	9,694	0.92	10,271	0.83
Mining	49	0.00	230	0.02
Total	**1,055,413**	**100.00**	**1,231,593**	**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)

	2012	2011
Against individually impaired		
Guarantees	3,200	10,924
Blocked cash deposits	3,112	4,106
Property	31,318	24,861
Debt securities	–	–
Equities	8	–
Others	777	2,345
Against collectively impaired		
Guarantees	407	333
Blocked cash deposits	97	88
Property	31,987	27,017
Debt securities	–	–
Equities	–	–
Others	45	17
Against past due, but not impaired		
Guarantees	649	2,259
Blocked cash deposits	460	3,527
Property	13,076	21,490
Debt securities	–	–
Equities	1	27
Others	2,805	1,288
Against neither past due nor impaired		
Guarantees	32,235	53,738
Blocked cash deposits	20,636	26,991
Property	237,118	260,071
Debt securities	1,729	1,139
Equities	3,857	3,923
Others	24,924	36,345

The above collaterals also cover the credit facilities, granted not disbursed.

21. Hedging derivative instruments

(HUF million)

	2012	2011
Derivative assets held for risk management purposes		
Interest rate swaps	18,707	15,261
Forward rate agreements	13	–
Total	**18,720**	**15,261**
Derivative liabilities held for risk management purposes		
Interest rate swap	5,026	6,005
Forward rate agreements	53	58
Total	**5,079**	**6,063**

Notes to the financial statements (Continued)

22. Equity investments

(HUF million)

	2012	2011
Other investments	536	1

As of 31 December 2012 investments in consolidated subsidiaries were as follows:

(HUF million)

NAME OF INVESTMENT	GROSS BOOK VALUE	SHAREHOLDER'S EQUITY
UniCredit Jelzálogbank Zrt.	3,761	18,066
Arany Pénzügyi Lízing Zrt.	453	2,604
Sas-Reál Kft.	750	862

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)

	2012	2011
Investment property in usage	13,460	16,835
Investment property, held for sale	9,294	8,104
Total	**22,754**	**24,939**

The Group's investment properties are held within Europa Investment Fund of which 97.2% (2011:84.1%) of the units are 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 use are valued at fair value or cost, those, that are held for sale are valued at the lower fair value or cost.
These properties earned HUF 1,325 million rental income in 2012 (2011: HUF 1,487 million).

24. Property, plant and equipment

Changes in property, plant and equipment

(HUF million)

	ACQUISITION COST AT THE BEGINNING OF THE YEAR	ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	ADDITIONS	DISPOSALS NET	DEPRECIATION	CARRYING AMOUNT AT THE END OF THE YEAR
2012						
Land and buildings	30,077	4,472	300	–	1,195	24,710
Office equipment	9,392	7,286	410	–	792	1,724
Motor vehicles	974	631	178	16	129	376
Capital work in progress	181	13	779	888	1	58
Total	**40,624**	**12,402**	**1,667**	**904**	**2,117**	**26,868**
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**

Notes to the financial statements (Continued)

25. Intangible assets

Changes in intangible assets

(HUF million)

	ACQUISITION COST AT THE BEGINNING OF THE YEAR	ACCUMULATED AMORTISATION AT THE BEGINNING OF THE YEAR	ADDITIONS	DISPOSALS NET	AMORTISATION	CARRYING AMOUNT AT THE END OF THE YEAR
2012						
Rental rights	272	164	1	-	23	86
Licenses	326	133	13	-	48	158
Software	11 374	8 007	22	-	898	2 491
Total	**11 972**	**8 304**	**36**	**-**	**969**	**2 735**
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
Total	**11 022**	**7 350**	**1 198**	**275**	**927**	**3 668**

26. Other assets

(HUF million)

	2012	2011
Trade receivables, advances and other receivables	2,185	4,747
Accrued income and prepaid expenses	2,164	2,861
Other	558	411
Subtotal	**4,907**	**8,019**
Impairment losses	(107)	(154)
Total	**4,800**	**7,865**

27. Deposits and loans from banks

(HUF million)

	2012	2011
Maturity less than one year	143,230	182,367
Maturity more than one year	195,185	183,100
Total	**338,415**	**365,467**

28. Deposits from customers

(HUF million)

	2012	2011
Maturity less than one year	934,138	968,649
Maturity more than one year	87,880	83,516
Total	**1,022,018**	**1,052,165**

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.

Notes to the financial statements (Continued)

29. Subordinated loans

(HUF million)

	2012	2011
UniCredit Bank Austria AG	9,893	10,567
UniCredit Bank Austria AG	9,979	10,658
Total subordinated loans	**19,872**	**21,225**

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.
In November 2012 the Group decided to discontinue the extension of the subordinated loans. The loans are linearly amortised in the Regulatory Capital during a 5-year period, starting from the end of 2013. Interest based on EURIBOR is payable quarterly in arrears.

30. Issued mortgage bonds

(HUF million)

	2012	2011
Maturity less than one year	817	7,355
Maturity more than one year	8,078	7,859
Total	**8,895**	**15,214**

31. Other liabilities

(HUF million)

	2012	2011
Accrued expenses and prepaid income	6,206	5,800
Provision on guarantees and unutilised loans	2,739	2,609
Trade payable	805	772
Other taxes payable	1,195	1,357
Other	143	199
Total	**11,088**	**10,737**

32. Share capital

(HUF million)

	2012	2011
Authorised and issued share capital	24,118	24,118

Share capital consists of 4,823,644 ordinary shares with a par value of HUF 5,000 each.
100% of the issued shares are held by Bank Austria AG.

Notes to the financial statements (Continued)

33. Statutory reserves

(HUF million)

	GENERAL RESERVE	GENERAL RISK RESERVE	TIED-UP RESERVE	TOTAL
Balance at 31 December 2011	20,100	11,539	588	**32,227**
Appropriations from retained earnings	2,583	(2,159)	(222)	**202**
Balance at 31 December 2012	22,683	9,380	366	**32,429**

34. Impairments and provisions

34.1 Impairments and provisions on credit products

(HUF million)

	LOANS	GUARANTEES AND UNUTILISED LOANS	TOTAL FINANCIAL INSTRUMENTS
Balance 31 December 2011	**89,591**	**2,609**	**92,200**
Write-offs	(4,061)	–	(4,061)
Amounts released	(17,878)	(1,667)	(19,545)
Additional impairment and provisions	33,381	1,826	35,207
Impairment due to Early Repayment Scheme	(7,209)	–	(7,209)
Effect of FX rate fluctuation	(3,079)	(29)	(3,108)
As on 31 December 2012	**90,745**	**2,739**	**93,484**
Net change in impairment and provisions	11,442	159	11,601
Impairment due to Early Repayment Scheme	(7,209)	–	(7,209)
Write-offs	4,061	–	4,061
Net amount charged to the income statement	**8,294**	**159**	**8,453**
Receivables written-off	1,249	–	1,249
Total charged to the income statement, excluding the effect of f/x rate fluctuation	**9,543**	**159**	**9,702**

34.2 Other impairments and provisions

(HUF million)

	PROVISION MOVEMENT ON NON-CREDIT RISK ITEMS	IMPAIRMENT ON AFS AND EQUITY INVESTMENTS
Balance 31 December 2011	**2,230**	**5**
Write-offs	(294)	–
Amounts released	(150)	–
Additional impairment provisions	647	–
Effect of FX rate	(6)	–
As on 31 December 2012	**2,427**	**5**
Net change in impairment provisions	203	–
Write-offs	294	–
Net amount charged to the income statement	**497**	**–**

Notes to the financial statements (Continued)

35. Commitments and contingent liabilities

As of 31 December 2012, the Group had the following commitments and contingent liabilities (in nominal values):

(HUF million)

	2012	2011
Loan and overdraft facilities granted not disbursed	505,821	489,225
Financial guarantees	199,210	178,591
Letters of credit	41,756	57,234
FX spot sales (notional)	176,711	245,397

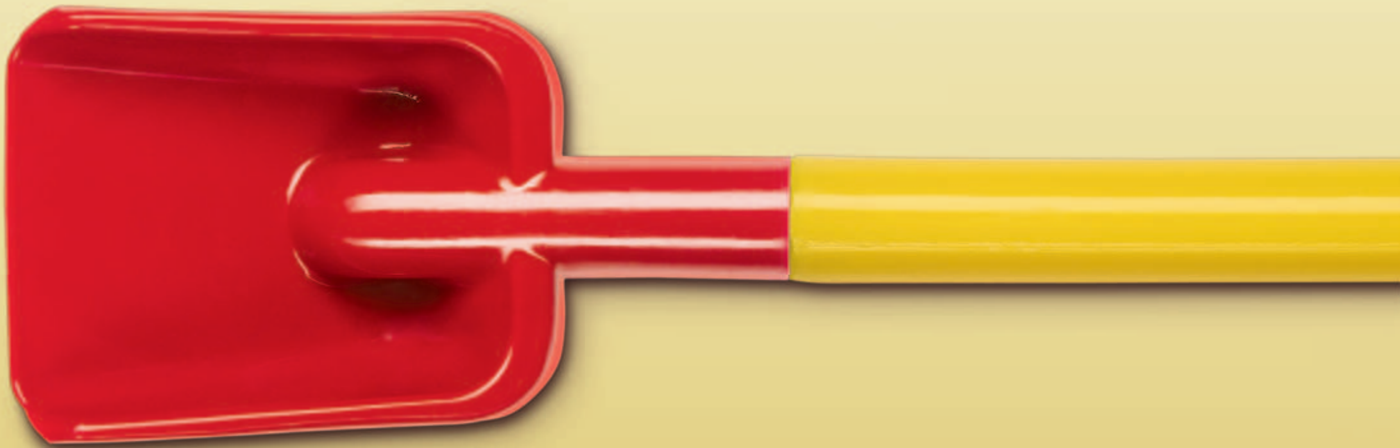
As of 31 December 2012, the total face value of client assets held in safe custody by the Group was 2,955,602 HUF million (2011: 2,574,676 HUF million).

PEACE OF MIND

How to save a Customer’s holiday

“When I lost my Visa card while on vacation abroad, UniCredit Bank’s emergency cash disbursal service saved me from what could have been a disastrous situation.
I used the service twice while visiting Paris and Moscow and it exceeded my expectations, allowing me to pay for my hotel, entertainment and other expenses. I was impressed by the service’s quality and speed – I was able to have cash in-hand in less than an hour.
This experience taught me that my bank is 100 percent prepared to support me at anytime, even in the most difficult f situations.
I know now that I can count on UniCredit’s professional advice and real solutions for whatever I need.”

Yurov Valeriy Anatolievich,
customer of UniCredit Bank in Ukraine



Supervisory Board and Management Board

UniCredit Bank Hungary Zrt.

SUPERVISORY BOARD

DR. ERICH HAMPEL	**Chairman**
SIMONE MARCUCCI	**Deputy Chairman**
GIANFRANCO BISAGNI FRIEDERIKE KOTZ MAURO MASCHIO PETTKÓ-SZANDTNER JUDIT BOLYÁN RÓBERT HORVÁTH GÁBOR	**Members**

MANAGEMENT BOARD

DR. PATAI MIHÁLY	**Chairman and CEO**
IHÁSZ CSILLA	**Head of Retail Division**
KALISZKY ANDRÁS	**Chief Operation Officer**
STEFANO SANTINI	**Chief Financial Officer**
TÓTH BALÁZS	**Chief Risk Officer**

Supervisory Board and Management Board (Continued)

UniCredit Jelzálogbank Zrt.

	SUPERVISORY BOARD
Stefano Santini	**Chairman**
Tátrai Bernadett Dr. Pettkó-Szandtner Judit Sipos József Kaliszky András Tóth Balázs	**Members**
	IGAZGATÓSÁG
Pórfy György	**Chairman**
Novákné Bejczy Katalin Dr. Füredi Júlia Bunna Gyula	**Members**

Calendar

17 February 2012

Early this year UniCredit Bank Hungary Zrt. exhibited selected pieces of its significant contemporary art collection at prestigious Kieselbach Gallery, Budapest. At the exhibition the audience also had an opportunity to be familiar with an exclusive catalogue including the core pieces of the collection, which excellently represents Hungarian painting in the decade following the change of regime. At the opening of the exhibition the Bank also announced its competition “UniCredit Talent Programme for Contemporary Art” for young visual artists. The Bank’s intention is to create an opportunity for the most talented young artists to show themselves and become visible and, simultaneously, , it intends to invigorate the domestic art market as well.

16 May 2012

The possibilities of small and medium-sized enterprises for submitting proposals for European Union calls for tenders are enhanced by two gap-filling and state-subsidised financing products offered by UniCredit Bank Hungary Zrt. in the framework of Széchenyi Card Programme. The Széchenyi Supplementary Loan makes it possible those enterprises that in the absence of sufficient own funds are unable to participate at European Union calls for tenders or to implement successful projects due to liquidity problems that have arisen in the meantime will be nonetheless able to make use of the opportunities provided by the tenders. The Széchenyi Subsidy Pre-financing Loan facilitates a quicker access to already awarded European Union funds by the pre-financing of own sources.

31 May 2012

The names of the winners of UniCredit Talent Programme competition announced in February were disclosed. The works of the artists awarded in the first competition of the art promoting programme were shown in a group exhibition at the Dorottya Gallery. Apart from the opportunity to be shown, the four applicants judged to be the best also won six-month scholarship grants, and the start-up of further ten young talents was facilitated by the Bank’s decision to buy their works. The purchased works of the fourteen artists were incorporated in UniCredit Bank Hungary Zrt.’s internationally renowned art collection, therefore they also have a chance to be shown to international audiences at exhibitions organised by UniCredit Group from year to year in the different cities of Europe. The success of this initiative was demonstrated by the fact that more than 140 applications were received for the announced scholarships and grants.

September 2012

UniCredit Bank Hungary Zrt. supported the research project entitled “In Search of Export Success” in cooperation with the staff of the Business Economics Institute of Corvinus University of Budapest on which a publication was also issued. The research focused on the international and domestic trends of companies going international, and included the case studies of 10 successful Hungarian export-oriented companies. On the basis of the sample of selected small and medium-sized Hungarian-owned companies, the authors outlined the critical success factors that may be instructive for company executives, corporate experts and economic policy decision makers alike.

26 September 2012

UniCredit Bank Hungary Ltd. published its research conducted among its small business clientele with responses from the managers of 700 Hungarian small enterprises. According to the survey by the second half of the year the financing need of about two-thirds of the interviewed enterprises increased. Providing for the operating conditions on a continuous basis was still a challenge, therefore more than half of the newly placed loans served short-term purposes. It is a new phenomenon that the willingness of agricultural enterprises to invest has grown and the interest of the sector for long-term loans increased. About one-third of respondents requested their loans due to some positive prospect or planned investment project.

September-December 2012

In the autumn of 2012 UniCredit Bank Hungary Zrt. launched for the fourth time its “Pass it on!” programme announced for Hungarian schools in order to promote health-conscious lifestyle. The students of altogether 140 elementary schools were mobilised throughout the country at diverse sports events. The attending schools could purchase new sporting goods this year as well, and organise further sport events for their students from the grant provided by the Bank.

Calendar (Continued)

10 October 2012

According to the survey of the British journal Euromoney based on feedback from 17,000 international large corporations, UniCredit is the most popular cash management service provider among international corporations doing business in Central and Eastern Europe. In addition, based on the votes UniCredit is the best cash management service provider in Hungary and in six other countries. Cash management is an essential service for the Bank's international customers conducting cross-border transactions; therefore the award is an important acknowledgment of UniCredit's efforts directed at the continuous improvement of its services.

November 2012

UniCredit Bank Hungary Zrt. obtained one of the first three places in as many as four categories in the MasterCard – Bank of the Year 2012 competition. In the category "Bank of the Year" UniCredit ranked second. In the category "Banker of the Year" dr. Mihály Patai, the Bank's CEO won the first place. In the category "Retail Loan Product of the Year" our Foresee loan won bronze medal, and in the category "Young Banker of the Year" Eszter Török, head of the small business segment ranked second.

7 December 2012

Apart from supporting the promotion of a healthy lifestyle UniCredit Bank Hungary Zrt. provides assistance from year to year to local and national health care organisations that actually cure children. In 2012 our already traditional Advent donation was granted to the Szent Márton Paediatric Emergency Medical Service Foundation. From the grant of HUF 1,395,000 not only the equipment of the children's emergency ambulance of the foundation was supplemented with state-of-the-art life saving devices but that of two special children's ambulances as well. The new, portable devices may be used outside the ambulance vehicles as well, directly on the accident scene. Thereby the life chances of the little patients may be multiplied.

18 December 2012

At the end of the year UniCredit Bank Hungary Zrt. signed a new framework agreement with the European Investment Bank. The Bank may use the refinancing funds of EUR 100 million provided at preferential terms to offer long-term loans to small and medium-sized enterprises and mid-cap companies. With UniCredit Bank Hungary Zrt. acting as an intermediary, the EIB supported the investment projects of the Hungarian private and municipality sector with a total amount of EUR 444 million.

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 2012 UniCredit Bank's network consisted of 120 units throughout Hungary, from which 56 branches were located in Budapest, while 64 in the country.

Network units (Continued)

Branches in Budapest

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. (Mamut 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. (Újpesti Áruház)

Astoria fiók
1052 Budapest, Károly krt. 6.

Fehérhajó utcai fiók
1053 Budapest, Fehérhajó u. 5.

Alkotmány utcai fiók
1054 Budapest, Alkotmány u. 4.

Ferenciek tere fiók
1054 Budapest, Ferenciek tere 2.

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 körút 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)

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

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 K. krt.12-14. (Lurdy-ház)

Kőbányai fiók
1102 Budapest, Kőrösi Csoma sétány 8.

Gyömrői úti fiók
1103 Budapest, Gyömrői u. 99.

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

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

Fehérvári úti fiók
1117 Budapest Fehérvári út 23.

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

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

Alkotás úti fiók
1123 Budapest, Alkotás u. 50.

Network units (Continued)

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.

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

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

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 Bosnyák tér 5.

Fogarasi úti fiók
1149 Budapest, Fogarasi út 15/A.

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.

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

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

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

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

Csepeli fiók
1211 Budapest, Kossuth Lajos út 93.

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 u. 1-3.

Budakeszi fiók
2092 Budakeszi, Fő u.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, Hermina út 1-3.

Dunaújvárosi fiók
2400 Dunaújváros, Dózsa Gy. 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.

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

Tatabányai fiók
2800 Tatabánya, Szent Borbála tér 2.

Salgótarjáni fiók
3100 Salgótarján, Rákóczi út 13.

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

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

Miskolci fiók
3530 Miskolc, Hunyadi út 3.

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

Tiszaújvárosi fiók
3850 Tiszaújváros, 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)

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)

Gyulai fiók
5700 Gyula, Városház u. 12.

Kecskeméti fiók
6000 Kecskemét, Kisfaludy u. 8.

Kecskemét 2 fiók
6000 Kecskemét, Rákóczi út 4.

Network units (Continued)

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.

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

Hódmezővásárhelyi fiók
6800 Hódmezővásárhely, Andrássy u. 3.

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

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

Kaposvári fiók
7400 Kaposvár, Dózsa György u. 1.

Kaposvár 2 fiók
7400 Kaposvár, Áchim András u. 4. (Corsó Üzletház)

Pécs – Árkád Üzletház fiók
7621 Pécs, Rákóczi u. 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 Endre 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 u. 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)

Mosonmagyaróvári fiók
9200 Mosonmagyaróvár, Fő u. 6.

Soproni fiók
9400 Sopron, Várkerület 1-3.

Sárvári fiók
9600 Sárvár, Hunyadi u. 1.

Szombathelyi fiók
9700 Szombathely, Kőszegi út 30-32.

Szombathely 2 fiók
9700 Szombathely, Fő tér 26.

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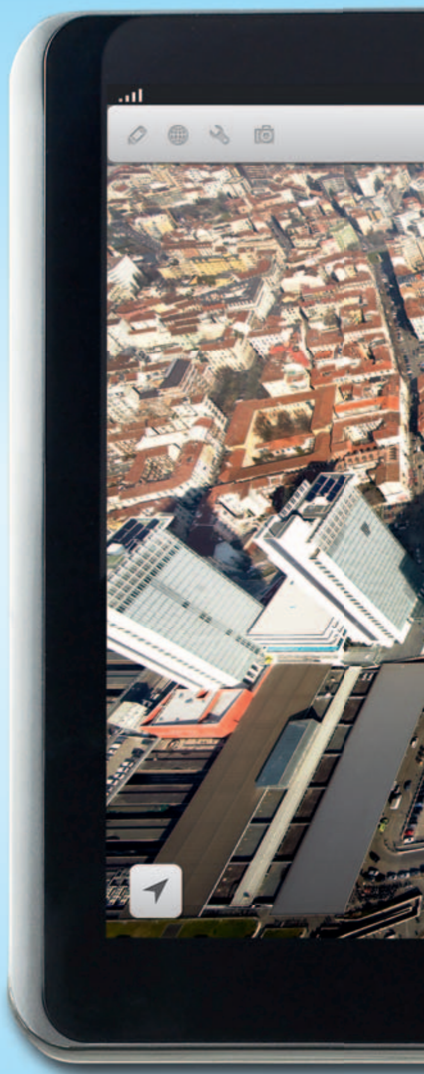
UniCredit Bank



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