KPMG

**Independent Auditors' Report
issued on the 2006 Consolidated Annual Report
and Consolidated Business Report
of Budapest Hitel és Fejlesztési Bank Nyrt.**

This is an English translation of the statutory Consolidated Annual Report and the Consolidated Business Report, and the Independent Auditors' Report thereon issued in Hungarian. In case of any differences, the Hungarian language original prevails.

KPMG

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This is an English translation of the Independent Auditors' Report on the 2006 Statutory Consolidated Annual Report of Budapest Hitel és Fejlesztési Bank Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory consolidated annual report it refers to.

Independent Auditors' Report

To the shareholders of Budapest Hitel és Fejlesztési Bank Nyrt.

We have audited the accompanying 2006 consolidated annual report of Budapest Hitel és Fejlesztési Bank Nyrt. (hereinafter referred to as "the Bank"), which comprises the consolidated balance sheet as at 31 December 2006, which shows total assets of MHUF 695,206 and retained profit for the year of MHUF 7,076, and the consolidated income statement for the year then ended, and the consolidated supplementary notes including a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated annual report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

The auditor's responsibility is to express an opinion on the consolidated annual report based on the audit and to assess whether the consolidated business report is consistent with the consolidated annual report. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated annual report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual report. Our work with respect to the consolidated business report was limited to the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Bank. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

We have audited the Bank's consolidated annual report, its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the consolidated annual report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. In our opinion, the consolidated annual report gives a true and fair view of the financial position of Budapest Hitel és Fejlesztési Bank Nyrt. as of 31 December 2006, and of its financial performance and of the result of its operations for the year then ended. The consolidated business report is consistent with the disclosures in the consolidated annual report.

25 April 2007, Budapest

KPMG Hungária Kft.
1139 Budapest, Váci út 99.
Chamber registration number: 000202

John Varsanyi
John Varsanyi
Partner

Nagy Zsuzsanna
Nagy Zsuzsanna
Registered Auditor
Identification number: 005421

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Budapest Bank Nyrt.
and subsidiaries

Consolidated Financial Statements

31 December 2006

Budapest, 25 April 2007

Mark Arnold
Chief Executive Officer

Pálcza Edit
Chief Finance Officer

Statistic code: 10196445651211401

Budapest Bank Group 2006.

BALANCE SHEET (FINANCIAL INSTITUTIONS)

in million HUF

			Description	2005	Previous year Adjustments	2006
a			b	c	d	e
01	I.		**FINANCIAL ASSETS**	14,577	-	22,550
02	II.		**SECURITIES (03+04)**	37,966	-	33,856
03		a)	available for sale	11,876	-	7,766
04		b)	for investment purposes	26,090	-	26,090
05	II/A.		valuation difference of securities	-	-	-
06	III.		**RECEIVABLES FROM FINANCIAL INSTITUTIONS (07+08+19)**	78,309	-	104,173
07		a)	on sight	1,357	-	1,273
08		b)	other receivables from financial services	76,952	-	102,900
09		ba)	due within one year	76,140	-	102,115
10			Of which: - subsidiaries	-	-	-
11			- affiliated companies	-	-	-
12			- National Bank of Hungary	63,834	-	95,700
13			- receivables to KELER	-		-
14		bb)	due more than one year	812	-	785
15			Of which: - subsidiaries	-	-	-
16			- affiliated companies	-	-	-
17			- National Bank of Hungary	-	-	-
18			- receivables to KELER	-		-
19		c)	receivables against financial institutions from investment services	-	-	-
20			Of which: - subsidiaries	-	-	-
21			- affiliated companies	-	-	-
22			- receivables to KELER	-		-
23	III/A.		valuation difference of receivables to financial institutions	-	-	-
24	IV.		**RECEIVABLES FROM CUSTOMERS (25+32)**	390,995	-	486,853
25		a)	from financial services	390,306	-	485,679
26		aa)	due within one year	153,746	-	183,823
27			Of which: - subsidiaries	-	-	-
28			- affiliated companies	-	-	-
29		ab)	due more than one year	236,560	-	301,856
30			Of which: - subsidiaries	-	-	-
31			- affiliated companies	-	-	-
32		b)	receivables against customers from investment services	689	-	1,174
33			Of which: - subsidiaries	-	-	-
34			- affiliated companies	-	-	-
35		ba)	receivables to investment in stock exchange activity	-	-	-
36		bb)	receivables to OTC investments	-	-	-
37		bc)	receivables to customers from investment services	689	-	1,174
38		bd)	receivables to KELER	-	-	-
39		be)	receivables to other investment services	-	-	-
40	IV/A.		valuation difference of receivables to customers	-	-	-
41	V.		**BONDS AND OTHER SECURITIES (42+45)**	2,752	-	4,427
42		a)	securities issued by municipalities and other government institution (excluding government securities)	-	-	-
43		aa)	available for sale	-	-	-
44		ab)	for investment purposes	-	-	-
45		b)	securities issued by others	2,752	-	4,427
46		ba)	available for sale	2,752	-	4,427
47			Of which: -issued by subsidiaries	-	-	-
48			- issued by affiliated companies	-	-	-
49			- repurchased own shares	-		-
50		bb)	for investment purposes	-	-	-
51			Of which: -issued by subsidiaries	-	-	-
52			- issued by affiliated companies	-	-	-
53	V/A.		valuation difference of bonds and other securities	-	-	-
54	VI.		**SHARES AND OTHER SECURITIES (55+58)**	195	-	195
55		a)	shares available for sale	-	-	-
56			Of which: -issued by subsidiaries	-	-	-
57			- issued by affiliated companies	-	-	-
58		b)	securities with variable yield	195	-	195
59		ba)	available for sale	195	-	195
60		bb)	for investment purposes	-	-	-
61	VI/A.		valuation difference of shares and other securities	-	-	-
62	VII.		**SHARES FOR INVESTMENT PURPOSES (63+65)**	441	-	435
63		a)	shares for investment purposes	441	-	435
64			of which: - shares in financial institutions	-	-	-
65		b)	revaluation of shares for investment purposes	-	-	-
66			of which: - shares in financial institutions	-	-	-
67	VII/A.		valuation difference of shares for investment purposes	-	-	-
68	VIII.		**SHARES IN AFFILIATED COMPANIES FOR INVESTMENT PURPOSES (69+71+80)**	0	-	-
69		a)	shares for investment purposes	0	-	-
70			of which: - shares in financial institutions	-	-	-
71		b)	revaluation of shares for investment purposes	-	-	-
72			of which: - shares in financial institutions	-	-	-
73		c)	Share consolidation difference (73+74)	-	-	-
74		ca)	Of which: - subsidiaries	-	-	-
75		cb)	- affiliated companies	-	-	-
76	IX.		**INTANGIBLE ASSETS (77+78)**	2,434	-	2,834
77		a)	intangible assets	2,434	-	2,834
78		b)	revaluation of intangible assets	-	-	-

Statistic code: 10196445651211401

in million HUF

			Description	2005	Previous year Adjustments	2006
a			b	c	d	e
79	X.		**TANGIBLE ASSETS (80+85+90)**	**24,505**	-	**24,651**
80		a)	tangible assets serving the activities of financial institutions	10,667	-	12,067
81		aa)	real estate	7,151	-	8,001
82		ab)	technical equipment, machinery and vehicles	3,334	-	3,692
83		ac)	construction-in-progress	182	-	374
84		ad)	prepayments on construction-in-progress	-	-	-
85		b)	tangible assets serving the non-financial activities	13,838	-	12,584
86		aa)	real estate	-	-	-
87		ab)	technical equipment, machinery and vehicles	13,623	-	12,479
88		ac)	construction-in-progress	215	-	105
89		ad)	prepayments on construction-in-progress	-	-	-
90		c)	revaluation of tangible assets	-	-	-
91	XI.		**OWN SHARES**	-	-	-
92	XII.		**OTHER ASSETS (93+94+97)**	**6,772**	-	**6,855**
93		a)	inventories	400	-	742
94		b)	other receivables	6,372	-	6,113
95			Of which: - subsidiaries	-	-	-
96			- affiliated companies	-	-	-
97		c)	Receivables from consolidated Tax	-		-
98	XII/A.		valuation difference of other receivables	-	-	-
99	XII/B.		positiv valuation difference of derivatives	-	-	-
100	XIII.		**PREPAYMENTS AND ACCRUALS (101+102+103)**	**4,736**	-	**8,377**
101		a)	income accruals	4,266	-	7,893
102		b)	expense accruals	470	-	484
103		c)	deferred expenses	-	-	-
104				**563,682**	-	**695,206**
105			**-CURRENT ASSETS (I.+II.a)+III.c)+III.a)+III.ba)+IV.aa)+IV.b)+V.aa)+V.ba)+VI.a)+VI.ba)+XI.+XII.+II/A.)+III/A.)+IVA.)+VA.)+VI/A.)+XII/A.)+XII/B.) items of which related to current assets)**	**268,105**		**330,178**
106			**- FIXED ASSETS (II.b)+III.bb)+IV.ab)+V.ab)+V.bb)+VI.bb)+VII.+VIII.+IX.+X.+II/A.)+III/A.)+IVA.)+VA.)+VI/A.)+XII/A.)+XII/B.) items of which related to fixed assets)**	**290,840**	-	**356,651**

Statistic code: 10196445651211401

in million HUF

			Description	2005	Previous year Adjustments	2006
a	b			c	d	e
107	I.		**LIABILITIES TO FINANCIAL INSTITUTIONS (108+109+120)**	**37,703**	-	**36,708**
108		a)	on sight	83	-	59
109		b)	liabilities deposited for a set period of time	37,615	-	36,648
110		ba)	due within one year	2,070	-	2,867
111			Of which: - subsidiaries	-	-	-
112			- affiliated companies	-	-	-
113			- National Bank of Hungary	-	-	-
114			- receivables to KELER	-		-
115		bb)	due more than one year	35,545	-	33,781
116			Of which: - subsidiaries	-	-	-
117			- affiliated companies	-	-	-
118			- National Bank of Hungary	-	-	-
119			- receivables to KELER	-		-
120		c)	liabilities from investments services	5	-	1
121			Of which: - subsidiaries	-	-	-
122			- affiliated companies	-	-	-
123			- receivables to KELER	-		-
124	I/A.		valuation difference of liabilities to financial institutions	-		-
125	II.		**LIABILITIES TO CUSTOMERS (126+130+140)**	**429,503**	-	**542,983**
126		a)	saving deposit	-	-	-
127		ba)	on sight	-	-	-
128		ab)	due within one year	-	-	-
129		ac)	due more than one year	-	-	-
130		b)	other liabilities from financial services	426,933	-	540,578
131		ba)	on sight	184,775	-	183,256
132			Of which: - subsidiaries	-	-	-
133			- affiliated companies	-	-	-
134		bb)	due within one year	185,383	-	240,151
135			Of which: - subsidiaries	-	-	104
136			- affiliated companies	-	-	-
137		bc)	due more than one year	56,775	-	117,171
138			Of which: - subsidiaries	-	-	83,287
139			- affiliated companies	-	-	-
140		c)	liabilities from investments services	2,570	-	2,405
141			Of which: - subsidiaries	-	-	-
142			- affiliated companies	-	-	-
143		ca)	liabilities to investment in stock exchange activity	-	-	-
144		cb)	liabilities to OTC investments	-	-	-
145		cc)	liabilities to customers from investment services	2,570	-	2,405
146		cd)	liabilities to KELER	-	-	-
147		ce)	liabilities to other investment services	-	-	-
148	II/A.		valuation difference of liabilities to customers	-	-	-
149	III.		**ISSUED BONDS AND OTHER, INTEREST-BEARING SECURITIES (150+157+164)**	-	-	-
150		a)	issued bonds	-	-	-
151		aa)	due within one year	-	-	-
152			Of which: - subsidiaries	-	-	-
153			- affiliated companies	-	-	-
154		ab)	due more than one year	-	-	-
155			Of which: - subsidiaries	-	-	-
156			- affiliated companies	-	-	-
157		b)	other issued negotiable, interest-bearing securities	-	-	-
158		ba)	due within one year	-	-	-
159			Of which: - subsidiaries	-	-	-
160			- affiliated companies	-	-	-
161		bb)	due more than one year	-	-	-
162			Of which: - subsidiaries	-	-	-
163			- affiliated companies	-	-	-
164		c)	Securities according to the accounting standards, but according to the Securities Law other negotiable, interest-bearing documents	-	-	-
165		ca)	due within one year	-	-	-
166			Of which: - subsidiaries	-	-	-
167			- affiliated companies	-	-	-
168		cb)	due more than one year	-	-	-
169			Of which: - subsidiaries	-	-	-
170			- affiliated companies	-	-	-
171	IV.		**OTHER LIABILITIES (172+176+179)**	**13,924**	-	**22,443**
172		a)	due within one year	13,847	-	22,381
173			Of which: - subsidiaries	-	-	-
174			- affiliated companies	-	-	-
175			- other contributions of members of saving societies	-	-	-
176		b)	due more than one year	77	-	62
177			Of which: - subsidiaries	-	-	-
178			- affiliated companies	-	-	-
179		c)	Liabilities from consolidated Tax	-	-	-
180	IV/A.		negativ valuation difference of derivatives	-	-	-
181	V.		**ACCRUALS (182+183+184)**	**6,047**	-	**9,451**
182		a)	income accruals	662	-	1,162
183		b)	expense accruals	5,384	-	8,289
184		c)	deferred income	0	-	-
185	VI.		**PROVISIONS (186+187+188+189)**	**5,868**	-	**5,520**
186		a)	provision for pension and severance payments	43	-	-
187		b)	provision on contingent and future liabilities	2,979	-	2,790
188		c)	general risk provision	2,530	-	2,530
189		d)	other provision	317	-	200
190	VII.		**SUBORDINATED DEBT (191+196+197)**	**4,011**	-	**4,011**
191		a)	subordinated loan	3,861	-	3,861
192			Of which: - subsidiaries	-		-
193			- affiliated companies	-		-
194		as	Equity consolidation difference	150	-	150
195			Of which: - subsidiaries	150	-	150
196		b)	other contributions of members of saving societies	-	-	-
197		c)	other subordinated debt	-	-	-
198			Of which: - subsidiaries	-	-	-
199			- affiliated companies	-	-	-

Statistic code: 10196445651211401

in million HUF

			Description	2005	Previous year Adjustments	2006
200	VIII.		**SHARE CAPITAL**	19,346	-	19,346
201			from which: - repurchased own shares on face value	-	-	-
202		IX.	**ISSUED, UNPAID SHARE CAPITAL (-)**	-	-	-
203		X.	**SHARE PREMIUM (204+205)**	0	-	-
204		a)	premium from issue of shares	-	-	-
205		b)	other	0	-	-
206	XI.		**GENERAL RESERVE**	3,526	-	3,915
207	XII.		**RETAINED EARNINGS**	30,555	-	35,398
208	XIII.		**CAPITAL ENGAGED**	1	-	-
209	XIV.		**VALUATION RESERVE**	-	-	-
210		a)	valuation reserve of revaluation	-	-	-
211		b)	valuation reserve of valuation at fair market value	-	-	-
212	XV.		**NET PROFIT (LOSS) FOR THE YEAR (+-)**	7,334	-	7,076
213	XVI.		**CHANGES IN SUBSIDIARIES' EQUITY (+,-)**	4,223	-	6,621
214	XVII.		**CHANGES DUE TO THE CONSOLIDATION (+,-)**	1,640	-	1,734
215		a)	**from debt consolidation**	-	-	-
216		b)	**from internal profit consolidation**	1,640	-	1,734
217	XVIII.		**MINORITY INTEREST**	-	-	-
218				563,682	-	695,206
219			**- SHORT TERM LIABILITIES (I.a)+I.ba)+I.c)+I/A.)+II.aa)+II.ab)+II.ba)+II.bb)+II.c)+II/A.)+III.aa)+III.ba)+III.ca)+IV.a)+IV/A.)**	388,733	-	451,120
220			**- LONG TERM LIABILITIES (I.bb)+II.ac)+II.bc)+III.ab)+III.bb)+III.cb)+IV.b)+VII.)**	96,408	-	155,025
221			**- SHAREHOLDER'S FUNDS (VIII.-IX.+X.+XI.+-XII.+XIII.+XIV.+-XV.)**	66,626	-	74,090

Off-Balance Sheet Items

		Description	2005	Previous year Adjustments	2006
01		Commitments and contingent liabilities	172,957	-	184,695
02		Futures liabilities	129,443	-	157,784
03		**Total off-balance sheet liabilities**	302,400	-	342,479
04		**Total off-balance sheet receivables**	131,137	-	164,748

Budapest, 25 April 2007

Mark Arnold
Chief Executive Officer

Pálcza Edit
Chief Finance Officer

PROFIT AND LOSS STATEMENT (FINANCIAL INSTITUTIONS)

in million HUF

a			Description b	2005 c	Previous year Adjustments d	2006 e
1	1.		*Interest income (02+05)*	**46,887**		**56,148**
2		a)	a) interest income from fixed interest-bearing securities	3,295		1,833
3			Of which: - subsidiaries	-		-
4			- affiliated companies	-		-
5		b)	b) other interest income	43,591		54,315
6			Of which: - subsidiaries	-		-
7			- affiliated companies	-		-
8	2.		*Interest expense*	**14,816**		**18,810**
9			Of which: - subsidiaries	-		1,688
10			-affiliated companies	-		-
11			**Net interest income (01-08)**	**32,071**		**37,338**
12	3.		**Dividend received (13+14+15)**	**178**		**175**
13		a)	a) joint ventures	-		-
14		b)	b) affiliated companies	-		-
15		c)	c) other	178		175
16	4.		**Fee income (17+20)**	**15,632**		**18,852**
17		a)	a) fee income of other financial services	13,388		16,416
18			Of which: - subsidiaries	-		-
19			- affiliated companies	-		-
20		b)	b) fee income of investment services	2,244		2,436
21			Of which: - subsidiaries	-		-
22			- affiliated companies	-		-
23	5.		**Fee expense (24+27)**	**6,847**		**10,081**
24		a)	a) fee expense of other financial services	6,813		10,045
25			Of which: - subsidiaries	-		-
26			- affiliated companies	-		-
27		b)	b) fee expense of investment services (excluding expense of trading activities)	34		36
28			Of which: - subsidiaries	-		-
29			- affiliated companies	-		-
30	6.		**Net income of financial services (31-35+39-44)**	**6,607**		**10,385**
31		a)	a) income of other financial services	7,563		13,109
32			Of which: - subsidiaries	-		-
33			- affiliated companies	-		-
34			- valuation difference	-		-
35		b)	b) expense of other financial services	993		2,768
36			Of which: - subsidiaries	-		-
37			- affiliated companies	-		-
38			- valuation difference	-		-
39		c)	c) income of investment services (income of trading activities)	122		148
40			Of which: - subsidiaries	-		-
41			- affiliated companies	-		-
42			- release of provision on securities available for sale	-		-
43			- valuation difference	-		-
44		d)	d) expense of investment services (income of trading activities)	84		104
45			Of which: - subsidiaries	-		-
46			- affiliated companies	-		-
47			- provision charge on securities available for sale	-		-
48			- valuation difference	-		-
49	7.		**Other income (50+53)**	**53,587**		**52,568**
50		a)	a) income of non-financial and non-investment services	48,637		48,206
51			Of which: - subsidiaries	-		-
52			- affiliated companies	-		-
53		b)	b) other income	4,950		4,362
54			Of which: - subsidiaries	-		-
55			- affiliated companies	-		-
56			- release of provision on inventories	530		23
57		ba)	c) profit increasing item due to consolidation	-		-

Statistic code: 10196445651211401

in million HUF

			Description	2005	Previous year Adjustments	2006
58	8.		**Operating costs (59+67)**	**31,175**		**36,556**
59	a)		a) personal type costs	16,196		20,179
60		aa)	aa) salaries and wages	11,002		13,812
61		ab)	ab) other personal type costs	1,091		1,255
62			of which: - social securities	105		460
63			- pension related costs	314		363
64		ac)	ac) affix of wages	4,104		5,112
65			of which: - social securities	97		4,087
66			- pension related costs	2,611		4,042
67	b)		b) other operating costs (materials)	14,979		16,377
68	9.		**Depreciation**	**2,654**		**2,768**
69	10.		**Other expenses (70+73)**	**54,543**		**56,325**
70	a)		a) expenses of non-financial and non-investment services	45,697		45,921
71			Of which: - subsidiaries	-		-
72			- affiliated companies	-		-
73	b)		b) other expenses	8,846		10,404
74			Of which: - subsidiaries			-
75			- affiliated companies			-
76			Provision charge on inventory	-		22
77		ba)	c) profit decreasing item due to consolidation	-		-
78	11.		**Provision charge on receivables and on contingent and future liabilities (73+74)**	**7,968**		**10,341**
79	a)		a) provision charge on receivables	7,136		9,531
80	b)		b) provision charge on contingent and future liabilities	832		810
81	12.		**Release of provision on receivables and on contingent and future liabilities (82+83)**	**5,291**		**6,547**
82	a)		a) release of provision on receivables	4,055		5,549
83	b)		b) release of provision on contingent and future liabilities	1,236		998
84	12/A.		A) General risk reserve difference of charge and release	-		-
85	13.		**Provision charge on securities portfolio**	0		1
86	14.		**Release of provision on securities portfolio**	1		-
87	15.		**NET INCOME OF FINANCIAL SERVICES**	**10,179**		**9,793**
88			**of which: - NET INCOME OF FINANCIAL AND INVESTMENT SERVICES (11+12+16-23+30+49-58-68-69-78+81-85+87)**	**7,239**		**7,508**
89			**- NET INCOME OF NON-FINANCIAL AND NON-INVESTMENT SERVICES (50-70)**	**2,940**		**2,285**
90	16.		Extraordinary revenues	7		8
91	17.		Extraordinary expenditures	619		503
92	18.		**Net profit (loss) of extraordinary items (90-91)**	**- 612**		**- 495**
93	19.		**Profit before taxation (±87±92)**	**9,567**		**9,298**
94	20.		Taxation	1,691		1,825
95	a)		Tax difference due to consolidation	-		-
96	21.		**Profit after taxation (±93-94)**	**7,876**		**7,473**
97	22.		Charge and release of general reserves (+,-)	534		389
98	23.		Dividend and profit-sharing payable	8		8
99			Of which: - subsidiaries	-		-
100			- affiliated companies	-		-
101	24.		**Net profit (loss) for the year (±96±97-98)**	**7,334**		**7,076**

Budapest, 25 April 2007

Mark Arnold
Chief Executive Officer

Pálcza Edit
Chief Finance Officer

Budapest Bank Nyrt.
and Subsidiaries
Notes to the Consolidated Financial Statements

31 December 2006

Budapest, 25 April 2007

Mark Arnold
Chief Executive Officer

Pálcza Edit
Chief Finance Officer

This is the translation of the Financial Statements that were prepared by the Bank.

IV. GENERAL NOTES

IV/1. A BRIEF OVERVIEW OF BUDAPEST BANK GROUP

Budapest Bank Rt. ("Budapest Bank", or the "Bank" located: 1138 Budapest, Váci út 188., http://www.budapestbank.hu/))) was set up on January 1, 1987, when the two-tier banking system emerged in Hungary. Budapest Bank was established as a joint venture by the government, state - owned enterprises as well as co-operatives. In December 1995 Budapest Bank was privatised and acquired by General Electric Capital, EBRD as well as the State Privatisation and Asset Management Company Ltd. (ÁPV Rt.)

During the year 2001, General Electric Capital became the majority shareholder of the Bank by purchasing 33.57% equity stake owned by EBRD and 23.76% equity stake held by ÁPV Rt., as well as 13.44% equity stake owned by the small shareholders holding less than 5% stake each.

During the year 2002, 2003 and 2004 additional shares were purchased from the minority shareholders. At the end of 2006 GE ownership was 99.72 %.

The bank has been operating as a company limited by shares. The subscribed capital of the bank as of December 31, 2006 amounted to HUF 19,346 million.

The Bank is licensed to conduct the full range of the activities of a credit institution including transactions denominated in Hungarian Forint and foreign currency alike.

With a view to increasing the number of its customers as well as the scope of its services, the bank expanded its network of branch offices both in Budapest and in provincial areas. Currently, the bank has a network of 81 branch offices, 5 Money Plus centers and 9 loanshops. The services to corporate clients are rendered by 8 business centres.

Budapest Bank performs a part of its services via wholly owned subsidiary companies that comprise members of the Bank Group and carry out specialised activities in their capacity as independent business organisations.
In line with strategic objectives in 2000 the activity of **SBB Solution Ltd.** (previously Budapest Securities and Investment Ltd.) was integrated into Budapest Bank Ltd. and, as a result, the securities market services to customers are now provided by the Bank. The activity of SBB Ltd. is limited to the settlement of compensation coupons.
Budapest Fund Management Ltd. operates the investment funds set up by the company, whilst **Budapest Leasing Ltd.** finances lease schemes.
At the end of December 2000 2B Ltd. merged with the equipment leasing division of the Fleet Management Ltd. to create the **Equipment Finance Ltd., it perfoms operative lease activity.**
BB Fleet Management Ltd. was established by Budapest Bank in 1997 to pursue activities associated with operative lease deals and fleet services.
The **Auto Finance Ltd.** is engaging in financial lease and in providing traditional auto loans.

A brief overview of the business activities of the subsidiary companies is set forth below:

1) In line with strategic objectives in 2000 the activity of **SBB Solution Ltd. (SBB Solution Zrt.)** (previously Budapest Securities and Investment Ltd.) was integrated into Budapest Bank Ltd. and, as a result, the securities market services to customers are now provided by the Bank. As of the end of 2006 the balance sheet total of SBB Ltd. was HUF 109 million, its registered capital amounting to HUF 168 million, its shareholders' equity was HUF 89 million and its result was a loss of HUF 149 million.

2) **Budapest Fund Management Ltd. (Budapest Alapkezelõ Zrt.)** was established in 1992. The company manages investment funds that were established by the company and the number of which is on the increase. As of the end of 2006 the balance sheet total of Budapest Fund Management Ltd. amounted to HUF 4,789 million, its registered capital was HUF 500 million, its shareholders' equity was HUF 4,173 million, the company's 2006 net profit amounted to HUF 1,662 million.

3) The principal function of **Budapest Leasing Company Ltd. (Budapest Lízing Zrt.)** is to procure and to lease fixed assets (mainly production equipment) on a long-term basis. The Bank established Budapest Leasing Company Ltd. in 1992, since then the company achieved substantial growth. At of the end of 2006 the balance sheet total was HUF 49,683 million, the company's registered capital amounted to HUF 60 million, its shareholders' equity was HUF 2,734 million, and its 2006 result was a HUF 693 million profit.

4) At the end of December 2000 2B Ltd. merged with the asset leasing division of Budapest Fleet Management Ltd. (Autópark-kezelő Zrt.) to create **Budapest Equipment Finance Ltd (Budapest Eszközfinanszírozó Kft).** As at the end of 2006 the balance sheet total of Eszközfinanszírozó Ltd. was HUF 8,375 million, company's registered capital amounted to HUF 11 million, its shareholders' equity was HUF 988 million, and its 2006 result was a HUF 10 million profit.

5) The Bank established the **Fleet Management Ltd. (Autóparkkezelõ Zrt.)** in 1997. The Fleet Management Ltd. is charged with the responsibility of procuring larger vehicle fleets, including the vehicles of the Bank Group and uses operating leasing transactions to lease such vehicles. The company also maintains the fleets and performs a full range of administrative tasks. As of the end of 2006 the balance sheet total of the Fleet Management Ltd. was HUF 5,721 million, its registered capital amounted to HUF 53 million, its shareholders' equity was HUF 315 million and 2006 net loss was HUF 69 million.

6) **Budapest Auto Finance Ltd. (Budapest Autófinanszírozási Zrt.)** was established by the Bank in 1997 with a registered capital of HUF 50 million as a wholly - owned subsidiary company of Budapest Bank. The company provides private persons as well as business organizations with credit and leasing facilities for the purchase of new and second - hand cars. As of the end of 2006 the balance sheet total of Budapest Auto Finance Ltd. was HUF 103,538 million, its registered capital was HUF 180 million, the company's shareholders' equity was HUF 4,773 million, and the 2006 net profit was HUF 1,230 million.

IV/2. THE PRINCIPLES OF THE ACCOUNTING POLICY OF BUDAPEST BANK GROUP

The Banking Group performs its activities, keeps its books and records pursuant to the provisions of the laws and regulations set forth below:

Act CXII. of 1996 on credit institutions and financial enterprises,
Act IV. of 2006 on business organisations,
Act C. of 2000 on accounting (Law),
Act CXX. of 2001 on capital market,
Government Decree no. 250/2000 (XII.24.) about the specific aspects of the financial statements and accounting responsibilities of credit institutions and financial enterprises,
Decree of the Ministry of Finance no. 14/2001. (III.9) PM on the aspects of rating and assessment of the receivables, off-balance sheet items and collateral.

The Accounting Policy of the Banking Group is based upon the 14 basic principles of accounting as set forth in the Act on Accounting. Independent audit is obligatory for the Banking Group based on the 155. § of the Act of Accounting.

Balance sheet preparation day is January 12 of the year following the statement date, for the non-customer related foreign currency SWAP's and for the risk provisioning it is February 3. The date can be changed uptill March 21 in respect of the dividend payment of the subsidiaries.

Pursuant to the provisions of relevant laws errors identified in the course of audits performed by external bodies, or the internal audit department of the Banking Group shall be considered to be material for the purposes of the Banking Group, if the aggregate impact of such errors results in any changes in the financial data of the Banking Group, whether in a positive, or in a negative sense, in excess of HUF 500 million. Changes in previously published data shall be considered to be material for the purposes of the Banking Group if such errors result in any changes in the true and fair view of the Banking Group's equity, financials, or income via material changes in the Banking Group's shareholders' equity, i.e. if, resulting from such findings, the shareholders' equity in the balance sheet of the business year before the year in which the error was disclosed changes with at least 20 % (increases or decreases).

Valuation procedures relating to the compilation of the annual report:

Financial Assets

The Banking Group registers the aggregate amount of cash, (including foreign currency), the electronic money, the checks, bank deposits at National Bank of Hungary, separated deposits and the sweep accounts amongst the cash balances in the balance sheets.

Securities

The Banking Group sets forth the securities acquired for endorsement purposes as transitional, not lasting types of investments and securities representing lending relations as well as investments representing shareholding of a property amongst the securities in the balance sheets.
The securities bought for endorsement purposes are recorded at purchase value (at purchase price less the interest which is a part of the purchase price). The interest included by the purchase value will decrease the other interests and interest-type incomes.
On the basis of the individual rating of the securities, drop in value is accounted for if the difference between the book value of the asset and the market value is of loss-type, is to last for a long time and is of significant amount.
The securities traded on the open market with a long term original maturity, held for investment or for lasting income generating purposes should be recorded as securities with investment purposes. According to this the Banking Group classifies the State Bond and NBH Bond portfolio as securities with investment purposes, only the current portion is reclassified to securities.

Receivables from financial institutions and customers

In this line, the Banking Group sets forth only the receivables relating exclusively to credit institution activities. This includes the following:

- Receivables demanded from credit institutions,
- Receivables demanded from customers,

The receivables denominated in HUF are recorded at historical cost. The valuation of the receivables denominated in foreign currency is disclosed at the end of this chapter.
In the case of participation in granting syndicated loans, the Banking Group sets forth only the amount of the loan extended by itself (without the obligation of counterclaim).
The Banking Group accounts for provision if, on the basis of debtor rating, the loss-type difference between the book value of the receivables and the amount expected to be recovered proves to be enduring and tots up to a significant amount. If the amount of the receivables expected to be recovered significantly exceeds the book value of the receivables, the drop in value accounted for previously, the difference will be released from the provision.

Inventory

The Banking Group sets forth the inventories in the line of other assets of the balance sheet.
Amongst the inventories, it sets forth the assets that directly or indirectly serve the financial activity (for less than one year).
The Banking Group sets forth the inventories at historical cost in the relevant inventory accounts.
As the counter value of the receivables, the assets that became the property of the Banking Group and that are kept in the books of the Banking Group for future resale purposes are accounted for amongst the goods in stock at a value at which the Banking Group acknowledged the balancing off of the receivables.

Provision is accounted by the Banking Group if net book value of the asset is higher than the expected return. The provision on inventories received by the Banking Group as settlement of receivables is accounted as other expense. Considering that these type of assets are individually rated by the Banking Group, the release of the provision is accounted for as decrease of other expense.

Invested financial assets

Invested financial assets (investments, securities, extended loans, fixed bank deposit) that the Banking Group intended to invest with the aim of having a lasting source of income (dividend, interest) or to achieve influencing, controlling or directing positions shall be stated amongst the invested financial assets in the Banking Group's balance sheet. The adjustments of the invested financial assets shall be set forth here.
In keeping with the provisions of law, the Banking Group capitalises the invested financial assets at historical , acquisition cost in its books. The interest included in the purchase price will be set forth as an item that decreases the interest income of the invested financial assets.
In the case of invested financial assets, drop in value is accounted for by the Banking Group if the difference between the book value of the asset and its market value is of loss-type, is to last for a long time and is of significant amount.
According to the accounting policy the significant amount is defined as a difference exceeding 25% and minimum 100 million HUF between the book value and the market value, for a period more then one year.

Intangible assets

In its balance sheet, the Banking Group sets forth the intangible assets, the advances provided for intangible assets as well as the adjustment of the intangible assets amongst the intangible assets. The intangible assets comprise the rights with material value, business, or corporate goodwill and intellectual property. The Banking Group sets forth the capitalised value of the foundation, reorganisation and the capitalized value of research and development among the intangible assets.
The calculation of the amortisation is carried out with the straight-line method, based on the useful life. The Banking Group uses the amortisation periods of time stipulated by the Law in the case of the business, or corporate goodwill, the capitalised value of the foundation and the reorganisation of an enterprise.

Tangible assets

The tangible assets of the Banking Group shall be accounted for pursuant to the provisions of the Law at gross acquisition cost less the residual value that can be expected at the end of the useful service life, the accumulated depreciation of tangible assets under the plan and the over-plan depreciation. In addition to this, it shall be increased with the amount of the release of the over-plan depreciation.
As the credit institute services are exempt from VAT the acquisition cost of items includes the VAT, which is not licensed to be reclaimed but has been previously included in the purchase price of the items.
The tangible assets that have not been put in working order and in proper use shall be accounted for amongst the tangible assets at the acquisition cost by the Banking Group.
The depreciation charges under the plan shall be determined and accounted for in considering the expected useful life of the relevant assets by using the straight-line depreciation method.

The expected depreciation keys of individual types of assets is as follows:

Buildings, fixtures	2 %
Real estate not owned by the Banking Group	6 %
Machines, equipment	14.5 %
Computer equipment	33 %
Vehicles	20 %

The Banking Group accounts for over-plan depreciation as other expenditure if the book value of the tangible assets enduringly and considerably remain higher than the market value of these assets.

Liabilities to credit institutions and customers

This includes the liabilities originating from financial services and from investment services qualifying as liquidity management and risk.

Accrual

The Banking Group records as prepayment the interest, the interest type income and the fees for the year, if received before the balance sheet preparation day.
The interest and interest type fees for the period, that are not due before the balance sheet preparation day, can only be recorded as prepayment in the balance sheet, if he debtor that they are related to are classified as performing or watchlisted.
The amounts of the interests and interest type commissions charged to the business year to a time proportionate extent and those due by the balance sheet cut-off date but not yet paid out, are stated in the accruals by the Banking Group.

Assessment of the receivables and liabilities denominated in foreign currencies and foreign exchange

The foreign currency petty cash balances, the foreign exchange on nostro accounts, the receivables in foreign currency, the invested financial assets, the securities and the liabilities are recorded by the Banking Group in the original currencies and converted into HUF each day at the official foreign exchange rates disclosed by the National Bank of Hungary.
The above assets and liabilities are stated in the balance sheet at the HUF values converted at the official foreign exchange middle rates specified by the NBH, as of the balance sheet cut-off date for the business year concerned. When the difference between the book value before the evaluation on the balance sheet cut-off date and the HUF amount on the date of the evaluation adds up to a loss (gain) this balance is booked among the expenditures (revenues) of financial transactions as exchange rate loss (gain).

Provisioning, risk provisioning

Pursuant to the provisions laid out in the Act on Credit Institutions and Financial Enterprises (Hpt.) the Banking Group generate risk provision for the identified interest and exchange rate risks as well as for the risks attached to the off-balance sheet liabilities and for all other risks.
The Banking Group calculates the risk provisions for all of groups comprised in its customers in accordance with the relevant rules on customer categorisation and

the categorisation (rating) of its receivables (as specified in the CEO directives in effect) each month, in its so-called customer categorisation and portfolio registry system and books the increase/decrease to be effected in order to arrive at the amount specified by the categorisation.
In the course of the process of categorisation and provisioning the Banking Group reduces the value of the risk-weighted assets and off-balance sheet items by subtracting the value of the accepted collaterals. The resulting net risk multiplied by the percent of the provision assigned to the receivable of the customer assigned to the worst category will produce the amount of the necessary provision.
In the future the Banking Group will not generate the so-called General Risk Provision: in line with the possibilities specified by the relevant legal regulations, instead of releasing the General Risk Provision in a lumps sum the Banking Group will use the amount so established on an ongoing basis, as a coverage for future losses.
The Banking Group has made all, the necessary provisions and risk provision. Balance sheet preparation day is set as of February 3 for risk provisioning.

Shareholders' equity

The shareholders' equity is comprised of the registered (subscribed) capital, the capital reserve, the retained earning, the capital engaged, the general reserve and the profit of the year (as per the balance sheet).
The general reserve generated from the profit after taxes, prior to the payment of dividends and/or profit sharing, is stated by the Banking Group as an element of the shareholders' equity. This reserve is generated in accordance with the rules laid out in Article 75 of the Htp. No additional reserve is generated by the Banking Group in addition to the mandatory 10 % reserve. Constitution of 10% General Reserve is considered individually on a yearly basis. The Bank constituted the 10 % General Reserve in 2006.
The components of the Banking Group's shareholders' equity are stated in the balance sheet at book (carrying) value.

Derivatives

The Bank has three type of derivatives: forward deals, currency SWAPs and interest rate SWAPs.
The forward leg of the forward deals and currency SWAPs are recorded on the statistical accounts on National Bank of Hungary's middle rate. The results of the interest rate SWAPs are recorded in original currency, and revalued on the National Bank os Hungary's middle rate.
The customer forward deals are hedged with GE, due to this fact the recording of the deals are based on the Government Decree no. 250/2000 realted to the hedges.
The HUF – foreign currency SWAPs not closed before the balance sheet cut off date are not considered hedges. The balance sheet preparation day is modified for February 3, 2007, on these transactions. This way the 2006 annual report includes the proportional part of the actual results of these deals. For the deal not closed before the balance sheet preparation date, if there is loss expected provision was made.
The proportional part of the difference in the fixed and variable interest of the interest rate SWAPs, that are not closed before the balance sheet preparation date should be booked according to its colour to the interest and interest type income/ paid interest and interest type expense against prepayment/ accruals.

Contingent and future liabilities

The pending and future liabilities of the Banking Group are recorded as off-balance sheet items (in the '0'-account class).
Pending liabilities are - for the most part - liabilities (commitments) assumed with respect to third parties, which are still in effect on the balance sheet cut-off date and whose recording in the balance sheet depends on future events.
The certain (future) liabilities are comprised of irrevocable commitments that are already in effect on the balance sheet cut-off date but the relevant contracts have not yet been performed, as a consequence of which it is not possible to state them in the balance sheet.

Accounting of interests and unaccrued interest

Interests and other financial service fees due by the balance sheet cut-off date but not received by the Banking Group by the balance sheet date are not stated by the Banking Group as revenues, they are stated as 'unaccrued' (pending) items and recorded only among the statistical accounts. The same procedure is applied by the Banking Group in respect of the interests receivable by the Banking Group but not yet due by the balance sheet date where the underlying receivable is assigned to any category other than 'problem-free' (performing) or 'to be monitored' (watchlisted). No specific provisions are made by the Banking Group on interests stated as 'unaccrued'.

THE CONSOLIDATION ACCOUNTING POLICY OF BUDAPEST BANK GROUP

Pursuant to Government Decree 250/2000. (XII.24.) Korm. on the specific characteristics of the annual reporting and book keeping of financial institutions Budapest Bank Rt. has been obliged - since 1994 - to prepare consolidated annual reports which has necessitated the elaboration of a Consolidation Accounting Policy.

The Consolidation Accounting Policy of Budapest Bank is based on the provisions of the Act, taking into account the objectives of Budapest Bank and, in view of the basic principles of accounting, a reporting and accounting information system is developed that ensures the provision of a true and fair view of the joint financial, equity and income position of the parent company and its subsidiaries.

The consolidated annual report is comprised of the following elements:

- consolidated balance sheet,
- consolidated profit and loss statement and
- consolidated supplementary notes.

The objective of the preparation of a consolidated balance sheet is to provide information - by eliminating aggregations in assets and liabilities resulting from the relationships between the parent company and the subsidiaries - for the shareholders of the Banking Group and its management, the business partners, customers, investors and creditors, on the actual equity and financial position of the Banking Group and on the changes that have taken place in these areas.

The consolidated profit and loss statement provides information - by eliminating the revenues and expenditures between the members of the Banking Group - on the performance (profitability) of the Banking Group.

The consolidated supplementary notes contains the numerical data and narrative explanations and analyses which, in addition to the balance sheet and the profit and loss statement in line with the international requirements, are necessary for the shareholders, management, investors and creditors of the Banking Group.

The following special balance sheet items are required in the consolidated report:

Goodwill

This is the line where the calculated goodwill is stated. Where the amount paid for an acquired participation is larger than the amount of the netted shareholders' equity falling on the given participation and the resulting difference is the goodwill. An amount increasing the figure in the balance sheet line may be recorded on this line exclusively in the course of the first capital consolidation or after the acquiring of additional participation, in the course of the first involvement.

Corporate tax receivable originating (calculated) from consolidation

Where the amount of the tax payable according to the profit and loss statements of the entities involved in consolidation is larger than the tax payable according to the consolidated profit and loss statement the difference is stated by the Banking Group in this line, as carried-over tax receivable.

Change of subsidiaries' shareholders' equity (+/-)

In follow-up capital consolidation transactions the amounts of the shares of the parent company off the changes of the shareholders' equity of subsidiaries, which may be taken into account as specified in the relevant Act, are stated by the Banking Group in this line.

Changes resulting from consolidation (+/-)

The profit difference in the year following the year under review which originates in respect of an economic event from the difference between the receivable of one entity involved in consolidation and the liability of another entity involved in consolidation is to be stated in the 'a) off the difference from debt consolidation' line in the consolidated annual balance sheet.

The gain or loss originating from a transaction between two entities involved in consolidation is to be stated in the year following the year under review in the 'off the difference in internal profit' line of the consolidated annual balance sheet.

Shares of external members (other shareholders)

This is the line in which the Banking Group states the amounts of shares in the shareholders' equity of subsidiaries which - as of the balance sheet date - are not held by the Bank as parent company.
The shareholders' equity of a subsidiary is divided in accordance with the relevant proportions of the shares held by the shareholders.

At present Budapest Bank holds 100 % of each of the subsidiaries involved in consolidation.

Capital consolidation difference from subsidiaries

Where the difference between the purchase price of the investment of the investor company and the share of the shareholders' equity of the subsidiary falling on the participation is a negative figure (the proportionate shareholders' equity is larger than the purchase price of the investment) there is a passive capital consolidation difference which is stated by the Banking Group in this line.

Corporate tax debt originating (calculated) from consolidation

Where the amount of the tax payable according to the profit and loss statements of the entities involved in consolidation is smaller than the tax payable according to the consolidated profit and loss statement the difference is stated by the Banking Group in this line, as carried-over tax debt.

The prescribed structure of the consolidated profit and loss statement differs from the structure of the simple profit and loss statement specified in the Accounting Policy in respect of the following lines containing consolidated data:

Consolidation difference - increasing the profit - resulting from debt consolidation

In this line an amount is to be stated if receivables and liabilities are eliminated under identical titles that originate from business transactions between entities involved in consolidation, whose amounts are different owing to the application of the balance sheet evaluation rules laid out in the accounting act.
Where the difference in the year under review differs from the amount of the difference stated in the preceding year, the positive portfolio change is stated in this line.

Consolidation difference - decreasing the profit - resulting from debt consolidation
The amount originating from the results described above, in terms of a negative difference (negative portfolio change) is stated in this line.

Dividends, profit sharing received from an associated company
This is the line of the consolidated profit and loss statement that specifies the amounts of the dividends received (receivable) by the parent company (in this case the Bank) during the current year from its participation in associated entities along with the changes of the shareholders' equity of the associated companies during the current year.

Dividends and profit sharing received from enterprises in other relationships of participation with the Banking Group
This line of the consolidated profit and loss statement shows the amounts of dividends received (receivable) by the parent company based on the financial management during the year under review from its participations in entities in other relationships of participation with the Banking Group.

Corporate tax difference originating (calculated) from consolidation (+/-)
This is the line in which the difference between the sum of the individual corporate taxes and the tax calculated on the tax base in the consolidated profit and loss statement is to be stated with the appropriate (plus or minus) sign.

Use of the profit reserve for dividends, profit sharing
The (vertical) 'Use of profit reserve for dividends, profit sharing' line of the I. Profit and loss statement must not be included in the consolidated profit and loss statement.

Supplementary notes:

Based on the consolidated supplementary annex the Supplementary Annex established in the Accounting Policy of Budapest Bank Nyrt. is supplemented with the following specific tables covering consolidation:

- the subsidiaries of BB Nyrt. involved in consolidation,
- the (direct and indirect) capital share of BB Nyrt. in the subsidiaries involved in consolidation
- the share belonging to BB Nyrt. as parent company.

Definition of consolidation:

In the course of consolidation the Bank carries out the following operations:

- 'preparation' of individual balance sheets and profit and loss statements
- capital consolidation
- debt consolidation
- elimination of internal profits
- consolidation of revenues and expenditures - capital consolidation of associated companies
- establishment of tax difference originating from consolidation

IV/3. CHANGES AND MAJOR ECONOMIC EVENTS IN 2006

In 2006 Budapest Bank has not accrued additional general risk reserve. The Banking Group constituted the 10 % General Reserve on the profit after tax in 2006.

Budapest Bank Nyrt. has a liability for the yield of the Budapest Pénzpiaci Alap, total net asset is 40,154 million HUF as of 31st December 2006. No such guarantees had to be called in the year 2006.
Budapest Fund Management Ltd. has provided a principal guaranty for the Budapest Aranytrió Garantált Származtatott Zártvégű Befektetési Alap for the value of 1 984 million HUF.

The Banking Group's management has reviewed the legal proceedings and in the cases where losses seem to be likely, the appropriate provisions have been generated. The management considers that the provision generated for the major legal cases provides a sufficient coverage.

The HUF 57 million due for year 2006 has been transferred to the National Deposit Insurance Fund.

In year 2006 Budapest Bank transferred HUF 102 million to the Investor Protection Fund.

The year 2006 report of Budapest Bank Group is signed by Mr. Mark Arnold, Chief Executive Officer of the Bank (Budapest, 1020 Verecke utca 138/b) and Mrs. Edit Pálcza, Chief Finance Officer of the Bank (Budapest, 1046 Szőnyi István utca 48.).
Térmeg László is responsible for managing and leading the accounting duties. (Membership number of Chambers of Hungarian Statutory Auditors is 4881)

V / 1. Subsidiaries, owned directly or indirectly by Budapest Bank Rt., which are involved in the consolidation,

associated and other companies, not involved in the consolidation

31 December 2006

in HUF'000

	Vállalkozás			
	Name	Address (seat)	Purchase value (in HUF'000)	Voting rights
1. Participation in subsidiaries involved in the consolidation	Budapest Eszközfinanszírozó Kft.	1138 Budapest, Váci út 188.	29,359	100%
	Budapest Alapkezelő Zrt.	1138 Budapest, Váci út 188.	10,000	100%
	Budapest Autófinanszírozási Zrt.	1138 Budapest, Váci út 188.	250,000	100%
	Budapest Autópark-kezelő Zrt.	1138 Budapest, Váci út 188.	558,000	100%
	SBB Solution Zrt.	1138 Budapest, Váci út 188.	1,796,000	100%
	Budapest Lízing Zrt.	1138 Budapest, Váci út 188.	280,000	100%
2. Participation in associated companies of BB Nyrt.	Budatrend III: Ingatlanhaszn. Zrt.		30,600	15.87%
3. Other companies, not involved in the consolidation	Elszámolásforgalmi Központ Zrt.	1205 Budapest, Mártonffy u. 25-29.	156,000	8.33%
	Hitelgarancia Zrt.	1052 Budapest, Bárczy István .u 3-5.	190,000	3.95%
	Kisvállalkozás-fejlesztő Pénzügyi Zrt.	1052 Budapest, Szép .u 2.	50,000	1.47%
	Swift	Avenue Adele 1 B 1310 La Hulpe Belgium	9,430	0.03%

V/ 2. Budapest Bank Rt. equity participation in the subsidiaries, which are involved in the consolidation

31 December 2006

Subsidiary	BB Rt. direct participation in the subsidiary		Share capital	Shareholder's fund	Net profit (loss) for the year
	HUF'000	%	HUF'000	HUF'000	HUF'000
SBB Solution Rt.	1,796,000	100	168,000	88,695	(148,927)
Budapest Autófinanszírozási Rt.	250,000	100	180,000	4,772,987	1,229,907
Budapest Eszközfinanszírozó Kft.	29,359	100	11,000	988,436	10,316
Budapest Lízing Rt.	280,000	100	60,000	2,734,258	693,014
Budapest Alapkezelő Rt.	10,000	100	500,000	4,172,989	1,662,281
Budapest Autópark-kezelő Zrt.	558,000	100	53,000	315,213	(68,532)
Total:	**2,923,359**		**972,000**	**13,072,578**	**3,378,059**

V / 3. Equity consolidation adjustments of Budapest Bank Rt. as parent company
31 December 2006

Subsidiary	BB Rt' s participation in the subsidiary % (a)	The subsidiaries' equity without the profit of the year 2006. december 31. HUF'000 (b)	Participation due to BB Rt. 2005 2006. december 31. HUF'000 (c= a x b)	Purchase price of the shares HUF'000 (d)	Equity consolidation difference 1994 HUF'000 (e)	Modification of positive equity consolidation difference due to new shares új részesedés miatt HUF'000 (f)	Depreciation of positive equity consolidation HUF'000 (g)	Equity consolidation difference HUF'000 (e+f-g)	Changes in the shareholders' equity of subsidiary HUF'000
SBB Solution Zrt.	100.00%	237,622	237,622	1,796,000	-146,105			-146,105	-1,704,483
Budapest Autófinanszírozási Zrt.	100.00%	3,543,080	3,543,080	250,000	0			0	3,293,080
Budapest Eszközfinanszírozó Kft.	100.00%	978,120	978,120	29,359	-19			-19	948,742
Budapest Lízing Zrt.	100.00%	2,041,244	2,041,244	280,000	133,410		133,410		1,761,244
Budapest Alapkezelő Zrt.	100.00%	2,510,708	2,510,708	10,000	-3,998			-3,998	2,496,710
Budapest Autópark-kezelő Zrt.	100.00%	383,745	383,745	558,000	0			0	-174,255
Total:								Total:	6,621,038

Positive equity consolidation difference:	0
Negative equity consolidation difference:	-150,122

V / 4.a. Gross value of intangible and tangible assets

31 December 2006

in HUF'000

Description	Changes in Gross Value			
	Opening value	Increase during the year	Decrease during the year	Closing value
I. Total intangible assets:	**9,073,584**	**1,424,772**	**0**	**10,498,356**
a/ Rights and titles	831,279	0	0	**831,279**
b/ Intellectual property	7,908,448	1,424,772	0	**9,333,220**
c/ Capitalised value of foundation/restructuring	333,857	0	0	**333,857**
II.1. Tangible assets serving financial institutions' activities	**20,683,110**	**3,991,817**	**2,104,257**	**22,570,670**
a/ Real properties	8,936,973	1,249,293	67,914	**10,118,352**
b/ Technical equipment, machinery and vehicles	11,563,805	1,826,519	1,312,086	**12,078,238**
c/ Assets under construction	182,332	916,005	724,257	**374,080**
d/ Advances for assets under construction	0	0	0	**0**
II.1. Tangible assets related to non-financial services	**23,361,622**	**7,524,529**	**9,179,083**	**21,707,068**
a/ Real estates	0	0	0	**0**
b/ Technical equipment, machinery and vehicles	23,146,919	5,261,037	6,805,448	**21,602,508**
c/ Assets under construction	214,703	2,263,492	2,373,635	**104,560**
d/ Advances for assets under construction	0	0	0	**0**

V / 4.b. Accumulated depreciation and current year depreciation on intangible and tangible assets

31 December 2006

in HUF'000

Description	Accumulated depreciation					
	Opening value	Increase during the year	Decrease during the year	Planned depreciation	Over the plan	Closing balances
I. Total intangible assets:	**6,639,577**	**1,024,400**	**0**	**1,023,271**	**214**	**7,663,977**
a/ Rights and titles	830,235	916	0	1	0	831,151
b/ Intellectual property	5,476,077	1,023,322	0	1,023,108	214	6,499,399
c/ Capitalised Value of foundation/ restructuring	333,265	162	0	162	0	333,427
II.1. Tangible assets serving financial institutions' activities	**10,015,954**	**1,745,515**	**1,258,751**	**1,745,515**	**0**	**10,502,718**
a/ Real estates	1,786,091	356,618	25,779	356,618	0	2,116,930
b/ Technical equipment, machinery and vehicles	8,229,863	1,388,897	1,232,972	1,388,897	0	8,385,788
c/ Assets under construction	0	0	0	0	0	0
d/ Advances for assets under construction	0	0	0	0	0	0
II.2 Tangible Assets not directly used in banking activities	**9,523,936**	**4,473,353**	**4,873,756**	**4,463,925**	**9,428**	**9,123,533**
a/ Real estates	0	0	0	0	0	0
b/ Technical equipment, machinery and vehicles	9,523,936	4,473,353	4,873,756	4,463,925	9,428	9,123,533
c/ Assets under construction	0	0	0	0	0	0
d/ Advances for assets under construction	0	0	0	0	0	0

Note: The depreciation of non-financial companies is included in the Expenses of non-financial and non-invetment services P/L line.
The depreciation charges under the plan and accounted for in light of the expected useful life of the relevant assets
by using the straight-line depreciation method.

Rights related to real estates:	Gross Value (HUF'000)	Cumulated Depreciation (HUF'000)
Right of lease	50,900	50,107
Right of usage	1,500	1,500

V /5. Inventory

31 December 2006

in HUF'000

	Balance 31 December 2005	Balance 31 December 2006
Precious metals for sale	45	45
Office materials	1,654	3,447
Printed materials	2,114	4,675
Stock	9,037	4,730
Computer equipments	3	
Mediated services	64,936	243,468
Property against receivables	25,507	205,340
Stock against receivables	19,392	
Take back of cars, leased assets	307,812	309,173
Provision on Stock/Equipment against receivables	-30,508	-29,093
Other	52	52
Total :	400,044	741,836

V / 6. Receivables to financial institutions and customers in maturity split

in HUF'000

Description	Total of 31 Dec 2005	Total of 31 Dec 2006	Breakdown of the portfolio of 31 December 2006 in maturity split				
			On sight	within 3 months	within 3 months and 1 year	within 1 year and 5 years	5 years
		1 = 2+3+4+5+6	2	3	4	5	6
I. Receivables to financial institutions	78,309,443	104,172,826	1,273,147	102,114,729	-	784,950	-
On sight	1,357,318	1,273,147	1,273,147	-	-	-	-
Other receivables to financial institutions	76,952,125	102,899,679	-	102,114,729	-	784,950	-
- Within one year	76,140,475	102,114,729	-	102,114,729	-	-	-
National Bank of Hungary	63,833,645	95,700,018	-	95,700,018	-	-	-
	-	-					
- Over one year	811,650	784,950	-	-	-	784,950	-
National Bank of Hungary	-	-	-	-	-	-	-
II. Receivables against customers	390,994,954	486,852,708	26,618,639	54,379,586	103,998,875	172,389,731	129,465,877
Receivables from financial services	390,305,740	485,678,510	25,444,441	54,379,586	103,998,875	172,389,731	129,465,877
- Within one year	153,745,830	183,822,902	25,444,441	54,379,586	103,998,875	-	-
- Over one year	236,559,910	301,855,608	-	-	-	172,389,731	129,465,877
Receivables from investment services	689,214	1,174,198	1,174,198	-	-	-	-
Total	469,304,397	591,025,534	27,891,786	156,494,315	103,998,875	173,174,681	129,465,877

* The net of financial lease receivable as of 31 December 2006 49.195.577.000 HUF

V / 7. Assets in Euro and non-Euro currencies expressed in HUF

31 December 2006

in HUF'000

Description	31 December 2006					31 December 2005
	EUR	USD	HUF	Other	Total	Total
1. Cash	435,082	108,314	21,912,988	93,679	22,550,062	14,577,003
2. Securities	0	0	38,281,678	0	38,281,678	40,717,707
a) State Bonds	0	0	33,855,100	0	33,855,100	37,965,679
b) Shares and other securuties	0	0	4,426,578	0	4,426,578	2,752,028
3. Receivables :	50,451,803	2,524,103	335,193,891	208,969,226	597,139,024	475,676,293
a) On sight	172,395	91,215	0	1,009,537	1,273,147	1,357,318
b) Maturing within one year	25,071,664	1,897,424	223,421,367	41,660,667	292,051,122	236,258,200
- to financial institutions	4,657,458	1,757,155	95,700,116	0	102,114,729	76,140,475
- to customers	20,405,333	121,925	121,638,345	41,657,300	183,822,903	153,745,830
- other receivables	8,873	18,343	6,082,906	3,367	6,113,490	6,371,895
c) Maturing over one year	25,207,744	535,465	110,598,327	166,299,022	302,640,557	237,371,560
- to financial institutions	0	0	0	784,950	784,950	811,650
- to customers	25,207,744	535,465	110,598,327	165,514,072	301,855,607	236,559,910
d) From investment services	0	0	1,174,198	0	1,174,198	689,214
4.Shares and other securitites	0	0	195,399	0	195,399	195,399
5.Shares for sale/ for investment purposes	9,430	0	425,447	0	434,877	440,511
6. Shares in affiliated companies	0	0	1	0	1	1
7.Intangible Assets	0	0	2,834,380	0	2,834,380	2,434,007
8. Tangible Assets	0	0	24,651,488	0	24,651,488	24,504,843
9. Inventories	0	0	741,836	0	741,836	400,044
10. Prepayments	23,013	944	8,241,983	111,258	8,377,198	4,735,803
Total: (1+ 2 + 3 + 4 +5 +6 +7 +8 +9)	50,919,328	2,633,361	432,479,091	209,174,163	695,205,942	563,681,609

V / 8. Provisions movements from 1 January 2006 to 31 December 2006

in HUF'000

Description	Opening balance	Provision (write-off)	Charge	Provision (release)	Closing balance
1. Provision for pension and severence	42,800	(42,800)	-	-	-
2. Provision on contingent and future liabilities	2,978,976	-	809,617	(998,132)	2,790,460
3. General risk provision	2,529,680	-	63,314	(106,190)	2,486,804
4. Other provision	316,855	-	367,392	(441,482)	242,765
Total:	5,868,311	(42,800)	1,240,323	(1,546,804)	5,520,030

V / 9. Provision charge/release on assets from 1 January 2006 to 31 December 2006

in HUF'000

	Description	Opening balance	Charge	Release	Closing Balance
1.	Provision on securities	-	-	-	-
2.	Provision on other financial investments	447	951	(245)	1,153
3.	Provision on receivables	12,255,650	11,297,743	(7,377,896)	16,175,498
	of which:				
	Financial Institutions		-	-	-
	Customers	9,746,014	8,520,469	(3,850,722)	14,415,761
	Receivables on Finance lease	1,219,462	2,579,151	(2,206,670)	1,591,943
	Other Receivables	1,290,174	198,124	(1,320,504)	167,794
4.	Provison on inventories, which were received against receivables	30,509	22,594	(24,009)	29,093
	Total:	**12,286,607**	**11,321,288**	**(7,402,150)**	**16,205,744**

Note: Provision on other receivables was included in the provision on customer receivables in 2005.

V / 10. Securities breakdown and custody securities

31 December 2006

in HUF'000

Descreption	Securities fully owned by BB Nyrt.							Securities owned by third parties		
	Balance Sheet line	Face Value	Book Value	Listed	Market Value	Form	Place	Face Value	Form	Place
Government bonds	II. Securities	26,090,710	26,089,529	-	26,133,181	DEMAT	KELER	92,660	DEMAT	KELER
Discount T-bills	II. Securities	8,185,660	7,765,572	184,556	7,777,278	DEMAT	KELER	5,173,440	DEMAT	KELER
Investment fund quotas	VI. Shares and other securities	2,059,780	4,596,527	-	4,726,091	DEMAT	KELER	139,902,434	DEMAT	KELER
Compensation Coupon	VI. Shares and other securities	49,243	24,655	24,655	24,655	FIZIKAI	ÉRTÉKTÁR	505	FIZIKAI	ÉRTÉKTÁR
Shares	VII-VIII. Shares for invetment purposes and in affiliated companies for investment purposes	1,109,000	831,002	-	831,002	FIZIKAI	ÉRTÉKTÁR	1,147,296	DEMAT	KELER
Shares	VII-VIII. Shares for invetment purposes and in affiliated companies for investment purposes	317,388	588,236		557,636	DEMAT	KELER	989,355	FIZIKAI	ÉRTÉKTÁR
Other security	V. Bonds and other securities	791	795	-	795	FIZIKAI	ÉRTÉKTÁR	-	-	-
Total:		**37,812,572**	**39,896,315**	**209,211**	**40,050,638**			**147,305,690**		

Note: the financial assets due to customers regarding to commission invenstment activity is 2.405.969.000 HUF at 31 December 2006.

V / 11. Liabilities to financial institutions and cutomers in maturity split
31 December 2006

in HUF'000

Description	Total of 31 Dec 2005	Total of 31 Dec 2006	Breakdown of the portfolio of 31 December 2006 in maturity split				
			On sight	within 3 months	within 3 months and 1 year	within 1 year and 5 years	5 years
		1 = 2+3+4+5+6	2	3	4	5	6
I. Liabilities to financial institutions	37,702,586	36,708,369	60,421	1,898,255	968,810	15,775,779	18,005,104
On sight	82,740	59,123	59,123	-	-	-	-
Deposited from financial services	37,615,061	36,647,948	-	1,898,255	968,810	15,775,779	18,005,104
- Within one year	2,069,970	2,867,065	-	1,898,255	968,810	-	-
- Over one year	35,545,091	33,780,883	-	-	-	15,775,779	18,005,104
From investment services	4,785	1,298	1,298	-	-	-	-
II. Liabilities to customers	429,502,903	542,982,907	185,660,772	217,941,423	22,209,492	70,010,775	47,160,445
Other liabilities from financial services	426,933,187	540,578,253	183,256,118	217,941,423	22,209,492	70,010,775	47,160,445
- On sight	184,774,997	183,256,118	183,256,118	-	-	-	-
- Within one year	185,383,446	240,150,915	-	217,941,423	22,209,492	-	-
- Over one year	56,774,744	117,171,220	-	-	-	70,010,775	47,160,445
From investment services activity	2,569,716	2,404,654	2,404,654	-	-	-	-
VII. Subordinated Debt	4,011,122	4,011,122	-	-	-	-	4,011,122
Total:	471,216,611	583,702,398	185,721,193	219,839,678	23,178,302	85,786,554	69,176,671

* The loan taken from the GE (as indirect mother company) was 44.864.306. 000 HUF in 2005. (Within 1 year: 105.111.000, after 1 year: 44.759.195.000 which was not shown on the affiliated company line in the BS)
The interest and fee paid to GE was not shown on the affiliated company line in 2005. (Interest was 782.552.000, fee was 19.508.000)

V / 12. Liabilities in Euro and non-Euro currencies, expressed in HUF

in HUF'000

Description	31 December 2006					31 December 2005
	EUR	Non EUR				
	EUR	USD	HUF	Other	Total	Total
1.Liabilities on sight	**22,818,473**	**3,545,388**	**156,093,393**	**857,987**	**183,315,241**	**184,857,737**
- to financial institutions	46,357	1,466	10,033	1,267	**59,123**	**82,740**
- to customers	22,772,116	3,543,922	156,083,360	856,720	**183,256,118**	**184,774,997**
2. Short-term liabilities	**25,979,311**	**6,716,882**	**231,190,411**	**1,511,794**	**265,398,398**	**201,300,302**
- to financial institutions	1,604,303	77,040	1,185,720	0	**2,867,063**	**2,069,969**
- to customers	22,091,104	6,398,271	210,162,933	1,498,609	**240,150,917**	**185,383,446**
- on issued securities	0	0	0	0	0	0
- other liabilities	2,283,904	241,571	19,841,758	13,185	**22,380,418**	**13,846,885**
3. Long-term liabilities	**26,721,824**	**488,381**	**61,007,265**	**62,796,328**	**151,013,797**	**92,397,063**
- to financial institutions	5,091,327	244,823	28,444,733	0	**33,780,883**	**35,545,091**
- to customers	21,630,497	243,558	32,500,836	62,796,328	**117,171,219**	**56,774,744**
- on issued securities	0	0	0	0	0	0
- other liabilities	0	0	61,696	0	**61,696**	**77,226**
4. Liabilities from investments services	**0**	**0**	**2,405,952**	**0**	**2,405,952**	**2,574,502**
- to financial institutions	0	0	1,298	0	**1,298**	**4,785**
- to customers	0	0	2,404,654	0	**2,404,654**	**2,569,717**
5. Accruals	254,862	36,158	8,602,765	556,858	**9,450,643**	**6,047,052**
6. Provision	0	0	5,520,031	0	**5,520,031**	**5,868,311**
7. Subordinated debt	0	0	4,011,122	0	**4,011,122**	**4,011,122**
8. Shareholders' fund	0	0	74,090,757	0	74,090,757	**66,625,521**
Total: (1+ 2 + 3 + 4 + 5 + 6 + 7 + 8)	**75,774,470**	**10,786,809**	**542,921,696**	**65,722,967**	**695,205,942**	**563,681,609**

V / 13. Breakdown of Prepayments and Accruals at 31 December 2006

in HUF'000

Nr.	Description	31 December 2005	31 December 2006	Nr.	Description	31 December 2005	31 December 2006
	Prepaymanets				**Accruals**		
1.	Accrued interest	2,336,476	6,644,863	1.	Accrued interest	1,243,209	6,017,927
2.	Accrued commission	252,103	405,661	2.	Accrued commission	552,393	220,651
3.	Accrued costs and expenses	470,271	483,752	3.	Accrued costs and expenses	4,246,228	3,208,465
4.	Prepayments from security transactions	1,572,554	729,226	4.	Accruals from security transactions	3,624	3,437
5.	Accrued dividend from subsidiaries	0	0	5.	Accrued income	179	64
6.	Other	104,399	113,696	6.	Other	1,418	99
	Total:	**4,735,803**	**8,377,198**		**Total:**	**6,047,052**	**9,450,643**

* SWAP prepayments and accruals are included in the Accrued interests.

V /14. Income and expenditure of investment related services

31 December 2006

in HUF'000

Nr.	Description	Income		Expenditure	
		2005	2006	2005	2006
1.	Commissionnaire activities	2,150,402	2,202,098	33,660	33,447
2.	Commercial activities	121,684	148,197	84,268	104,495
3.	Safe custody activities	93,265	233,511	668	2,487
4.	Other activities	0	0	0	0
	Total:	**2,365,350**	**2,583,806**	**118,596**	**140,429**

V / 15. Changes in issued own shares

31 December 2006

Description	Type of share	Face value HUF	Number of shares	Value THUF
Opening total January 1, 2006				19,345,945
Closing total December 31, 2006				19,345,945
Breakdown of closing total:				
Ordinary common stock	registered	1,000,000	18,546	18,546,000
	registered	10,000	37,338	373,380
	registered	1,000	344,295	344,295
Interest earning shares	registered	10,000	8,227	82,270

Notes:

Preference shares were withdrawn and 1 HUF'000 nominal value ordinary common stock were issued .

GECIFC shares means 99,72% ownership.

V / 16. Interest and fees on non-performing loans which has not been credited as income

31 December 2006

in HUF'000

	Interest, fees and commissions in suspense 31 December 2005	Interest, fees and commissions in suspense 31 December 2006
Base interest	1,125,015	1,792,478
Late payment interest	172,006	257,303
Fees	277,723	495,257
Commissions	362,102	542,619
Total:	1,936,846	3,087,657

V. /17. Open position of currency and interest rate SWAP deals

31 December 2006

Currency swaps - matured to closing day - for hedging the Bankgroup's Balance Sheet position, non-exchange traded

Buy		Sell		Buy		Sell				
Opening value		Opening value		Value at maturity		Value at maturity		Date of start	Date of maturity	Accounted profit/loss in 2006
CHF	41,200,000	HUF	7,154,380,000	HUF	7,267,680,000	CHF	41,200,000	10/5/2006	1/3/2007	140,409,600
CHF	41,200,000	HUF	7,156,440,000	HUF	7,272,212,000	CHF	41,200,000	10/5/2006	1/5/2007	18,298,174
CHF	8,723,860	GBP	3,700,000	GBP	3,700,000	CHF	8,701,249	12/7/2006	1/5/2007	-4,613,268
CHF	20,279,300	USD	17,000,000	USD	17,000,000	CHF	20,223,506	12/7/2006	1/5/2007	12,774,911
CHF	20,279,300	USD	17,000,000	USD	17,000,000	CHF	20,223,506	12/7/2006	1/5/2007	12,774,911
CHF	31,763,540	EUR	20,000,000	EUR	20,000,000	CHF	31,740,000	12/7/2006	1/5/2007	1,245,145
CHF	31,763,540	EUR	20,000,000	EUR	20,000,000	CHF	31,740,000	12/7/2006	1/5/2007	1,245,145
CHF	33,500,000	HUF	5,708,400,000	HUF	5,797,510,000	CHF	33,500,000	10/12/2006	1/9/2007	30,454,666
CHF	33,500,000	HUF	5,705,050,000	HUF	5,795,835,000	CHF	33,500,000	10/12/2006	1/11/2007	-298,187
CHF	15,000,000	HUF	2,459,775,000	HUF	2,496,300,000	CHF	15,000,000	10/30/2006	1/25/2007	-1,449,138
CHF	36,038,250	EUR	22,500,000	EUR	22,500,000	CHF	35,981,213	12/21/2006	1/25/2007	-1,703,775
CHF	36,038,250	EUR	22,500,000	EUR	22,500,000	CHF	35,981,213	12/21/2006	1/25/2007	-1,703,775
CHF	6,084,450	USD	5,000,000	USD	5,000,000	CHF	6,065,000	12/21/2006	1/25/2007	4,489,777
CHF	29,700,000	HUF	4,844,612,500	HUF	4,914,459,000	CHF	29,700,000	11/9/2006	2/1/2007	-22,700,700 *
CHF	29,700,000	HUF	4,844,612,500	HUF	4,914,459,000	CHF	29,700,000	11/9/2006	2/1/2007	-22,700,700 *
CHF	29,600,000	HUF	4,831,963,200	HUF	4,907,206,400	CHF	29,600,000	11/9/2006	2/8/2007	-48,030,933 *
CHF	29,600,000	HUF	4,831,963,200	HUF	4,907,206,400	CHF	29,600,000	11/9/2006	2/8/2007	-48,030,933 *
CHF	30,500,000	HUF	4,956,250,000	HUF	5,032,042,500	CHF	30,500,000	11/16/2006	2/13/2007	-51,817,782 *
CHF	30,500,000	HUF	4,956,250,000	HUF	5,033,567,500	CHF	30,500,000	11/16/2006	2/15/2007	-51,837,113 *
CHF	20,200,000	HUF	3,271,390,000	HUF	3,321,183,000	CHF	20,200,000	11/24/2006	2/23/2007	-38,798,429 *
CHF	20,200,000	HUF	3,271,390,000	HUF	3,321,183,000	CHF	20,200,000	11/24/2006	2/23/2007	-38,798,429 *
CHF	27,500,000	HUF	4,460,500,000	HUF	4,527,875,000	CHF	27,500,000	12/1/2006	3/1/2007	-61,991,525 *
CHF	27,500,000	HUF	4,463,250,000	HUF	4,533,925,000	CHF	27,500,000	12/1/2006	3/5/2007	-62,266,525 *
CHF	26,000,000	HUF	4,186,000,000	HUF	4,249,206,000	CHF	26,000,000	12/7/2006	3/8/2007	-51,502,566 *
CHF	24,000,000	HUF	3,883,200,000	HUF	3,941,040,000	CHF	24,000,000	12/12/2006	3/12/2007	-66,486,500 *
CHF	24,000,000	HUF	3,883,200,000	HUF	3,941,040,000	CHF	24,000,000	12/12/2006	3/12/2007	-66,486,500 *
CHF	24,000,000	HUF	3,816,000,000	HUF	3,873,840,000	CHF	24,000,000	12/15/2006	3/14/2007	-29,784,000 *
CHF	24,000,000	HUF	3,823,200,000	HUF	3,883,680,000	CHF	24,000,000	12/15/2006	3/20/2007	-43,940,870 *
CHF	25,000,000	HUF	3,966,250,000	HUF	4,026,250,000	CHF	25,000,000	12/19/2006	3/22/2007	-37,642,857 *
CHF	25,000,000	HUF	3,966,250,000	HUF	4,026,250,000	CHF	25,000,000	12/19/2006	3/22/2007	-37,642,857 *
CHF	24,000,000	HUF	3,799,200,000	HUF	3,857,760,000	CHF	24,000,000	12/21/2006	3/26/2007	-30,585,000 *
CHF	24,000,000	HUF	3,799,200,000	HUF	3,857,760,000	CHF	24,000,000	12/21/2006	3/26/2007	-30,585,000 *
CHF	22,500,000	HUF	3,555,000,000	HUF	3,607,508,250	CHF	22,500,000	12/27/2006	3/28/2007	-23,558,294 *
CHF	22,500,000	HUF	3,555,000,000	HUF	3,607,508,250	CHF	22,500,000	12/27/2006	3/28/2007	-23,558,294 *
CHF	23,500,000	HUF	3,717,700,000	HUF	3,773,630,000	CHF	23,500,000	12/29/2006	4/2/2007	-28,794,844 *
CHF	23,500,000	HUF	3,717,700,000	HUF	3,773,630,000	CHF	23,500,000	12/29/2006	4/2/2007	-28,794,844 *

* These deals are closed before the year end.

Interest rate swaps - with hedging purposes, non-exchange traded

Currency 31 Dec. 2006		Actual interest rate		Transacted value		Running period	Value date	Maturity date	Expected profit/loss at current rates (EUR)
		Variable / Received	Fixed/Paid	In 2006 Variable / Received EUR	In 2006 Fixed/ Paid EUR				
EUR	57,928.72	3.548%	4.52%	2,705.02	4,401.04	1 month	1st of the month	5/1/2007	- 563.07
EUR	50,786.65	3.657%	4.85%	2,408.51	4,137.22	1 month	20 th of the month	3/20/2007	- 605.88
Total:				**5,113.53**	**8,538.26**				

Currency 31 Dec. 2006		Actual interest rate		Transacted value		Running period	Value date	Maturity date	Expected profit/loss at current rates (EUR)
		Fix/Received	Variable/ Paid	In 2006 Variable / Received EUR	In 2006 Fixed/ Paid EUR				
HUF	620 000 000 closed during the year	10.7%	-	133,588,767	19,764,222	1 year/3 months	at quarter end	5/30/2006	-
Total:				**133,588,767**	**19,764,222**				

Beside above mentioned items Bankgroup has short terms, small value fx forwards for EUR, USD which are hedged completely.

V / 18. Changes of Shareholders' Equity in 2006

in HUF'000

Description	Opening value	Increase	Decrease	Closing value
Share capital	19,345,945	0	0	19,345,945
Issued, unpaid share capital	0	0	0	0
Share premium	228	0	0	228
Retained Earnings	30,555,429	4,842,655	0	35,398,084
Valuation Reserve	0	0	0	0
Capital Engaged	592		162	430
General Reserve	3,526,317	388,988	0	3,915,305
Profit for the year	7,334,417	7,076,246	7,334,417	7,076,246
Changes in Subsidiaries Equity	4,222,585	2,528,173	129,720	6,621,038
Changes due to Consolidation	1,640,007	93,473	0	1,733,480
SHAREHOLDERS' FUND	**66,625,521**	**14,929,535**	**7,464,299**	**74,090,757**

Note:
The Bankgroup has made 10% General Reserve on the Bank's Profit after taxation.

V / 19. Foreign currency receivables and liabilities from unsettled deals at year end

in HUF'000

Currency	Foreign currency receivables	Foreign currency liabilities
HUF	1,686,928	894,345
AUD		
CAD		32,530
CHF	131,731	550,422
CZK		1,154
DKK	800	1
EUR	431,052	843,862
GBP	37,727	27,297
PLN	40,216	45,069
SEK	9,563	14,539
SKK	19,293	9,970
USD	386,852	323,480
JPY		838
Total	**2,744,162**	**2,743,507**

V / 20. Listed securities by Balance Sheet categories at book value

31 December 2006

Data in million HUF

Description	Listing value	
	31 December 2005	31 December 2006
I.) Securities	**1,227**	**185**
a) available for sale b) for investment puposes	1,227	185
II.) Bonds and other securities	25	**25**
a) securities issued by municipalities and other government institution (excluding government securities) aa) available for sale ab) for investment purposes b) securities issued by others ba) available for sale Of which: -issued by subsidiaries - issued by affiliated companies - repurchased own shares bb) for investment purposes Of which: -issued by subsidiaries - issued by affiliated companies	25	25
III.) SHARES AND OTHER SECURITIES	-	-
a) shares available for sale Of which: -issued by subsidiaries - issued by affiliated companies b) securities with variable yield ba) available for sale bb) for investment purposes		
IV.) SHARES FOR INVESTMENT PURPOSES	-	-
a) shares for investment purposes of which: - shares in financial institutions b) revaluation of shares for investment purposes of which: - shares in financial institutions		
V.) SHARES IN AFFILIATED COMPANIES FOR INVESTMENT PURPOSES (69	-	-
a) shares for investment purposes of which: - shares in financial institutions b) revaluation of shares for investment purposes of which: - shares in financial institutions		
Listed securities total:	**1,252**	**209**

VI. Additional information

VI / 1. Financial ratios*

31 December 2006

		2005			2006		
Profitability Ratios							
Marge	Profit after tax / Revenue	7,876,298 / 129,265,727	=	6.09%	7,473,000 / 147,555,000	=	5.06%
ROA	Profit after tax / Average total assets	7,876,298 / 508,502,814	=	1.55%	7,473,000 / 629,443,805	=	1.19%
ROE (1)	Profit after tax / Shareholders' funds	7,876,298 / 66,625,521	=	11.82%	7,473,000 / 74,090,000	=	10.09%
ROE (2)	Profit after tax / Share capital	7,876,298 / 19,345,945	=	40.71%	7,473,000 / 19,346,000	=	38.63%
ROE (3)	Net income of financial services / Shareholders' funds	7,238,677 / 66,625,521	=	10.86%	7,508,000 / 74,090,000	=	10.13%
Capital coverage Ratios							
Gearing	Balance sheet total / Shareholders' funds	563,681,609 / 66,625,521	=	8.46	695,206,000 / 74,090,000	=	9.38
Liquidity and Coverage							
Liquidity ratio	Liquid assets / Short term liabilities	268,105,356 / 388,732,541	=	0.69	330,178,000 / 451,120,000	=	0.73
Loans in percetage of deposits	Total loans and leases / Total deposits	469,304,397 / 467,205,488	=	100.45%	591,026,000 / 579,691,000	=	101.96%
Asset Quality Ratios							
Risk Provision %	Provision / Balance sheet total	18,148,797 / 563,681,609	=	3.22%	21,725,774 / 695,206,000	=	3.13%
Risk Provision Coverage	Provision / Shareholders' funds	18,148,797 / 66,625,521	=	27.24%	21,725,774 / 74,090,000	=	29.32%
Effectivity Ratios							
Profit per employee	Profit after taxation / Average no. of employees	7,876,298 / 2,383	=	3,305	7,473,000 / 2,867	=	2,607
Wage Cost effectiveness	Profit after taxation / Total salaries&wages	7,876,298 / 11,001,688	=	71.59%	7,473,000 / 13,812,000	=	54.11%

* Balances in HUF'000

VI / 2. Subordinated loans

31 December 2006

in HUF'000

Description	Issued bonds			Bond portfolio
	Serial number	Quantity (pcs)	Face value (HUF)	
Composition	0001 - 0038	38	100,000	3,800,000
	0001 - 0061	61	1,000	61,000
Total:		**99**		**3,861,000**
Security type:	straight paper, registered bond			
Interest:	variable interest from 2006.06.20 3,10% from 2006.12.20l 3,79%			
Date of issue:	20 December 1994			
Maturity:	20 December 2014			
Currency:	HUF			

VI / 3. Off-balance sheet items

in HUF'000

Description	31 December 2005	31 December 2006
Commitments and contingent liabilities	**172,957,109**	**184,694,514**
- unused overdraft facilities, non-disbursed approved loans	52,360,041	60,515,763
- guarantees of indebtedness	23,521,493	33,104,119
- other commitments	96,036,000	89,657,475
-of which yield guarantee	51,362,953	40,153,528
- letters of credit	1,039,575	1,417,157
	0	0
Futures liabilities	**129,442,796**	**157,783,666**
- futures pension and severance payments	0	0
- payment liabilities on interest swap transactions	736,143	27,783
- of which subsidiaries	736,143	27,783
- forward transactions	0	0
- spot transactions	3,861,454	2,743,507
- transactions with securities	0	0
- liabilities on swap transactions	124,823,718	154,957,872
- of which subsidiaries	124,823,718	154,957,872
- HUF liabilities on forward transactions	0	0
- liabilities on forward transactions without transfering capital	21,481	54,504
Total off-balance sheet liabilities:	**302,399,905**	**342,478,180**
Off-balance sheet receivables		
- swap transactions (FX)	126,509,201	161,920,648
- spot transactions	3,857,417	2,744,162
- receivables on transaction without transfering capital	23,251	56,200
- receivables on interest rate swap transactions	747,365	27,429
Total off-balance sheet receivables:	**131,137,234**	**164,748,439**

Note

Value of assets obtained as collateral or guarantee deposit related to financial services is 514 064 Million HUF (excluding assigned revenue and receiavble assignement) as of 31 December 2006.

VI / 4. Extraordinary income and expense

in HUF'000

Nr	Description	Amount	
		31 December 2005	31 December 2006
1.	Sundry donations	-610,552	-427,733
2.	Take over of loan reimbursement	-5,782	0
3.	Donations, assets given for free	-2,295	-16,413
4.	Special repurchasement of shares	-50	0
5.	Teleinvest - compensation of damages	0	7,411
6.	Liquidation of Budapest Autóbérlet Kft.	0	115
7.	Forgiveness of employee's obligation	6,936	
8.	Dividend renounced by GE		-57,909
9.	Other	0	-174
	Total:	**-611,742**	**-494,703**

VI / 5. Corporate tax base adjustments in 2006

in HUF'000

Items decreasing the profit before taxes		Items increasing the profit before taxes	
1. Depreciation according to the Tax Law	9,445,329	1. Depreciation expense on the basis of the Accounting Law	9,206,822
2. Money contribution received without repayment	6,946	2. Subsidies provided, receivables forgiven	90,011
3. Funds contributed to foundations and other public institutions	47,478	3. Provision on receivables	3,344,034
4. The part of the provision accepted by taxation law	2,981,099	4. Uncollectable receivables forgiven	107,106
5. Tax audit correction items accounted as revenue	403,842	5. Tax audit correction items accounted as expense	187,302
6. Dividend received	175,136	6. Penalties and fines	290
7. Remitted liabilities		7. Provision for future liabilities and contigencies	69,568
8. Income from receivables previous dedicated as uncollectable	39,414	8. Write-off of inventory	
9. Previous years' accured losses		9. Other	355,666
10. Provision on contingent and future liabilities	146,421		
11. 100% of Local Business Tax	1,419,896		
12. Release on inventory provision			
13. Remitted penalties	126		
14. Other	39,553		
Total	**14,705,240**	**Total**	**13,360,799**

VI / 6. Corporate tax calculation

in HUF'000

Nr	Description	31 December 2005	31 December 2006
1.	**Profit before tax**	**9,566,879**	**9,298,433**
2.	Decreasing items in the corporate tax base	13,392,209	14,705,240
3.	Increasing items in the corporate tax base	13,308,219	13,360,799
4.	**Tax base**	**9,482,889**	**7,953,992**
5.	**Corporate tax charge**	1,600,663	1,460,745
6.	**Tax incentives**	539,164	344,865
7.	**Corporate tax charge after deduction of incentives**	1,061,499	1,115,880
8.	**Income tax for banks**	629,081	584,212
9.	**Solidarity Tax**		124,880
10.	**Total tax charge**	**1,690,580**	**1,824,972**

VI / 7. Breakdown of costs according to cost types

31 December 2006

in HUF'000

Nr.	Description	31 December 2005	31 December 2006
1.	**Material expenses**	1,130,267	1,207,471
2.	Wage cost	11,001,688	13,811,748
3.	Other personal type payments	600,586	709,343
4.	Other fees	18,949	-
5.	Benefit in kind which do not increase the corporate tax base and representation cost	452,458	525,718
6.	Benefit in kind which increases the corporate tax base	17,502	17,745
7.	Other payments	1,369	2,472
8.	**Personal expenses (2.+3.+4.+5.+6.+7.)**	12,092,551	15,067,026
9.	Pension and health contribution	3,334,910	4,176,635
10.	Health contribution	115,533	104,727
11.	Employer contribution	322,375	404,459
12.	Educational contribution	157,571	198,062
13.	Other personal type expenses	173,320	228,444
14.	**Social security expenses (9.+10.+11.+12.+13.)**	4,103,710	5,112,327
15.	Cost of transport and storage	204,005	217,498
16.	Rental fees	1,614,743	1,935,740
17.	Maintenance cost	2,154,108	2,168,494
18.	Marketing cost	2,912,675	2,185,130
19.	Training cost	253,321	159,955
20.	Travelling and delegation cost	273,874	273,656
21.	Post and telephone costs	1,417,069	1,589,464
22.	Intellectual services	3,167,937	4,228,293
23.	Other services used	1,851,166	2,411,722
24.	**Material type services used (15.+16.+17.+18.+19.+20.+21.+22.+23.)**	13,848,897	15,169,952
25.	**Depreciation**	2,653,993	2,767,765
26.	**Other costs**	-	-
27.	Subcontructors performance	-	-
28.	Reinvoiced capital work in progress	1,733,375	1,530,151
29.	Loss related to injury	-	-
30.	Cost of good sold	38,047,996	38,372,873
31.	Depreciation	4,630,519	4,466,085
32.	Assets received against receivables	-	-
33.	Material cost	27,899	28,675
34.	Personal cost	415,941	452,930
35.	Social security type costs	132,345	148,009
36.	Cost of used services	581,847	616,298
37.	Other costs	127,299	305,730
38.	**Expenses of non-financial and non-investment services (27-37.)***	45,697,221	45,920,751
39.	**Total (1.+ 8.+ 14.+ 24.+ 25.+26.+38.) :**	**79,526,640**	**85,245,292**

*Breakdown of costs according to cost types of Non-Financial Subsidiaries. Costs of Non-Financial Subsidiaries are showed in the line of Expenses of non-financial and non-investment services in the Profit and Loss Account Statement.

VI / 8. Other income and expense

31 December 2006

in HUF'000

Nr.	Description	31 December 2005	31 December 2006
1.	Fixed assets sold out	-194,726	-171,699
2.	Self-revision	-1,625	-693
3.	OBA and other membership fees	-320,746	-370,058
4.	Uncollectable receivables forgiven	-394,077	-1,567,969
5.	Movements in provision	-125,853	221,602
6.	Provision for stocks	488,760	-1,629
7.	Extraordinary depreciation	-85,744	-65,756
8.	Sale of receivables	-1,901,149	-2,248,259
9.	Previous year's expediture	475,597	0
10.	Local taxes	-1,371,855	-1,668,195
11.	Taxes paid for the state	108,596	49,283
12.	Penalties and late payment fee	63,741	50,106
13.	Corporate Tax related to previous years	-71,429	-41,725
14.	Subcontractors performance	-260,173	-361,677
15.	Non-recoverable VAT	-104,320	-103,784
16.	Other	-200,745	238,453
	Total	**-3,895,748**	**-6,042,000**

VI / 9. Cash-flow statement

in HUF'000

	Description	31 December 2005	31 December 2006
01.	Interest income	46,886,684	56,148,072
02.	+ Income on other financial services	20,950,708	30,150,170
03.	+ Other income (without provision)	3,963,627	3,744,481
04.	+ Income on investment related services	2,365,350	2,481,512
05.	+ Income on non-financial and non-investment related services	48,637,165	48,205,547
06.	+ Dividends received	177,727	175,136
07.	+ Extraordinary income	6,936	7,526
08.	- Interest expenses	-14,816,146	-18,809,694
09.	- Expenditures on of other financial services	-7,805,844	-13,335,713
10.	- Other expenditures (without provisions)	-8,247,557	-10,009,798
11.	- Expenditure on investment related services	-118,596	-140,429
12.	- Expenses on non-financial and non-investment related activity	-45,670,763	-45,920,751
13.	- Operating costs	-31,175,426	-36,556,776
14.	- Extraordinary expenditures	-618,678	-502,229
15.	- Taxes	-1,690,580	-1,824,972
16.	- Dividends paid	-8,227	-8,227
17.	**OPERATING CASH FLOW (Lines 1-16)**	**12,836,378**	**13,803,855**
18.	± Change in liabilities	103,074,152	121,003,790
19.	± Change in receivables	-131,288,139	-125,382,579
20.	± Change in inventories	997,463	-340,377
21.	± Change in securities among current assets	6,788,167	2,436,028
22.	± Change in investments	10,643,027	4,928
23.	± Change in construction (including advances)	189,706	-81,606
26.	± Change in intangible assets	-1,126,777	-1,424,773
24.	± Change in tangible assets (excluding constructions)	-1,212,628	-1,808,403
25.	± Change in prepayments	539,218	-3,641,395
27.	± Change in accruals	-305,630	3,403,591
28.	+ Stock issue at selling price	0	0
29.	- Capital decrease	0	0
30.	+ Cash and cash equivalents received based on law	0	0
31.	+ Cash and cash equivalents given based on law	0	0
32.	± Change in retained earnings	2,380	162
33.	± Change in engaged capital	-2,382	-162
34.	± Share premium changes	-500	0
35.	± Change in general reserve	0	388,988
36.	- Cancelled own shares	0	0
37.	**NET CASH FLOW (Lines 18-34)**	**1,134,434**	**7,973,059**
38.	Of which: - change in cash (in HUF and foreign currency)	1,660,063	1,720,433
39.	- money in account	-525,629	6,252,625

VI/ 10. Loans to members of the Board of Directors, Management and Supervisory Board
31 December 2006

Megnevezés	Disbursement HUF'000	Repayment HUF'000	Outstanding debt at year end HUF'000	Main conditions
1. Interest free employee loans				
- Board of Directors	0	0	0	Long-term loan
- Management	0	0	0	with property pledge
- Supervisory Board	1,300	881	419	Insurance on Real Estate
1. Subtotal:	**1,300**	**881**	**419**	
2. Employee loans on preferential rate				
- Board of Directors	23,462	13,979	9,483	Long-term loan
- Management	0	0	0	with property pledge
- Supervisory Board	6,737	4,708	2,029	Insurance on Real Estate
2. Subtotal:	**30,199**	**18,687**	**11,512**	
3. Mortgage				
- Board of Directors	39,500	4,634	34,866	Long-term loan
- Management	0	0	0	with property pledge
- Supervisory Board	77,958	8,817	69,141	Insurance on Real Estate
3. Subtotal:	**117,458**	**13,451**	**104,007**	
Total:	**148,957**	**33,019**	**115,938**	

The members of the Board of Director has in total 1.900.000 HUF overdraft facility and 6.100.000 HUF limit for credit card.
The members of the Supervisory Board has in total 3.200.000 HUF overdraft facility and 9.530.000 HUF limit for credit card.

VI / 11. Salaries and Wages

31 December 2006

in HUF'000

Description	Type of employee		Total:
	Manual worker	White collar	
1. Salaries and wages	0	15,404,918	**15,404,918**
a. Payroll cost	0	14,225,493	**14,225,493**
b. Other personal type payments	0	1,179,425	**1,179,425**
2. Salaries and wages paid on sick leave	0	111,593	**111,593**
Total (1 + 2) :	**0**	**15,516,511**	**15,516,511**

VI / 12. Number of employees

31 December 2006

PERIOD	Number of employees (average figure)		
	Manual worker	White collar	Total
2005	-	2,383	**2,383**
2006	-	2,867	**2,867**

VI / 13. Large loans

in HUF'000

	31 December 2005	31 December 2006
The total of large loans as at balance sheet closing date	13,246,000	0
Number of clients, having large loans	2	0

VI/ 14. Remuneration of the Board of Directors and the Supervisory Board

31 December 2006

Description	Number of people entitled to remuneration	Amount of remuneration in HUF'000
Work Council	12	4858
Board of Directors	3	0
Supervisory Board	5	7200
Total :	**20**	**12,058**

VII.BUDAPEST BANK GROUP

BUSINESS REPORT

31 DECEMBER 2006

CAPITAL POSITION OF THE BANK GROUP

The capital position of the Bank-group is stable. At the end of 2006, the shareholders' equity, together with the HUF 7,076 million retained profit proposed for approval to the shareholders' meeting, amounted to HUF 70,090 million.

At 31 December 2006 General Electric (GECIFC) held 99.72% of the shares.

In addition to the HUF 35,398 million retained earnings accumulated in the course of the previous years, the Bank-group has a total general reserve of HUF 3,915 million, created for unforeseeable risks in accordance with the effective provisions of law on credit institutions.

In 1994, the Bank issued, to the Hungarian State, HUH 3,861 million bonds qualified as subordinated debt capital, maturing in 2014. The interest rate of the bond is repriceable every 6 months and is based on the average yield of the discount treasury bills of the 6-month period preceding the interest payment day. This is qualified as subordinated debt in comparison to all other payment obligations.

QUALITY OF ASSETS

The total assets of the Bank-group increased by 23% and amounted to HUF 695 billion from HUF 564 billion in previous year.

The low-risk government securities, the inter-bank placements and cash represented a significant part of the assets of the Bank-group amounting to HUF 160 billion (23 % of the total assets on December 31, 2006, the same as last year).

Loan receivable increased 25 % to HUF 487 billion at the end of the year. During 2006 the Bank-group focused on the consumer, small and medium size loan portfolio. A very significant 37% volume increase was achieved in the consumer lending, namely in the area of Sales Finance, Personal Loans, Mortgage, Autofinance and Credit Cards products. By the end of the year, the consumer portfolio achieved HUF 278 billion.

The small and medium-size loan-and leasing increased over the market growth rate as well, averaging 16% per annum and amounting to HUF 213 billion, indicating the importance of this segment in the Bank-group's strategy.

Reserves made on loan receivables increased only slightly from HUF 9,746 million to HUF 14,416 million, which reflects a low level of credit loss on the consumer, small and medium size loan portfolio. The professional risk management tools of the Bank-group minimize the actual losses, which provide opportunity for a dynamic lending strategy.

MANAGEMENT AND BUSINESS POLICY

Budapest Bank projected an economical slowdown but an increasing consumer market growth, consequently, it emphasized its business focus to the consumer segment. The Bank-group, however, also targeted a market share increase in the small and medium-size commercial segment.
The management strictly monitored products' profitability, interest and fee generation and the related trends in the market.
In line with the yearly targets, a flexible and competitive salary policy enhanced the quality of the service and customer relationship.

As a result of a customer focused product development new products have been introduced and some existing were further developed:

The consumer deposits increased by 50% to 195,7 billion from 130,3 billion during 2006. The mortgage loans also increased by 71 % which is far exceeds the market growth to 84,1 billion due to the product innovation (mortgage in downment, housing, debt consolidation mortgage). The unsecured product portfolio (including cash card, private loan, sales finance) increased by 37% to 81,8 billion from 59,5 billion. Within this portfolio, cash card expanded the highest by 80% compared to last year. Budapest Autófinanszírozási Zrt. increased its portfolio by 21 % (by keeping its portfolio quality) from 84,4 to 101,7 billion in spite of the autofinancing market strong recession in 2006.
The commercial mortgage portfolio increased by 27% to 5,9 billion due to the success of SME mortgage product. The commercial department enlarged significantly the product scale of the factoring program started in May 2005 which helped to reach 11,6 billion turnover by the end of the year (compared to 3,4 billion turnover in 2005).
In the scope of the POS placement program also started in 2005, more than 600 POS terminals were put into operation by the year end.

In 2006 the Budapest Bank carried on the accomplishment of its growth strategy: the bank network had 95 units at the end of the year including 16 new branches and 3 new Money Plus centers which serves the private banking customers. The branches are considered aera of operation (telephely in Budapest, and fióktelep outside Budapest).
Due to the dynamically growing number of customers and product scale it was necessary to enlarge the center office builiding: as a result of a 1 billion HUF investment the second back-office center was opened in Békéscsaba in June 2006 with 156 employees.

Pursuant to the relevant laws Works Council (Üzemi Tanács) functions in the Budapest Bank Group. The employment decisions are made with the aggreement of the Works Council.

In summary the Bank-group achieved its 2006 growth target, mainly due to the consumer lending, which performed over plans.

The Bank-group maintained its reputation for one of the most innovative financial service provider by mean of introducing "mobilbank", internet and electronic cash handling.

In order to maintain the growth trend, the year 2007 will be the year of investments as well.

PROFITABILITY

In the year 2006, the annual net income after tax of Budapest Bank-group was HUF 7,473 million, which is HUF 403 million lower than in prior year.

The decrease has several factor. The net interest increased 16% by HUF 4,637 million compared to prior year. Still a similar driver of profitability remained the generation of fee and other financial income, which increased by 25% in amount by HUF 3,764 million compared to 2005.

The Bank-group changed overall interest rates of both commercial and consumer saving deposits several times in line with the prime bank and competitive banks' rate changes.

Interest rates of commercial loans followed the market trends, and also in case of personal loans and mortgage products, rates increased on a selective way.

In the year 2006, operating expenses increased 16% by HUF 5,495 million compared to prior year. Within this, salary is higher by HUF 3,819 million due to the dynamically growing branch network and the growing number of employees.

Also marketing expenses increased to initiate higher sales volume.

The valuation of the derivative transactions are significantly affects the profitability of the Banking Group. The HUF - foreign currency SWAPs not closed before the balance sheet cut off date are not considered hedges. In the 2006 annual report the Banking Group includes the proportional part of the actual results of the deals expired or closed before the balance sheet preparation day (February 3, 2007).

The proportional part of the difference in the fixed and variable interest of the interest rate SWAPs, that are not closed before the balance sheet preparation date should be booked according to its colour to the interest and interest type income/ paid interest and interest type expense against prepayment/ accruals.

ASSET-LIABILITY MANAGEMENT AND THE LIQUIDITY POSITION OF THE BANK-GROUP

In the course of the year, the volume of credits provided to customers increased among the Bank's placements. In particular, the commercial and retail forint placements maturing over one year and the currency denominated products offered by the subsidiaries showed a dynamic portfolio growth. The majority of the currency denominated loans was provided to the subsidiaries of the Bank-group.

62% of the total assets is denominated in HUF while the other currencies are mainly CHF, EUR and USD.

In spite of the dynamic lending activity, the Bank-group continued to operate with a high volume of liquidity and maintained a high liquidity reserve. As a result of its stable liquidity position, the Bank-group has permanently preserved its dominant role as an inter-bank lender on the Hungarian financial market, and it holds a substantive volume of state securities.

The increasing funding is covered mainly by commercial current & term deposits, HUF to currency swaps and also the currency funding from the mother company (EUR, CHF and USD) increased in 2006.

78% of the total liabilities are denominated in HUF while the other currencies are mainly CHF, EUR and USD.

The Bank-group successfully managed its liquidity and the interest rate risk within the predetermined limits, primarily by pursuing a harmonious, risk-avoiding pricing, by portfolio management practice, and by executing hedging transactions.

Changes of the currency rates and HUF volatility did not effect adversely the Bank-group due to a lack of a material open position in the balance sheet and off balance sheet in accordance with its overall currency management.

Overall the Bank-group managed to maintain a very strong liquidity, cash-flow and interest rate risk management. The Bank-group has made all, the necessary provisions and risk provisions.

There was no occurrence after 31 December 2006 that influences significantly the operation of the Bank-group.

Budapest, 25 April 2007

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