Budapest Bank Nyrt.
and subsidiaries

Consolidated Financial Statements

31 December 2007

Budapest, 24 April 2008

Mark Arnold	Pálcza Edit
Chief Executive Officer	Chief Finance Officer

CONTENTS

Statistic code: 10196445651211401

Budapest Bank Group 2007.

BALANCE SHEET (FINANCIAL INSTITUTIONS) in million HUF

		Description	31/12/2006	Previous year Adjustments	31/12/2007
a		b	c	d	e
01	**I.**	**FINANCIAL ASSETS**	**22 550**	-	**20 034**
02	**II.**	**SECURITIES (03+04)**	**33 856**	-	**55 180**
03	a)	available for sale	7 766	-	29 090
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)**	**104 173**	-	**50 461**
07	a)	on sight	1 273	-	1 424
08	b)	other receivables from financial services	102 900	-	49 037
09	ba)	due within one year	102 115	-	49 037
10		Of which: - subsidiaries	-	-	-
11		- affiliated companies	-	-	-
12		- National Bank of Hungary	95 700	-	27 000
13		- receivables to KELER	-		-
14	bb)	due more than one year	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)**	**486 853**	-	**637 387**
25	a)	from financial services	485 679	-	634 509
26	aa)	due within one year	183 823	-	225 598
27		Of which: - subsidiaries	-	-	-
28		- affiliated companies	-	-	-
29	ab)	due more than one year	301 856	-	408 911
30		Of which: - subsidiaries	-	-	-
31		- affiliated companies	-	-	-
32	b)	receivables against customers from investment services	1 174	-	2 878
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	1 174	-	2 878
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)**	**4 427**	-	**25**
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	4 427	-	25
46	ba)	available for sale	4 427	-	25
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**	-	**6 293**
55	a)	shares available for sale	-	-	-
56		Of which: -issued by subsidiaries	-	-	-
57		- issued by affiliated companies	-	-	-
58	b)	securities with variable yield	195	-	6 293
59	ba)	available for sale	195	-	6 293
60	bb)	for investment purposes	-	-	-
61	VI/A.	valuation difference of shares and other securities	-	-	-
62	**VII.**	**SHARES FOR INVESTMENT PURPOSES (63+65)**	**435**	-	**433**
63	a)	shares for investment purposes	435	-	433
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+73)**	**-**	-	**-**
69	a)	shares for investment purposes	-	-	-
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)**	**2 834**	-	**4 177**
77	a)	intangible assets	2 834	-	4 177
78	b)	revaluation of intangible assets	-	-	-

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in million HUF

			Description	31/12/2006	Previous year Adjustments	31/12/2007
a			b	c	d	e
79	X.		**TANGIBLE ASSETS (80+85+90)**	**24 651**	-	**27 918**
80	a)		tangible assets serving the activities of financial institutions	12 067	-	14 769
81		aa)	real estate	8 001	-	8 591
82		ab)	technical equipment, machinery and vehicles	3 692	-	4 754
83		ac)	construction-in-progress	374	-	1 424
84		ad)	prepayments on construction-in-progress	-	-	-
85	b)		tangible assets serving the non-financial activities	12 584	-	13 149
86		ba)	real estate	-	-	-
87		bb)	technical equipment, machinery and vehicles	12 479	-	13 044
88		bc)	construction-in-progress	105	-	105
89		bd)	prepayments on construction-in-progress	-	-	-
90	c)		revaluation of tangible assets	-	-	-
91	XI.		**OWN SHARES**	-	-	-
92	XII.		**OTHER ASSETS (93+94+97)**	**6 855**	-	**6 609**
93	a)		inventories	742	-	469
94	b)		other receivables	6 113	-	6 140
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)**	**8 377**	-	**5 712**
101	a)		income accruals	7 893	-	5 310
102	b)		expense accruals	484	-	402
103	c)		deferred expenses	-	-	-
104	**TOTAL ASSETS (01+02+06+24+41+54+62+68+76+79+91+92+100)**			**695 206**	-	**814 229**
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.)+V A.)+VI/A.)+XII/A.)+XII/B.) items of which related to current assets)**	**330 178**		**340 988**
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)**	**356 651**	-	**467 529**

Statistic code: 10196445651211401

in million HUF

		Description	31/12/2006	Previous year Adjustments	31/12/2007
a		b	c	d	e
107	I.	**LIABILITIES TO FINANCIAL INSTITUTIONS (108+109+120)**	**36 708**	-	**34 246**
108	a)	on sight	59	-	45
109	b)	liabilities deposited for a set period of time	36 648	-	34 200
110	ba)	due within one year	2 867	-	5 257
111		Of which: - subsidiaries	-	-	-
112		- affiliated companies	-	-	-
113		- National Bank of Hungary	-	-	-
114		- receivables to KELER	-		-
115	bb)	due more than one year	33 781	-	28 943
116		Of which: - subsidiaries	-	-	-
117		- affiliated companies	-	-	-
118		- National Bank of Hungary	-	-	-
119		- receivables to KELER	-		-
120	c)	liabilities from investments services	1	-	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)**	**542 983**	-	**649 456**
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	540 578	-	645 238
131	ba)	on sight	183 256	-	256 811
132		Of which: - subsidiaries	-	-	-
133		- affiliated companies	-	-	-
134	bb)	due within one year	240 151	-	247 395
135		Of which: - subsidiaries	104	-	67 168
136		- affiliated companies	-	-	-
137	bc)	due more than one year	117 171	-	141 032
138		Of which: - subsidiaries	83 287	-	104 078
139		- affiliated companies	-	-	-
140	c)	liabilities from investments services	2 405	-	4 218
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	2 405	-	4 218
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)**	**22 443**	-	**18 581**
172	a)	due within one year	22 381	-	18 579
173		Of which: - subsidiaries	-	-	-
174		- affiliated companies	-	-	-
175		- other contributions of members of saving societies	-	-	-
176	b)	due more than one year	62	-	2
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)**	**9 451**	-	**20 341**
182	a)	income accruals	1 162	-	1 397
183	b)	expense accruals	8 289	-	18 944
184	c)	deferred income	-	-	-
185	VI.	**PROVISIONS (186+187+188+189)**	**5 520**	-	**6 128**
186	a)	provision for pension and severance payments	-	-	-
187	b)	provision on contingent and future liabilities	2 790	-	3 149
188	c)	general risk provision	2 530	-	2 511
189	d)	other provision	200	-	468
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	aa)	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	-	-	-

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in million HUF

			Description	31/12/2006	Previous year Adjustments	31/12/2007
a			b	c	d	e
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)**		-	-	-
204	a)	premium from issue of shares		-	-	-
205	b)	other		-	-	-
206	**XI.**	**GENERAL RESERVE**		**3 915**	-	**5 489**
207	**XII.**	**RETAINED EARNINGS**		**35 398**	-	**40 830**
208	**XIII.**	**CAPITAL ENGAGED**		-	-	-
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 (+-)**		**7 076**	-	**5 802**
213	**XVI.**	**CHANGES IN SUBSIDIARIES' EQUITY (+,-)**		**6 621**	-	**9 999**
214	**XVII.**	**CHANGES DUE TO THE CONSOLIDATION (+,-)**		**1 734**	-	-
215	**a)**	**from debt consolidation**		-	-	-
216	**b)**	**from internal profit consolidation**		1 734	-	-
217	**XVIII.**	**MINORITY INTEREST**		-	-	-
218	**TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS (107.+125.+149.+171.+181.+185.+190.+200.+202.+203.+206.+207.+208.+209.+212.+213.+217.)**			**695 206**	-	**814 229**
219		**- SHORT TERM LIABILITIES (I.a)+I.ba)+I.c)+1/A.)+II.aa)+II.ab)+II.ba)+II.bb)+II.c)+II/A.)+III.aa)+III.ba)+III.ca)+IV.a)+IV/A.)**		**451 120**	-	**532 306**
220		**- LONG TERM LIABILITIES (I.bb)+II.ac)+II.bc)+III.ab)+III.bb)+III.cb)+IV.b)+VII.)**		**155 025**	-	**173 988**
221		**- SHAREHOLDER'S FUNDS (VIII.-IX.+X.+XI.+-XII.+XIII.+XIV.+-XV.)**		**74 090**	-	**81 466**

Off-Balance Sheet Items

		Description	31/12/2006	Previous year Adjustments	31/12/2007
01		Commitments and contingent liabilities	184 695	-	207 089
02		Futures liabilities	157 784	-	170 352
03		**Total off-balance sheet liabilities**	**342 479**	-	**377 441**
04		**Total off-balance sheet receivables**	**164 748**	-	**171 716**

Budapest, 24 April 2008

Mark Arnold

Pálcza Edit
Chief Finance Officer

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Budapest Bank Group 2007.

PROFIT AND LOSS STATEMENT (FINANCIAL INSTITUTIONS)

in million HUF

	Description		2006.	Previous year Adjustments	2007.
a	b		c	d	e
1	**1.**	*Interest income (02+05)*	**56 148**		**71 966**
2	a)	a) interest income from fixed interest-bearing securities	1 833		3 050
3		Of which: - subsidiaries	-		-
4		- affiliated companies	-		-
5	b)	b) other interest income	54 315		68 916
6		Of which: - subsidiaries	-		-
7		- affiliated companies	-		-
8	**2.**	*Interest expense*	**18 810**		**26 045**
9		Of which: - subsidiaries	1 688		3 787
10		-affiliated companies	-		-
11		**Net interest income (01-08)**	**37 338**		**45 921**
12	**3.**	**Dividend received (13+14+15)**	**175**		**255**
13	a)	a) joint ventures	-		-
14	b)	b) affiliated companies	-		-
15	c)	c) other	175		255
16	**4.**	**Fee income (17+20)**	**18 852**		**21 016**
17	a)	a) fee income of other financial services	16 416		18 757
18		Of which: - subsidiaries	-		-
19		- affiliated companies	-		-
20	b)	b) fee income of investment services	2 436		2 259
21		Of which: - subsidiaries	-		-
22		- affiliated companies	-		-
23	**5.**	**Fee expense (24+27)**	**10 081**		**12 310**
24	a)	a) fee expense of other financial services	10 045		12 271
25		Of which: - subsidiaries	-		-
26		- affiliated companies	-		-
27	b)	b) fee expense of investment services (excluding expense of trading activities)	36		39
28		Of which: - subsidiaries	-		-
29		- affiliated companies	-		-
30	**6.**	**Net income of financial services (31-35+39-44)**	**10 385**		**13 146**
31	a)	a) income of other financial services	13 109		17 138
32		Of which: - subsidiaries	-		-
33		- affiliated companies	-		-
34		- valuation difference	-		-
35	b)	b) expense of other financial services	2 768		4 017
36		Of which: - subsidiaries	-		-
37		- affiliated companies	-		-
38		- valuation difference	-		-
39	c)	c) income of investment services (income of trading activities)	148		133
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)	104		108
45		Of which: - subsidiaries	-		-
46		- affiliated companies	-		-
47		- provision charge on securities available for sale	-		-
48		- valuation difference	-		-
49	**7.**	**Other income (50+53)**	**52 568**		**61 020**
50	a)	a) income of non-financial and non-investment services	48 206		55 867
51		Of which: - subsidiaries	-		-
52		- affiliated companies	-		-
53	b)	b) other income	4 362		5 153
54		Of which: - subsidiaries	-		-
55		- affiliated companies	-		-
56		- release of provision on inventories	23		9
57	ba)	c) profit increasing item due to consolidation	-		-

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in million HUF

a		Description b	2006. c	Previous year Adjustments d	2007. e
58	**8.**	**Operating costs (59+67)**	**36 556**		**44 594**
59	a)	a) personal type costs	20 179		25 073
60	aa)	aa) salaries and wages	13 812		16 994
61	ab)	ab) other personal type costs	1 255		1 759
62		of which: - social securities	460		557
63		- pension related costs	363		446
64	ac)	ac) affix of wages	5 112		6 320
65		of which: - social securities	4 087		5 005
66		- pension related costs	4 042		5 014
67	b)	b) other operating costs (materials)	16 377		19 521
68	**9.**	**Depreciation**	**2 768**		**3 151**
69	**10.**	**Other expenses (70+73)**	**56 325**		**63 570**
70	a)	a) expenses of non-financial and non-investment services	45 921		53 759
71		Of which: - subsidiaries	-		-
72		- affiliated companies	-		-
73	b)	b) other expenses	10 404		9 811
74		Of which: - subsidiaries	-		-
75		- affiliated companies	-		-
76		Provision charge on inventory	22		32
77	ba)	c) profit decreasing item due to consolidation	-		-
78	**11.**	**Provision charge on receivables and on contingent and future liabilities (73+74)**	**10 341**		**14 565**
79	a)	a) provision charge on receivables	9 531		13 697
80	b)	b) provision charge on contingent and future liabilities	810		868
81	**12.**	**Release of provision on receivables and on contingent and future liabilities (82+83)**	**6 547**		**6 236**
82	a)	a) release of provision on receivables	5 549		5 357
83	b)	b) release of provision on contingent and future liabilities	998		879
84	12/A.	A) General risk reserve difference of charge and release	-		-
85	**13.**	**Provision charge on securities portfolio**	1		**2**
86	**14.**	**Release of provision on securities portfolio**	-		**-**
87	**15.**	**NET INCOME OF FINANCIAL SERVICES**	**9 793**		**9 402**
88		**of which: - NET INCOME OF FINANCIAL AND INVESTMENT SERVICES (11+12+16-23+30+49-58-68-69-78+81-85+87)**	**7 508**		**7 294**
89		**- NET INCOME OF NON-FINANCIAL AND NON-INVESTMENT SERVICES (50-70)**	**2 285**		**2 108**
90	16.	Extraordinary revenues	8		8
91	17.	Extraordinary expenditures	503		827
92	**18.**	**Net profit (loss) of extraordinary items (90-91)**	**- 495**		**- 819**
93	**19.**	**Profit before taxation (±87±92)**	**9 298**		**8 583**
94	**20.**	Taxation	1 825		1 199
95	a)	Tax difference due to consolidation	-		-
96	**21.**	**Profit after taxation (±93-94)**	**7 473**		**7 384**
97	**22.**	Charge and release of general reserves (+,-)	389		1 574
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)**	**7 076**		**5 802**

Budapest, 24 April 2008

Mark Arnold
Chief Executive Officer

Pálcza Edit
Chief Finance Officer

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

31 December 2007

Budapest, 24 April 2008

Mark Arnold	Pálcza Edit
Chief Executive Officer	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 Hitel és Fejlesztési Bank Nyrt. ("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. The GE Capital International Financing Corporation (Stamford 777 Long Ridge Road) performs the annual report of the smallest unity of the coorperation which contains Budapest Bank as well. The main unity is the General Electric Company (Fairfield 3135 Easton Turnpike). The consolidated Annual Report is available on http://www.ge.com/.

Additional shares were purchased from the minority shareholders. At the end of 2007 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, 2007 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 98 branch offices, 16 Money Plus centers and 8 loanshops.

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 to corporate customers.
Equipment Finance Ltd. perfoms operative lease activity to corporate customers.
Budapest 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 consumer 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 2007 the balance sheet total of SBB Ltd. was HUF 198 million, its registered capital amounting to HUF 169 million, its shareholders' equity was HUF 181 million and its result was a loss of HUF 108 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 2007 the balance sheet total of Budapest Fund Management Ltd. amounted to HUF 6,645 million, its registered capital was HUF 500 million, its shareholders' equity was HUF 1,040 million, the company's 2007 net profit is 0, considering that 1,367 million profit after taxation and 3,133 million retained earnings were paid to the Bank as dividend.

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 2007 the balance sheet total was HUF 63,210 million, the company's registered capital amounted to HUF 60 million, its shareholders' equity was HUF 829 million, and its 2007 result was 0, considering that 595 million profit after taxation and 1,905 million retained earnings were paid to the Bank as dividend.

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 2007 the balance sheet total of Eszközfinanszírozó Ltd. was HUF 8,599 million, company's registered capital amounted to HUF 11 million, its shareholders' equity was HUF 1,107 million, and its 2007 result was a HUF 119 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 2007 the balance sheet total of the Fleet Management Ltd. was HUF 6,273 million, its registered capital amounted to HUF 53 million, its shareholders' equity was HUF 248 million and 2007 net loss was HUF 67 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 2007 the balance sheet total of Budapest Auto Finance Ltd. was HUF 125,017 million, its registered capital was HUF 180 million, the company's shareholders' equity was HUF 1,313 million, and the 2007 net profit was 0, considering that 1,540 million profit after taxation and 3,460 million retained earnings were paid to the Bank as dividend.

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. The official auditor of the Bank is the KMPG Hungary Kft. (1139 Budapest Váci út 99.), Nagy Zsuzsanna (id. number:005421). The Annual report of the Bank is available on http://www.budapestbank.hu/.

The Bank standardized its balance sheet preparation day to January 12 of the year following the statement date, except the day of the dividend payment of the subsidiaries, which is March 18th.

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 January 12th 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 2007.
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 January 12, 2008, on these transactions. This way the 2007 annual report includes the proportional part of the actual results of these deals. For the deals 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 2007

In 2007 Budapest Bank has not accrued additional general risk reserve. The Banking Group constituted the 10 % General Reserve on the profit after tax in 2007.

Budapest Bank Nyrt. has a liability for the yield of the Budapest Pénzpiaci Alap, total net asset is 42,234 million HUF as of 31st December 2007. No such guarantees had to be called in the year 2007.
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 69 million due for year 2007 has been transferred to the National Deposit Insurance Fund.

In year 2007 Budapest Bank transferred HUF 105 million to the Investor Protection Fund.

The year 2007 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 2007

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 Flotta Zrt.	1138 Budapest, Váci út 188.	558 000	100%
	SBB Solution Zrt.	1138 Budapest, Váci út 188.	1 997 000	100%
	Budapest Lízing Zrt.	1138 Budapest, Váci út 188.	280 000	100%
2. Other companies, not involved in the consolidation	Budatrend III: Ingatlanhaszn. Zrt.		30 600	15,87%
	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	9 469	0,01%

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

31 December 2007

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 Zrt.	1 997 000	100	169 000	181 391	(108 304)
Budapest Autófinanszírozási Zrt.	250 000	100	180 000	1 313 328	-
Budapest Eszközfinanszírozó Kft.	29 359	100	11 000	1 107 817	119 381
Budapest Lízing Zrt.	280 000	100	60 000	828 966	-
Budapest Alapkezelő Zrt.	10 000	100	500 000	1 039 546	-
Budapest Flotta Zrt.	558 000	100	53 000	248 154	(67 059)
Total:	**3 124 359**		**973 000**	**4 719 202**	**(55 982)**

Notes:

* Three of Subsidiaries of Budapest Bank Nyrt. will pay dividend approved by General Assembly to the Bank.

Dividend amount of Budapest Alapkezelő Zrt. consists of 1 367 MM HUF Profit after Taxes for the current year (2007) and 3 133 MM HUF Retained Earnings of prior years.

Dividend amount of Budapest Autófinanszírozási Zrt. consists of 1 540 MM HUF Profit after Taxes for the current year (2007) and 3 460 MM HUF Retained Earnings of prior years.

Dividend amount of Budapest Lízing Zrt. consists of 595 MM HUF Profit after Taxes for the current year (2007) and 1 905 MM HUF Retained Earnings of prior years.

V / 3. Equity consolidation adjustments of Budapest Bank Nyrt. as parent company
31 December 2007

Subsidiary	BB Rt' s participation in the subsidiary % (a)	The subsidiaries' equity withou the profit of the year before payment of Dividend 31 December 2007 HUF'000 (b*)	The subsidiaries' equity without the profit of the year after payment of Dividend 31 December 2007 HUF'000 (b)	Participation due to BB NyRt. before payment of Dividend 31 December 2007 HUF'000 (c*= a x b*)	Participation due to BB NyRt. after payment of Dividend 31 December 2007 HUF'000 (c= a x b)	Purchase price of the shares HUF'000 (d)	Equity consolidation difference 1994 HUF'000 (e)	Depreciation of positive equity consolidation HUF'000 (g)	Equity consolidation difference HUF'000 (h=e+f-g)	Changes in the shareholders' equity of subsidiary before payment of Dividend 31 December 2007 HUF'000 (i*=c*-d+h)	Changes in the shareholders' equity of subsidiary after payment of Dividend 31 December 2007 HUF'000 (i=c-d+h)
SBB Solution Zrt.	100,00%	289 695	289 695	289 695	289 695	1 997 000	-146 105		-146 105	-1 853 410	-1 853 410
Budapest Autófinanszírozási Zrt.	100,00%	4 772 987	1 313 328	4 772 987	1 313 328	250 000	0		0	4 522 987	1 063 328
Budapest Eszközfinanszírozó Kft.	100,00%	988 436	988 436	988 436	988 436	29 359	-19		-19	959 058	959 058
Budapest Lízing Zrt.	100,00%	2 734 257	828 966	2 734 257	828 966	280 000	133 410	133 410		2 454 257	548 966
Budapest Alapkezelő Zrt.	100,00%	4 172 988	1 039 546	4 172 988	1 039 546	10 000	-3 998		-3 998	4 158 990	1 025 548
Budapest Flotta Zrt.	100,00%	315 213	315 213	315 213	315 213	558 000	0		0	-242 787	-242 787
Total:									**Total:**	**9 999 096**	**1 500 703**
								Positive equity consolidation difference:	**0**		
								Negative equity consolidation difference:	-150 122		

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

31 December 2007

in HUF'000

Description	Changes in Gross Value			
	Opening value	Increase during the year	Decrease during the year	Closing value
I. Total intangible assets:	**10 498 356**	**2 636 895**	**143 895**	**12 991 356**
a/ Rights and titles	831 279	0	0	**831 279**
b/ Intellectual property	9 333 220	2 636 895	143 895	**11 826 220**
c/ Capitalised value of foundation/restructuring	333 857	0	0	**333 857**
II.1. Tangible assets serving financial institutions' activities	**22 570 670**	**5 292 164**	**1 158 362**	**26 704 472**
a/ Real properties	10 118 352	1 242 304	313 999	**11 046 657**
b/ Technical equipment, machinery and vehicles	12 078 238	2 738 426	582 647	**14 234 017**
c/ Assets under construction	374 080	1 311 434	261 716	**1 423 798**
d/ Advances for assets under construction	0	0	0	**0**
II.1. Tangible assets related to non-financial services	**21 707 068**	**9 666 371**	**11 303 400**	**20 070 039**
a/ Real estates	0	0	0	**0**
b/ Technical equipment, machinery and vehicles	21 602 508	6 892 181	8 529 760	**19 964 929**
c/ Assets under construction	104 560	2 774 190	2 773 640	**105 110**
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 2007

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:	**7 663 977**	**1 159 791**	**9 850**	**1 159 791**	**0**	**8 813 918**
a/ Rights and titles	831 151	129	0	129	0	831 280
b/ Intellectual property	6 499 399	1 159 500	9 850	1 159 500	0	7 649 049
c/ Capitalised Value of foundation/ restructuring	333 427	162	0	162	0	333 589
II.1. Tangible assets serving financial institutions' activities	**10 502 718**	**1 985 730**	**552 579**	**1 985 730**	**0**	**11 935 869**
a/ Real estates	2 116 930	416 270	77 587	416 270	0	2 455 613
b/ Technical equipment, machinery and vehicles	8 385 788	1 569 460	474 992	1 569 460	0	9 480 256
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	**9 123 533**	**3 977 083**	**6 179 548**	**3 976 518**	**565**	**6 921 068**
a/ Real estates	0	0	0	0	0	0
b/ Technical equipment, machinery and vehicles	9 123 533	3 977 083	6 179 548	3 976 518	565	6 921 068
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	92 900	56 007
Right of usage	1 500	1 500

V / 5. Inventory

31 December 2007

in HUF'000

	Balance 31 December 2006	Balance 31 December 2007
Precious metals for sale	45	45
Office materials	3 447	1 519
Printed materials	4 675	1 674
Stock	4 730	11 683
Mediated services	243 468	38 095
Stock purchased in the scope of Lease contracts	205 340	16 268
Take back of cars, leased assets	309 173	449 114
Provision on Stock/Equipment against receivables	-29 093	-49 865
Other	52	52
Total :	**741 836**	**468 585**

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

in HUF'000

Description	Total of 31 Dec 2006	Total of 31 Dec 2007	Breakdown of the portfolio of 31 December 2007 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 6
I. Receivables to financial institutions	**104 172 826**	**50 461 237**	**1 424 071**	**49 037 166**	**-**	**-**	**-**
On sight	**1 273 147**	**1 424 071**	1 424 071	-	-	-	-
Other receivables to financial institutions	**102 899 679**	**49 037 166**	**-**	**49 037 166**	**-**	**-**	**-**
- Within one year	**102 114 729**	**49 037 166**	-	49 037 166	-	-	-
National Bank of Hungary	95 700 018	27 000 018	-	27 000 018	-	-	-
	-	-					
- Over one year	**784 950**	**-**	-	-	-	-	-
National Bank of Hungary	-	-	-	-	-	-	-
II. Receivables against customers	**486 852 708**	**637 386 394**	**41 429 279**	**61 467 814**	**125 578 186**	**190 257 749**	**218 653 366**
Receivables from financial services	**485 678 510**	**634 508 918**	**38 551 803**	**61 467 814**	**125 578 186**	**190 257 749**	**218 653 366**
- Within one year	**183 822 902**	**225 597 803**	38 551 803	61 467 814	125 578 186	-	-
- Over one year	**301 855 608**	**408 911 115**	-	-	-	190 257 749	218 653 366
Receivables from investment services	**1 174 198**	**2 877 476**	2 877 476	-	-	-	-
Total	**591 025 534**	**687 847 631**	**42 853 350**	**110 504 980**	**125 578 186**	**190 257 749**	**218 653 366**

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

31 December 2007

in HUF'000

Description	31 December 2007					31 December 2006
	EUR	USD	HUF	Other	Total	Total
1. Cash	**346 207**	**127 666**	**19 473 038**	**87 473**	**20 034 384**	**22 550 062**
2. Securities	**0**	**0**	**55 179 887**	**0**	**55 179 887**	**38 281 678**
a) State Bonds	**0**	**0**	**55 179 887**	**0**	55 179 887	33 855 100
b) Shares and other securuties	**0**	**0**	**0**	**0**	0	4 426 578
3. Receivables :	61 729 647	5 911 542	317 554 069	308 792 650	693 987 908	597 139 024
a) On sight	**928 468**	**151 908**	**0**	**343 695**	1 424 071	1 273 147
b) Maturing within one year	25 163 611	2 414 159	197 532 868	55 664 607	280 775 246	292 051 122
- to financial institutions	**3 432 893**	**2 243 930**	**36 422 824**	**6 937 519**	49 037 166	102 114 729
- to customers	**21 713 511**	**169 721**	**154 995 565**	**48 719 006**	225 597 803	183 822 903
- other receivables	**17 207**	**508**	**6 114 479**	**8 082**	6 140 276	6 113 490
c) Maturing over one year	35 637 568	3 345 475	117 143 725	252 784 347	408 911 115	302 640 557
- to financial institutions	**0**	**0**	**0**	**0**	0	784 950
- to customers	**35 637 568**	**3 345 475**	**117 143 725**	**252 784 347**	408 911 115	301 855 607
d) From investment services	**0**	**0**	**2 877 476**	**0**	2 877 476	1 174 198
4.Shares and other securitites	**0**	**0**	**5 702 267**	**590 607**	6 292 874	**195 399**
5.Shares for sale/ for investment purposes	**9 469**	**0**	**448 580**	**0**	**458 049**	**434 877**
6. Shares in affiliated companies	**0**	**0**	**0**	**0**	**0**	**1**
7.Intangible Assets	**0**	**0**	**4 177 440**	**0**	**4 177 440**	**2 834 380**
8. Tangible Assets	**0**	**0**	**27 917 574**	**0**	**27 917 574**	**24 651 488**
9. Inventories	**0**	**0**	**468 584**	**0**	**468 584**	**741 836**
10. Prepayments	**85 726**	**5 237**	**5 168 664**	**453 164**	**5 712 791**	**8 377 198**
Total: (1+ 2 + 3 + 4 +5 +6 +7 +8 +9)	**62 171 049**	**6 044 446**	**436 090 103**	**309 923 894**	**814 229 492**	**695 205 942**

V / 8. Provisions movements from 1 January 2007 to 31 December 2007

in HUF'000

Description	Opening balance	Provision (write-off)	Charge	Provision (release)	Closing balance
1. Provision for pension and severence	-	-	-	-	-
2. Provision on contingent and future liabilities	2 790 460	-	1 287 518	(928 765)	3 149 213
3. General risk provision	2 529 680	(18 512)	-	-	2 511 168
4. Other provision	199 890	-	682 149	(414 418)	467 621
Total:	**5 520 030**	**(18 512)**	**1 969 667**	**(1 343 183)**	**6 128 002**

V / 9. Provision charge/release on assets from 1 January 2007 to 31 December 2007

in HUF'000

	Description	Opening balance	Charge	Release	Closing Balance
1.	Provision on securities	-	-	-	-
2.	Provision on other financial investments	1 153	1 522	-	2 675
3.	Provision on receivables	16 175 498	15 558 036	(7 670 485)	24 063 049
	of which:				
	Financial Institutions	-	-	-	-
	Customers	14 415 761	12 488 139	(5 056 630)	21 847 270
	Receivables on Finance lease	1 591 943	2 865 196	(2 427 783)	2 029 356
	Other Receivables	167 794	204 701	(186 072)	186 423
4.	Provison on inventories, which were received against receivables	29 093	42 518	(14 197)	57 414
	Total:	**16 205 744**	**15 602 076**	**(7 684 682)**	**24 123 138**

V / 10. Securities breakdown and custody securities

31 December 2007

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	-	26 090 710	DEMAT	KELER	139 210	DEMAT	KELER
Discount T-bills	II. Securities	23 754 140	22 109 265	22 109 265	22 502 476	DEMAT	KELER	2 242 580	DEMAT	KELER
Bonds of National Bank of Hungary	II. Securities	7 000 000	6 981 093	-	6 577 914	DEMAT	KELER	-	DEMAT	KELER
Pawnletters	V. Bonds and other securities	-	-	-	-	-	-	1 500	DEMAT	KELER
Investment fund quotas	VI. Shares and other securities	2 708 765	6 292 079	-	6 461 261	DEMAT	KELER	154 254 612	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	208 000	156 000	-	156 000	FIZIKAI	ÉRTÉKTÁR	1 287 381	DEMAT	KELER
Shares	VII-VIII. Shares for invetment purposes and in affiliated companies for investment purposes	317 392	277 394	-	277 394	DEMAT	KELER	988 480	FIZIKAI	ÉRTÉKTÁR
Other security	V. Bonds and other securities	791	795	-	795	FIZIKAI	ÉRTÉKTÁR	-	-	-
Total:		**60 129 041**	**61 930 810**	**22 133 920**	**62 091 205**			**158 914 268**		

Note: the financial assets due to customers regarding to commission invenstment activity is 4.218.092 THUF at 31 December 2007.

*** In case of Shares Market Value equals to Book Value.**

V / 11. Liabilities to financial institutions and cutomers in maturity split
31 December 2007

in HUF'000

Description	Total of 31 Dec 2006	Total of 31 Dec 2007	Breakdown of the portfolio of 31 December 2007 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	**36 708 369**	**34 246 261**	**46 937**	**(802 420)**	**6 058 428**	**13 230 338**	**15 712 978**
On sight	**59 123**	**44 543**	44 543	-	-	-	-
Deposited from financial services	**36 647 948**	**34 200 420**	**1 096**	**(802 420)**	**6 058 428**	**13 230 338**	**15 712 978**
- Within one year	2 867 065	5 257 104	1 096	(802 420)	6 058 428	-	-
- Over one year	33 780 883	28 943 316	-	-	-	13 230 338	15 712 978
From investment services	**1 298**	**1 298**	**1 298**	**-**	**-**	**-**	**-**
II. Liabilities to customers	**542 982 907**	**649 455 742**	**261 028 738**	**148 765 667**	**98 629 441**	**37 069 238**	**103 962 658**
Other liabilities from financial services	**540 578 253**	**645 237 650**	**256 810 646**	**148 765 667**	**98 629 441**	**37 069 238**	**103 962 658**
- On sight	**183 256 118**	256 810 646	256 810 646	-	-	-	-
- Within one year	240 150 915	247 395 108	-	148 765 667	98 629 441	-	-
- Over one year	117 171 220	141 031 896	-	-	-	37 069 238	103 962 658
From investment services activity	**2 404 654**	**4 218 092**	4 218 092	**-**	**-**	**-**	**-**
VII. Subordinated Debt	**4 011 122**	**4 011 122**	**-**	**-**	**-**	**-**	**4 011 122**
Total:	**583 702 398**	**687 713 125**	**261 075 675**	**147 963 247**	**104 687 869**	**50 299 576**	**123 686 758**

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

31 December 2007

in HUF'000

Description	31 December 2007					31 December 2006
	EUR	Non EUR				
	EUR	**USD**	**HUF**	**Other**	**Total**	**Total**
1.Liabilities on sight	**24 575 928**	**3 246 042**	**227 964 560**	**1 068 661**	**256 855 191**	**183 315 241**
- to financial institutions	29 558	3 181	10 642	1 163	**44 544**	**59 123**
- to customers	24 546 370	3 242 861	227 953 918	1 067 498	**256 810 647**	**183 256 118**
2. Short-term liabilities	**56 369 813**	**6 953 792**	**156 149 256**	**51 758 769**	**271 231 630**	**265 398 398**
- to financial institutions	4 669 617	-116 038	-3 263 159	3 966 683	**5 257 103**	**2 867 063**
- to customers	48 975 546	6 509 540	144 237 282	47 672 740	**247 395 108**	**240 150 917**
- on issued securities	0	0	0	0	0	0
- other liabilities	2 724 650	560 290	15 175 133	119 346	**18 579 419**	**22 380 418**
3. Long-term liabilities	**4 098 149**	**231 312**	**62 001 754**	**103 645 601**	**169 976 816**	**151 013 797**
- to financial institutions	2 459 737	116 038	26 367 541	0	**28 943 316**	**33 780 883**
- to customers	1 638 412	115 274	35 632 608	103 645 601	**141 031 895**	**117 171 219**
- on issued securities	0	0	0	0	0	0
- other liabilities	0	0	1 605	0	**1 605**	**61 696**
4. Liabilities from Investments services	**0**	**0**	**4 212 837**	**6 553**	**4 219 390**	**2 405 952**
- to financial institutions	0	0	1 298	0	**1 298**	**1 298**
- to customers	0	0	4 211 539	6 553	**4 218 092**	**2 404 654**
5. Accruals	366 078	35 205	18 083 066	1 856 360	**20 340 709**	**9 450 643**
6. Provision	0	0	6 128 003	0	**6 128 003**	**5 520 031**
7. Subordinated debt	0	0	4 011 122	0	**4 011 122**	**4 011 122**
8. Shareholders' fund	0	0	81 466 631	0	**81 466 631**	**74 090 757**
Total: (1+ 2 + 3 + 4 + 5 + 6 + 7 + 8)	**85 409 968**	**10 466 351**	**560 017 229**	**158 335 944**	**814 229 492**	**695 205 942**

V / 13. Breakdown of Prepayments and Accruals at 31 December 2007

in HUF'000

Nr.	Description	31 December 2006	31 December 2007	Nr.	Description	31 December 2006	31 December 2007
	Prepaymanets				**Accruals**		
1.	Accrued interest *	6 644 863	2 747 196	1.	Accrued interest	6 017 927	13 205 809
2.	Accrued commission	405 661	563 267	2.	Accrued commission	220 651	334 760
3.	Accrued costs and expenses	483 752	402 295	3.	Accrued costs and expenses	3 208 465	6 797 499
4.	Accured interest on Securities	729 226	1 859 743	4.	Accured interest on Securities	3 437	2 619
5.	Accrued dividend from subsidiaries	0	0	5.	Accured Income	64	20
6.	Other	113 696	140 290	6.	Other	99	0
	Total:	**8 377 198**	**5 712 791**		**Total:**	**9 450 643**	**20 340 707**

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

V / 14. Income and expenditure of investment related services

31 December 2007

in HUF'000

Nr.	Description	Income		Expenditure	
		2006	2007	2006	2007
1.	Commissionnaire activities	2 202 098	1 912 220	33 447	34 406
2.	Commercial activities	148 197	132 876	104 495	107 939
3.	Safe custody activities	233 511	346 184	2 487	4 470
4.	Other activities	0	0	0	0
	Total:	**2 583 806**	**2 391 280**	**140 429**	**146 815**

V / 15. Changes in issued own shares

31 December 2007

Description	Type of share	Face value HUF	Number of shares	Value THUF
Opening total January 1, 2007				19 345 945
Closing total December 31, 2007				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 2007

in HUF'000

	Interest, fees and commissions in suspense 31 December 2006	Interest, fees and commissions in suspense 31 December 2007
Base interest	1 792 478	2 465 647
Late payment interest	257 303	357 293
Fees	495 257	690 068
Commissions	542 619	503 058
Total:	3 087 657	4 016 066

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

31 December 2007

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

Buy		Sell		Buy		Sell		Date of start	Date of maturity	Accounted profit/loss in 2007 (HUF)	Profit / Loss as of 2007.02.03	Fair Market Value
Opening value		Opening value		Value at maturity		Value at maturity						
CHF	4 000 000	HUF	618 000 000	HUF	620 760 000	CHF	4 000 000	2007.12.03	2008.01.03	3 612 903	3 612 903	10 541 708
CHF	44 000 000	HUF	6 802 840 000	HUF	6 835 510 000	CHF	44 000 000	2007.11.30	2008.01.03	46 636 765	46 636 765	123 100 021
CHF	33 000 000	HUF	5 069 790 000	HUF	5 092 068 300	CHF	33 000 000	2007.12.04	2008.01.04	-23 709 223	-23 709 223	56 955 327
CHF	17 700 000	HUF	2 685 798 000	HUF	2 716 657 950	CHF	17 700 000	2007.10.05	2008.01.07	-29 921 568	-29 921 568	14 836 693
CHF	40 000 000	HUF	6 075 200 000	HUF	6 125 240 000	CHF	40 000 000	2007.11.07	2008.01.07	-77 158 033	-77 158 033	19 458 563
CHF	32 000 000	HUF	4 904 000 000	HUF	4 926 848 000	CHF	32 000 000	2007.12.05	2008.01.08	-24 128 000	-24 128 000	41 448 348
CHF	8 000 000	HUF	1 229 760 000	HUF	1 235 334 400	CHF	8 000 000	2007.12.06	2008.01.08	-3 231 515	-3 231 515	13 976 205
CHF	56 700 000	HUF	8 609 895 000	HUF	8 706 738 600	CHF	56 700 000	2007.10.09	2008.01.09	-96 781 970	-96 781 970	49 205 971
CHF	40 000 000	HUF	6 068 400 000	HUF	6 120 360 000	CHF	40 000 000	2007.11.07	2008.01.10	-90 146 250	-90 146 250	11 919 288
CHF	38 500 000	HUF	5 754 980 000	HUF	5 819 467 500	CHF	38 500 000	2007.10.12	2008.01.11	-149 430 769	-149 430 769	-60 553 378
CHF	21 000 000	HUF	3 181 500 000	HUF	3 193 890 000	CHF	21 000 000	2007.12.13	2008.01.14	-3 898 125	-47 131 875	-14 777 646
CHF	19 000 000	HUF	2 909 090 000	HUF	2 918 371 500	CHF	19 000 000	2007.12.20	2008.01.14	0	-20 745 340	15 190 098
CHF	38 500 000	HUF	5 754 980 000	HUF	5 821 970 000	CHF	38 500 000	2007.10.12	2008.01.15	-38 905 263	-165 671 579	-61 262 629
CHF	5 000 000	HUF	773 400 000	HUF	779 842 500	CHF	5 000 000	2007.11.15	2008.01.15	0	-1 363 033	15 697 613
CHF	30 000 000	HUF	4 476 600 000	HUF	4 527 000 000	CHF	30 000 000	2007.10.16	2008.01.16	-37 669 565	-181 160 870	-57 913 605
CHF	32 500 000	HUF	4 976 075 000	HUF	4 993 241 500	CHF	32 500 000	2007.12.20	2008.01.16	0	-60 534 019	25 900 892
CHF	15 000 000	HUF	2 256 000 000	HUF	2 283 300 000	CHF	15 000 000	2007.10.10	2008.01.17	-2 484 848	-68 457 576	-9 543 159
CHF	45 400 000	HUF	6 951 648 000	HUF	6 976 445 480	CHF	45 400 000	2007.12.20	2008.01.17	0	-72 480 776	36 501 080
CHF	30 000 000	HUF	4 652 400 000	HUF	4 690 416 000	CHF	30 000 000	2007.11.20	2008.01.18	0	-59 265 153	103 577 725
CHF	36 700 000	HUF	5 571 060 000	HUF	5 592 529 500	CHF	36 700 000	2007.12.18	2008.01.18	-538 661	-104 731 145	-18 069 247
CHF	32 000 000	HUF	4 980 800 000	HUF	5 023 417 600	CHF	32 000 000	2007.11.21	2008.01.22	0	-108 969 290	128 004 226
CHF	19 500 000	HUF	2 983 500 000	HUF	2 996 038 500	CHF	19 500 000	2007.12.20	2008.01.22	0	-56 010 500	13 233 315
USD	9 000 000	HUF	1 589 850 000	HUF	1 593 181 800	USD	9 000 000	2007.12.20	2008.01.22	0	-7 889 400	36 373 658
EUR	6 300 000	USD	9 037 980	USD	9 042 422	EUR	6 300 000	2007.12.21	2008.01.22	-11 028 945	-4 129 368	-35 546 487
CHF	30 000 000	HUF	4 703 700 000	HUF	4 742 607 000	CHF	30 000 000	2007.11.23	2008.01.23	0	-61 730 066	152 356 055
CHF	32 000 000	HUF	4 872 000 000	HUF	4 898 000 000	CHF	32 000 000	2007.12.12	2008.01.23	0	-120 550 476	2 598 529
CHF	50 000 000	HUF	7 502 500 000	HUF	7 586 350 000	CHF	50 000 000	2007.10.24	2008.01.24	-25 610 870	-374 110 870	-63 331 470
CHF	42 800 000	HUF	6 434 980 000	HUF	6 507 740 000	CHF	42 800 000	2007.10.26	2008.01.25	-11 485 451	-234 054 857	-41 297 699
CHF	26 000 000	HUF	4 108 000 000	HUF	4 141 306 000	CHF	26 000 000	2007.11.26	2008.01.25	0	-4 686 500	161 828 271
CHF	17 000 000	HUF	2 636 530 000	HUF	2 661 579 500	CHF	17 000 000	2007.11.19	2008.01.28	0	-45 150 300	58 838 217
CHF	11 000 000	HUF	1 726 340 000	HUF	1 740 717 000	CHF	11 000 000	2007.11.27	2008.01.28	0	-16 546 484	56 471 456
CHF	36 000 000	HUF	5 413 680 000	HUF	5 474 178 000	CHF	36 000 000	2007.10.29	2008.01.29	-8 862 457	-200 409 848	-37 187 994
CHF	61 020 400	EUR	37 000 000	EUR	37 000 000	CHF	60 902 592	2007.12.06	2008.01.08	-16 823 205	-16 823 205	85 530 924
CHF	27 142 824	USD	24 000 000	USD	24 000 000	CHF	27 072 024	2007.12.06	2008.01.08	-34 974 545	-34 974 545	13 447 649
CHF	10 855 355	GBP	4 700 000	GBP	4 700 000	CHF	10 819 400	2007.12.06	2008.01.08	-51 076 538	-51 076 538	-30 165 609
CHF	9 935 200	USD	8 800 000	USD	8 800 000	CHF	9 911 695	2007.12.11	2008.01.11	-21 193 821	-21 193 821	6 879 212
CHF	20 957 580	EUR	12 600 000	EUR	12 600 000	CHF	20 922 124	2007.12.14	2008.01.14	0	-38 270 319	350 601
CHF	13 336 000	EUR	8 000 000	EUR	8 000 000	CHF	13 314 760	2007.12.18	2008.01.18	-1 105 302	-27 130 851	-4 875 822
CHF	8 300 000	EUR	5 000 000	EUR	5 000 000	CHF	8 287 625	2007.12.20	2008.01.22	0	-15 000 011	1 901 275
CHF	10 363 500	USD	9 000 000	USD	9 000 000	CHF	10 341 000	2007.12.20	2008.01.22	-7 561 740	-20 360 220	-25 018 980
										-717 476 995	**-2 684 866 491**	**796 579 195**

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

The Bank standardized its balance sheet preparation day, therefore the accounted loss was 717 million HUF. The loss would had been 2 685 million HUF as of the earlier preparation day. The above listed currency Swap deals showed 797 million HUF profit by fair market valuation as of 31 December 2007.

The closed currency Swap deals made 7 590 631 000 HUF positive cash flow in 2007. The Bank had a profit of 8 324 042 THUF due to these closed deals during the year (considering the 2006 year-end Spot deals with revaluation in 2007). The interest Swap and Forward deals had no significant impact on cash flow and profit.

V / 18. Changes of Shareholders' Equity in 2007

in HUF'000

Description	Opening value	Increase	Decrease	Transfer *	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	35 398 084	3 492 830	0	1 938 999	40 829 913
Valuation Reserve	0	0	0		0
Capital Engaged	430		162		268
General Reserve	3 915 305	1 573 833	0		5 489 138
Profit for the year	7 076 246	5 802 043	7 076 246		5 802 043
Changes in Subsidiaries Equity	6 621 038	3 595 517	217 459		9 999 096
Changes due to Consolidation	1 733 480	205 519	0	-1 938 999	0
SHAREHOLDERS' FUND	**74 090 757**	**14 669 742**	**7 293 867**	**0**	**81 466 631**

Note:
The Bankgroup has made 10% General Reserve on the Bank's Profit after taxation.
* Prior to 2007 Provision on Subsidiaries Investments was showed in the line of Changes in Subsidiaries Equity. This amount of 1 938 999 THUF has been reclassified to Retained Earnings.

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

31 December 2007

in HUF'000

Currency	Foreign currency receivables	Foreign currency liabilities
HUF	3 276 629	1 066 641
USD	388 315	295 432
SKK	43 692	56 537
JPY		428
CZK		3 379
EUR	360 791	1 749 413
PLN	73 065	84 958
AUD	13 590	12 330
SEK		14 688
DKK	316	3 126
GBP	20 690	78 567
CAD	0	7 591
CHF	359 332	1 026 834
Total	**4 536 420**	**4 399 924**

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

31 December 2007

Data in million HUF

Description	Listing value	
	31 December 2006	31 December 2007
I.) Securities	**7 766**	**22 109**
a) available for sale	7 766	22 109
b) for investment puposes		
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	25	25
ba) available for sale	25	25
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		
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:	**7 791**	**22 134**

VI. Additional information

VI / 1. Financial ratios*

		2006			2007		
Profitability Ratios							
Marge	Profit after tax / Revenue	7 473 000 / 147 555 000	=	5,06%	7 384 000 / 177 772 000	=	4,15%
ROA	Profit after tax / Average total assets	7 473 000 / 629 443 805	=	1,19%	7 384 000 / 754 717 500	=	0,98%
ROE (1)	Profit after tax / Shareholders' funds	7 473 000 / 74 090 000	=	10,09%	7 384 000 / 81 466 000	=	9,06%
ROE (2)	Profit after tax / Share capital	7 473 000 / 19 346 000	=	38,63%	7 384 000 / 19 346 000	=	38,17%
ROE (3)	Net income of financial services / Shareholders' funds	7 508 000 / 74 090 000	=	10,13%	7 294 000 / 81 466 000	=	8,95%
Capital coverage Ratios							
Gearing	Balance sheet total / Shareholders' funds	695 206 000 / 74 090 000	=	9,38	814 229 000 / 81 466 000	=	9,99
Liquidity and Coverage							
Liquidity ratio	Liquid assets / Short term liabilities	330 178 000 / 451 120 000	=	0,73	340 988 000 / 532 306 000	=	0,64
Loans in percetage of deposits	Total loans and leases / Total deposits	591 026 000 / 579 691 000	=	101,96%	687 848 000 / 683 702 000	=	100,61%
Asset Quality Ratios							
Risk Provision %	Provision / Balance sheet total	21 725 774 / 695 206 000	=	3,13%	30 251 140 / 814 229 000	=	3,72%
Risk Provision Coverage	Provision / Shareholders' funds	21 725 774 / 74 090 000	=	29,32%	30 251 140 / 81 466 000	=	37,13%
Effectivity Ratios							
Profit per employee	Profit after taxation / Average no. of employees	7 473 000 / 2 867	=	2 607	7 384 000 / 3 467	=	2 130
Wage Cost effectiveness	Profit after taxation / Total salaries&wages	7 473 000 / 13 812 000	=	54,11%	7 384 000 / 16 994 000	=	43,45%

* Balances in HUF'000

VI / 2. Subordinated loans

31 December 2007

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 regarding half year period from 20/06/2007 4.02%, from 20/12/2007 3.76%
Date of issue:	20 December 1994
Maturity:	20 December 2014
Currency:	HUF

VI / 3. Off-balance sheet items

in HUF'000

Description	31 December 2006	31 December 2007
Commitments and contingent liabilities	**184 694 514**	**207 088 645**
- unused overdraft facilities, non-disbursed approved loans	60 515 763	59 519 878
- guarantees of indebtedness	33 104 119	38 121 250
- other commitments	89 657 475	108 319 962
-of which yield guarantee	40 153 528	42 234 205
- letters of credit	1 417 157	1 127 555
Futures liabilities	**157 783 666**	**170 352 037**
- futures pension and severance payments	0	0
- payment liabilities on interest swap transactions	27 783	0
- of which subsidiaries	27 783	0
- forward transactions	0	0
- spot transactions	2 743 507	4 399 924
- transactions with securities	0	0
- liabilities on swap transactions	154 957 872	165 914 523
- of which subsidiaries	154 957 872	165 914 523
- HUF liabilities on forward transactions	0	0
- liabilities on forward transactions without transfering capital	54 504	37 590
Total off-balance sheet liabilities:	**342 478 180**	**377 440 682**
Off-balance sheet receivables		
- swap transactions (FX)	161 920 648	167 139 475
- spot transactions	2 744 162	4 536 420
- receivables on transaction without transfering capital	56 200	40 025
- receivables on interest rate swap transactions	27 429	0
Total off-balance sheet receivables:	**164 748 439**	**171 715 920**

Note
Value of assets obtained as collateral or guarantee deposit related to financial services is 683 308 Million HUF (excluding assigned revenue and receiavble assignement) as of 31 December 2007.

VI / 4. Extraordinary income and expense

in HUF'000

Nr	Description	Amount	
		31 December 2006	31 December 2007
1.	Sundry donations	-427 733	-533 219
2.	Donations, assets given for free	-16 413	-217 397
3.	Penalty, late payment interest	7 411	0
4.	IT equipment and networks handed over without reimbursement or found	115	131
5.	Dividend renounced by GE	0	6 958
6.	Receivables written off	-57 909	-76 064
7.	Other	-174	684
	Total:	**-494 703**	**-818 907**

VI / 5. Corporate tax base adjustments in 2007

in HUF'000

Items decreasing the profit before taxes		Items increasing the profit before taxes	
1. Depreciation according to the Tax Law	9 903 398	1. Depreciation expense on the basis of the Accounting Law	9 521 242
2. Money contribution received without repayment	119 245	2. Subsidies provided, receivables forgiven	192 614
3. Funds contributed to foundations and other public institutions	7 282	3. Provision on receivables	3 486 900
4. The part of the provision accepted by taxation law	2 220 389	4. Uncollectable receivables forgiven	121 233
5. Tax audit correction items accounted as revenue	581 800	5. Tax audit correction items accounted as expense	157 861
6. Dividend received	12 254 877	6. Penalties and fines	15 365
7. Remitted liabilities	6 958	7. Provision for future liabilities and contigencies	859 600
8. Income from receivables previous dedicated as uncollectable	6 673	8. Write-off of inventory	0
9. Previous years' accured losses	0	9. Other	123 025
10. Provision on contingent and future liabilities	222 423		
11. 100% of Local Business Tax	1 801 163		
12. Release on inventory provision	0		
13. Remitted penalties	0		
14. Other	245 837		
Total	**27 370 045**	**Total**	**14 477 840**

VI / 6. Corporate tax calculation

in HUF'000

Nr	Description	31 December 2006	31 December 2007
1.	**Profit before tax**	**9 298 433**	**20 391 120**
2.	Decreasing items in the corporate tax base	14 705 240	27 370 045
3.	Increasing items in the corporate tax base	13 360 799	14 477 840
4.	**Tax base**	**7 953 992**	**7 498 915**
5.	**Corporate tax charge**	1 460 745	1 289 142
6.	**Tax incentives**	344 865	451 423
7.	**Corporate tax charge after deduction of incentives**	1 115 880	837 719
8.	**Income tax for banks**	584 212	0
9.	**Solidarity Tax**	124 880	361 428
10.	**Total tax charge**	**1 824 972**	**1 199 148**

VI / 7. Breakdown of costs according to cost types

31 December 2007

in HUF'000

Nr.	Description	31 December 2006	31 December 2007
1.	**Material expenses**	1 207 471	1 315 429
2.	Wage cost	13 811 748	16 993 783
3.	Other personal type payments	709 343	1 032 321
4.	Other fees	-	11 916
5.	Benefit in kind which do not increase the corporate tax base and representation cost	525 718	690 630
6.	Benefit in kind which increases the corporate tax base	17 745	22 660
7.	Other payments	2 472	1 308
8.	**Personal expenses (2.+3.+4.+5.+6.+7.)**	15 067 026	18 752 618
9.	Pension and health contribution	4 176 635	5 165 450
10.	Health contribution	104 727	118 501
11.	Employer contribution	404 459	497 006
12.	Educational contribution	198 062	243 008
13.	Other personal type expenses	228 444	296 472
14.	**Social security expenses (9.+10.+11.+12.+13.)**	5 112 327	6 320 437
15.	Cost of transport and storage	217 498	208 284
16.	Rental fees	1 935 740	2 266 325
17.	Maintenance cost	2 168 494	3 174 594
18.	Marketing cost	2 185 130	3 714 958
19.	Training cost	159 955	261 568
20.	Travelling and delegation cost	273 656	385 808
21.	Post and telephone costs	1 589 464	1 751 421
22.	Intellectual services	4 228 293	4 579 168
23.	Other services used	2 411 722	1 863 732
24.	**Material type services used (15.+16.+17.+18.+19.+20.+21.+22.+23.)**	15 169 952	18 205 858
25.	**Depreciation**	2 767 765	3 151 094
26.	**Other costs**	-	-
27.	Subcontructors performance	-	-
28.	Reinvoiced capital work in progress	1 530 151	1 612 275
29.	Loss related to injury	-	-
30.	Cost of good sold	38 372 873	46 412 717
31.	Depreciation	4 466 085	3 957 092
32.	Assets received against receivables	-	-
33.	Material cost	28 675	33 464
34.	Personal cost	452 930	560 428
35.	Social security type costs	148 009	185 983
36.	Cost of used services	616 298	530 073
37.	Other costs	305 730	466 696
38.	**Expenses of non-financial and non-investment services (27-37.)***	45 920 751	53 758 728
39.	**Total (1.+ 8.+ 14.+ 24.+ 25.+26.+38.) :**	**85 245 292**	**101 504 164**

*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 2007

in HUF'000

Nr.	Description	31 December 2006	31 December 2007
1.	Fixed assets sold out	-171 699	-69 547
2.	Self-revision	-693	-220
3.	OBA and other membership fees	-370 058	-408 407
4.	Uncollectable receivables forgiven	-1 567 969	-241 896
5.	Movements in provision	221 602	-200 829
6.	Provision for stocks	-1 629	-22 601
7.	Extraordinary depreciation	-65 756	-65 530
8.	Sale of receivables	-2 248 259	-2 384 832
9.	Previous year's expediture	0	443 147
10.	Local taxes	-1 668 195	-2 056 923
11.	Taxes paid for the state	49 283	48 080
12.	Penalties and late payment fee	50 106	63 541
13.	Corporate Tax related to previous years	-41 725	-8 514
14.	Subcontractors performance	-361 677	226 327
15.	Non-recoverable VAT	-103 784	-133 867
16.	Other	238 453	153 811
	Total	**-6 042 000**	**-4 658 260**

VI / 9. Cash-flow statement

in HUF'000

	Description	2006	2007
01.	Interest income	56 148 072	71 965 675
02.	+ Income on other financial services	30 150 170	35 894 938
03.	+ Other income (without provision)	3 744 481	3 855 536
04.	+ Income on investment related services	2 481 512	2 391 280
05.	+ Income on non-financial and non-investment related services	48 205 547	55 867 089
06.	+ Dividends received	175 136	254 877
07.	+ Extraordinary income	7 526	7 774
08.	- Interest expenses	-18 809 694	-26 044 655
09.	- Expenditures on of other financial services	-13 335 713	-16 287 317
10.	- Other expenditures (without provisions)	-10 009 798	-7 400 083
11.	- Expenditure on investment related services	-140 429	-146 815
12.	- Expenses on non-financial and non-investment related activity	-45 920 751	-53 758 728
13.	- Operating costs	-36 556 776	-44 594 342
14.	- Extraordinary expenditures	-502 229	-826 680
15.	- Taxes	-1 824 972	-1 198 945
16.	- Dividends paid	-8 227	-8 227
17.	**OPERATING CASH FLOW (Lines 1-16)**	**13 803 855**	**19 971 377**
18.	± Change in liabilities	121 003 790	100 149 638
19.	± Change in receivables	-125 382 579	-105 595 807
20.	± Change in inventories	-340 377	250 793
21.	± Change in securities among current assets	2 436 028	-23 020 339
22.	± Change in investments	4 928	-39
23.	± Change in construction (including advances)	-81 606	-1 050 267
26.	± Change in intangible assets	-1 424 773	-2 502 851
24.	± Change in tangible assets (excluding constructions)	-1 808 403	-4 272 652
25.	± Change in prepayments	-3 641 395	2 664 407
27.	± Change in accruals	3 403 591	10 890 065
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.	- Cancelled own shares	0	0
33.	**NET CASH FLOW (Lines 18-34)**	**7 973 058**	**-2 515 675**
34.	Of which: - change in cash (in HUF and foreign currency)	1 720 433	177 086
35.	- money in account	6 252 625	-2 692 761

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

31 December 2007

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	2 800	1 208	1 592	Insurance on Real Estate
1. Subtotal:	**2 800**	**1 208**	**1 592**	
2. Employee loans on preferential rate				
- Board of Directors	19 724	11 908	7 816	Long-term loan
- Management	0	0	0	with property pledge
- Supervisory Board	3 000	1 493	1 507	Insurance on Real Estate
2. Subtotal:	**22 724**	**13 401**	**9 323**	
3. Mortgage				
- Board of Directors	39 500	6 125	33 375	Long-term loan
- Management	0	0	0	with property pledge
- Supervisory Board	90 623	11 101	79 522	Insurance on Real Estate
3. Subtotal:	**130 123**	**17 226**	**112 897**	
Total:	**155 647**	**31 835**	**123 812**	

The members of the Board of Director has in total 1.950.000 HUF overdraft facility and 8.265.000 HUF limit for credit card.
The members of the Supervisory Board has in total 4.600.000 HUF overdraft facility and 17.210.000 HUF limit for credit card.

VI / 11. Salaries and Wages

31 December 2007

in HUF'000

Description	Type of employee		Total:
	Manual worker	White collar	
1. Salaries and wages	0	19 199 861	**19 199 861**
a. Payroll cost	0	17 401 803	**17 401 803**
b. Other personal type payments	0	1 798 058	**1 798 058**
2. Salaries and wages paid on sick leave	0	128 334	**128 334**
Total (1 + 2) :	**0**	**19 328 195**	**19 328 195**

VI / 12. Number of employees

31 December 2007

PERIOD	Number of employees (average figure)		
	Manual worker	White collar	Total
2006	-	2 867	**2 867**
2007	-	3 467	**3 467**

VI / 13. Large loans

in HUF'000

	31 December 2006	31 December 2007
The total of large loans as at balance sheet closing date	0	14 603 644
Number of clients, having large loans	0	2

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

31 December 2007

Description	Number of people entitled to remuneration	Amount of remuneration in HUF'000
Work Council	12	5514
Board of Directors	0	0
Supervisory Board	2	7200
Total :	**14**	**12 714**

VII.BUDAPEST BANK GROUP

BUSINESS REPORT

31 DECEMBER 2007

CAPITAL POSITION OF THE BANK GROUP

The capital position of the Bank-group is stable. At the end of 2007, the shareholders' equity, together with the HUF 5,802 million retained profit proposed for approval to the shareholders' meeting, amounted to HUF 81,466 million.

At 31 December 2007 General Electric (GECIFC) held 99.72% of the shares.

In addition to the HUF 40,830 million retained earnings accumulated in the course of the previous years, the Bank-group has a total general reserve of HUF 5,489 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 17% and amounted to HUF 814 billion from HUF 695 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 126 billion (15 % of the total assets on December 31, 2007).

Loan receivable increased 31 % to HUF 637 billion at the end of the year. During 2007 the Bank-group focused on the consumer, small and medium size loan portfolio. A very significant 36% 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 378 billion.

The small and medium-size loan increased over the market growth rate as well, averaging 26% per annum and amounting to HUF 200 billion, indicating the importance of this segment in the Bank-group's strategy.

Reserves made on loan receivables increased only slightly from HUF 16,175 million to HUF 24,063 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 decreased by 6% to 212,734 billion from 226,049 billion during 2007. (Last year the deposit increased by 50%). The mortgage loans also increased by 67 % which is far exceeds the market growth to 140,91 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 26% to 103,3 billion from 81,8 billion. Within this portfolio, cash card expanded the highest by 40% compared to last year. Budapest Autófinanszírozási Zrt. increased its portfolio by 20 % (by keeping its portfolio quality) from 101,7 to 122,1 billion in spite of the autofinancing market strong recession in 2007.
The commercial department enlarged significantly the product scale of the factoring program started in May 2005 which helped to reach 18 billion turnover by the end of the year (compared to 11,6 billion turnover in 2006).
In the scope of the POS placement program also started in 2005, more than 308 POS terminals were put into operation by the year end.

In 2007 the Budapest Bank carried on the accomplishment of its growth strategy: the bank network had 121 units at the end of the year including 98 branches, 8 loanshops and 15 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 buiilding: as a result of a 1 billion HUF investment the second back-office center was opened in Békéscsaba in June 2006. The number of employees was 373 at the end of 2007.

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 2007 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 2008 will be the year of investments as well.

PROFITABILITY

In the year 2007, the annual net income after tax of Budapest Bank-group was HUF 7,384 million, which is HUF 89 million lower than in prior year.

The decrease has several factor. The net interest increased 23% by HUF 8,583 million compared to prior year. Still a similar driver of profitability remained the generation of fee and other financial income, which increased by 16% in amount by HUF 2,696 million compared to 2006.

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 2007, operating expenses increased 21% by HUF 8,421 million compared to prior year. Within this, salary is higher by HUF 4,894 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 2007 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 (January 12, 2008). For the deals 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.

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.

54% 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 2007.

69% 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 2007 that influences significantly the operation of the Bank-group.

Budapest, 18 March 2008

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