



UniCredit Jelzálogbank Zrt.
Financial Statements
and Independent Auditors' Report
for the year ended 31 December 2006



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Independent Auditors' Report

To the shareholder of Unicredit Jelzálogbank Zrt.

We have audited the accompanying financial statements of Unicredit Jelzálogbank Zrt. (formerly: HVB Jelzálogbank Zrt. and hereinafter referred as: the "Bank"), which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of recognised income and expense and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2 February 2007

KPMG Hungária Kft.




John Varsanyi
Partner

UNICREDIT JELZÁLOGBANK ZRT
Balance Sheet
for the year ended 31 December 2006

(HUF million)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Assets			
Nostros with banks	9	374	331
Placements with, and loans and advances to other banks	10	59,476	71,667
Loans and advances to customers	11	29,831	26,824
Interest receivable and other accruals		1,431	718
Deferred tax assets		21	
Other assets		14	588
Available for sale financial assets	12	7,823	1,131
Held to maturity investments	13	3,376	5,231
Property, plant and equipment	14	56	19
Intangible assets	15	<u>238</u>	<u>246</u>
Total assets		<u>102.640</u>	<u>106.755</u>
Liabilities			
Deposits and loans from other banks	16	17,251	21,909
Issued mortgage bonds	17	70,851	71,528
Interest payable and other accruals		4,649	5,154
Deferred tax liabilities			
Other liabilities	18	<u>23</u>	<u>29</u>
Total liabilities		<u>92.774</u>	<u>98.620</u>
Shareholder's Funds			
Share capital	19	3,000	3,000
Capital reserve (share premium)		783	783
General reserve		563	381
General risk reserve		316	322
Valuation reserve		(83)	-
Retained earnings		<u>5,287</u>	<u>3,649</u>
Total Shareholder's Funds		<u>9.866</u>	<u>8.135</u>
Total liabilities and Shareholder's Funds		<u>102.640</u>	<u>106.755</u>

2 February 2007



 General director

UniCredit Jelzálogbank Zrt.
 4.



 Chief accountant

The accompanying notes (1-29) form an integral part of these financial statements.

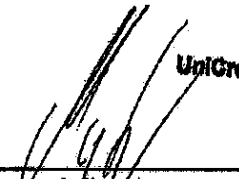
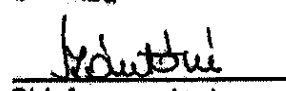
UNICREDIT JELZÁLOGBANK ZRT
Income Statement
for the year ended 31 December 2006

(HUF million)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Interest and similar income	5	9,699	10,233
Interest expense and similar charges	5	<u>(6,328)</u>	<u>(6,960)</u>
Net interest income		<u>3,371</u>	<u>3,273</u>
Impairment and losses on credit products	21	(84)	(6)
Net interest income after risk provisions		<u>3,287</u>	<u>3,267</u>
Fee and commission income		105	12
Fee and commission expense		<u>(37)</u>	<u>(43)</u>
Net fee and commission income		<u>68</u>	<u>(31)</u>
Net trading income	6	6	14
General administrative expenses	7	(989)	(933)
Net other operating income / (expenses)	8	<u>(8)</u>	<u>(8)</u>
Operating profit		<u>2,364</u>	<u>2,309</u>
Capital gains/(losses)			
Net other income /(expense)			
Profit before tax		<u>2,364</u>	<u>2,309</u>
Income tax expense	20	<u>(550)</u>	<u>(514)</u>
Net profit for the year		<u>1,814</u>	<u>1,795</u>

2 February 2007

UniCredit Jelzálogbank Zrt.

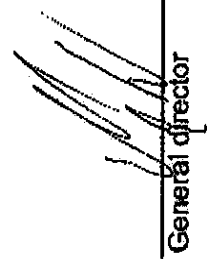
 <hr style="width: 80%; margin: 0 auto;"/> General director	 <hr style="width: 80%; margin: 0 auto;"/> Chief accountant
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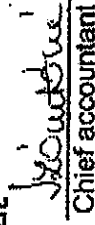
UNICREDIT JELZÁLOGBANK ZRT
Statement of Changes in Shareholder's Equity
For the year ended December 31, 2006

	<u>Note</u>	<u>Ordinary Shares</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>General Reserve</u>	<u>General Risk</u>	<u>Valuation reserve</u>	<u>Total</u>
(HUF million)								
Balance 1 January 2005		<u>3,000</u>	<u>783</u>	<u>2,085</u>	<u>207</u>	<u>265</u>		<u>6,340</u>
Net profit for the year				<u>1,795</u>				<u>1,795</u>
Appropriations								
Transfer from retained earnings				<u>(231)</u>	<u>174</u>	<u>57</u>		<u>-</u>
Balance 31 December 2005		<u>3,000</u>	<u>783</u>	<u>3,649</u>	<u>381</u>	<u>322</u>		<u>8,135</u>
Gains and losses recognised directly in equity in accordance with IAS 39							<u>(83)</u>	<u>(83)</u>
Net profit for the year				<u>1,814</u>				<u>1,814</u>
Appropriations								
Transfer from retained earnings				<u>(176)</u>	<u>182</u>	<u>(6)</u>		<u>-</u>
Balance 31 December 2006		<u>3000</u>	<u>783</u>	<u>5,287</u>	<u>563</u>	<u>316</u>	<u>(83)</u>	<u>9,866</u>

2 February 2007


 General director

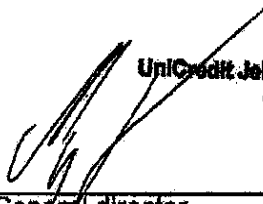
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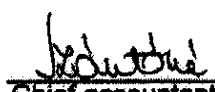

 Chief accountant

The accompanying notes (1-29) form an integral part of these financial statements.

UNICREDIT JELZÁLOGBANK ZRT
Statement of Cash Flows
for the year ended 31 December 2006

(HUF million)	Note	2006	2005
Cash flows from operating activities:			
Net profit for the year		1,814	1,795
thereof interest received		9,699	10,233
interest paid		6,328	6,960
Adjustment to determine net cash provided by operating activities			
Depreciation		150	119
Net change in accrued income and other assets and accrued expense and other liabilities		(366)	682
Income taxes paid		(568)	(552)
(Increase)/Decrease in current account and deposits with banks		8,511	(9,500)
Increase in loans and advances to customer, net		(2,923)	(6,184)
Increase in individual mortgage rights purchased		3,680	(1,919)
Increase in deposits, net of withdrawals		(4,658)	9,573
Cash flow from / (used in) operating activities		<u>3,826</u>	<u>(7,781)</u>
Investing Activities			
Purchases of intangibles and equipment		(197)	(97)
Disposal of intangibles and equipment		10	0
Increase in securities purchased		(4,733)	(717)
Cash flow from / (used in) investing activities		<u>(4,920)</u>	<u>(814)</u>
Financing activities			
Increase in mortgage bonds issued, net		(677)	7,024
Cash flow from / (used in) financing activities		<u>(677)</u>	<u>7,024</u>
Net increase /(decrease) in cash and cash equivalents		43	224
Cash and cash equivalents at beginning of year		331	107
Cash and cash equivalents at year end		<u>374</u>	<u>331</u>


 UnCredit Jelzalogbank Zrt.
 General director


 Chief accountant

The accompanying notes (1-29) form an integral part of these financial statements.

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

1. General information

UniCredit Jelzálogbank Zrt - formerly HVB Jelzálogbank Zrt – („the Bank”) is a mortgage bank which was established in Hungary on June 1, 1998. The Bank’s ultimate holding company is Unicredito Italiano Spa. The registered office of the Bank is at 1065 Budapest, Nagymező u. 44.

The Bank’s operations are regulated by Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds. In accordance with the Act, the Bank may grant loans covered by mortgages on real estate located in the territory of the Republic of Hungary and issue mortgage bonds. The Bank may not collect deposits from the public.

The Bank’s registered capital consists of 3,000 ordinary shares with a par value of 1,000,000 Hungarian Forint (HUF) per share. As at 31st December 2006, UniCredit Bank Hungary Zrt (formerly HVB Bank Hungary Zrt) held 3,000 shares.

2. Significant accounting policies

a) Statement of Compliance

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

The financial statements were approved by management on 2 February 2007.

b) Basis of preparation

The financial statements have been prepared on a fair value basis for derivative financial instruments, financial assets and liabilities at fair value basis through profit or loss, and available-for-sale financial assets, except those for which a reliable measurement of fair value is not available. Assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, net of accumulated impairment losses (if applicable), or historical cost.

The financial statements are presented in HUF million (MHUF) unless otherwise stated.

c) Comparatives

Certain balances have been restated and reclassified to provide consistency for presentation purposes.

d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and unrestricted balances held with banks. Cash and cash equivalents are carried at amortised cost in the balance sheet.

e) Financial instruments

i. Classification

Financial assets and financial liabilities at fair value through profit or loss are those that the Group principally holds for the purpose of short-term profit taking. These include investments, bonds, certain purchased loans and derivative contracts that are not designated as effective hedging instruments.

Loans and receivables are loans and receivables created by the Bank other than those created with the intention of short-term profit taking. Loans and receivables consist of loans and advances to banks and customers.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain debt instruments.

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available for sale instruments include certain debt and equity investments.

ii. Recognition and de-recognition

The Bank recognises financial assets and liabilities from trade date. From this date any gains and losses arising from changes in fair value of the assets are recognised. All loans and receivables are recognised when cash is advanced to the counterparty.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

iii. Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all financial assets and liabilities at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that, where no quoted market price exists in an active market and fair value cannot be reliably measured, these are stated at cost (including transaction costs) less impairment.

All non-trading financial assets, loans and receivables and held to maturity investment are measured at amortized cost less accumulated impairment losses. Premiums and

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

discounts are included in the carrying amount of the related instrument and are amortised. Financial assets, with the exception of loans which are reviewed quarterly, are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indicator of an impairment exists, the asset's recoverable amount is estimated.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash-flow techniques.

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

Gains and losses on subsequent measurement

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

f) Foreign currency transactions

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (functional currency). The accounting records of the Bank are also maintained in this currency.

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

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

g) Securities

Securities can be held for available-for-sale or held-to-maturity purposes. The principles governing the recognition and recording of each category of security is stated in Note 2.h.) below.

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

Investments that the Bank holds for the purpose of short-term profit taking are classified as financial assets at fair value through profit or loss. Debt instruments that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity investments. Other investments are classified as available-for-sale financial assets.

h) Equity investments

Equity investments that the Bank hold for the purpose of short-term profit taking are classified as financial assets, at fair value through profit or loss. Other equity investments are classified as available-for-sale financial assets. The measurement of these equity investments is stated in Note 2.e.).

i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Property, plant and equipment are reviewed periodically and items which are considered to have no further value are depreciated in full.

j) Intangible assets and goodwill

Intangible assets are stated at historical cost less accumulated depreciation. Intangible assets are reviewed periodically and items which are considered to have no further value are depreciated in full.

Goodwill (negative goodwill) arise on the acquisition of subsidiaries. Goodwill is measured at cost less accumulated impairment losses.

k) Depreciation and amortization

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

	Depreciation rate %
Buildings	2
Office equipment	14.5-33
Motor vehicles	20

Property rights, being the right to use certain land and buildings, are amortized at a rate of 10% per year. It is the Bank's policy to review the book value of the property rights periodically to ensure that such rights are not stated at amounts greater than their realizable value.

l) Loans and advances

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

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

m) Impairment and losses on credit products

It is the policy of the Bank to review periodically its portfolio of loans and advances to make provisions for impairment where necessary. Impairment is based on an individual assessment of the recoverability of outstanding amounts. Increases and decreases in the provisions for impairments are charged to the income statement.

n) Independent mortgage rights

An independent mortgage right is a type of mortgage, which can be transferred to third person without the assignment of the claim.

The Act on Mortgage Loans and Mortgage Bonds permits a mortgage bank to purchase independent mortgage rights from credit institutions. The purchase of such mortgage rights from a credit institution does not necessitate the transfer of credit default risk which remains with the credit institution.

o) Mortgage bonds

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

p) General reserve

In accordance with Section 75 of Hungarian Act No. CXII of 1996, a general reserve equal to 10% of the net post tax income is required to be made in the Hungarian statutory accounts. Increase in the general reserve, as calculated under Hungarian Accounting and Banking Rules are treated as appropriations from retained earnings, and are not charged against income.

q) General risk reserve

Under Section 87 of Hungarian Act No. CXII of 1996 a General Risk Reserve of 1.25% of the risk weighted assets may be made. Under Hungarian law the amount of the general risk reserve is charged to the income statement and is a tax deductible expense.

This amount has been reserved from the Hungarian statement of income in these IFRS financial statements and has been treated as an appropriation of retained earnings.

r) Valuation reserve

The valuation reserves are part of the Shareholder's equity. Under the IFRS principles the valuation reserves include the Cash-flow hedge reserve and Available for sales instrument reserve less deferred tax in Note 2.e.) above.

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

s) Income

Net Interest Income

Interest income and interest expense for the year are recognized on an accruals basis, together with the application of the effective interest rate method on all instrument measured at amortised cost. Interest income is not recognised on loans where there is a reasonable likelihood of non-collection. Income from equity interests is also included in this item.

Net Fee and commission income

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

Net trading result

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

Capital gain/(loss)

Capital gain/(loss) includes the net result from arising from capital transaction from equity investments other than the Bank holds for the purpose of short-term profit taking and are not classified as financial assets at fair value through profit or loss.

t) Impairment

The carrying amount of the assets of the Bank is reviewed at each balance sheet date to determine whether there is any indication of impairment. Any resulting impairment loss is recognised in the income statement.

u) Income tax

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

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized.

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

v) Currencies and Effective Interest Rates

The Bank conducts transactions in the ordinary course of business in various currencies including HUF and uses various financial instruments at its disposal. Financial assets and financial liabilities on and off balance sheet are denominated in these currencies and unless otherwise stated are disclosed at fair value unless otherwise stated. Banking transactions unless otherwise stated are effected at market rates unless otherwise stated.

w) Events after the balance sheet date

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

x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

3. Risk management policies

The most significant business risks to which the Bank is exposed are market interest rate, liquidity, foreign exchange rate and credit risks. The Bank takes an approach to managing risk, tailored for specific Hungarian legal and business requirements. Integrated and on-line systems ensure constant, timely monitoring of risk.

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

Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates affect the interest margins. Gaps in the value of assets, liabilities and off-balance sheet instruments that mature or reprice in a given period generate interest rate risk. The Bank may reduce this risk by matching the repricing of assets and liabilities with derivatives as well as with pricing/maturity techniques.

Interest rate risk is limited by the Asset Liability Committee ('ALCO'), which establishes and delegates position limits and monitors such limits to restrict the effect of movements in interest rates on earnings (from the fluctuating value of on and off-balance sheet assets and liabilities). In controlling each entity's maturity structure, ALCO considers amongst

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

others, macro and microeconomic forecasts, global capital market trends and forecasts, liquidity conditions and the anticipated direction of interest rate changes.

Liquidity risk

The objective of prudential liquidity management is to ensure that the Bank has the ability to generate sufficient funds to meet all cash flow obligations as these fall due. Effective liquidity management is critical to maintaining market confidence, and protecting the capital base while permitting effective growth. In managing its liquidity the Bank takes into account various legal requirements and limitations.

Limits regarding the maximum net outflow of funds in a particular period are in place and are approved and monitored by ALCO.

Daily liquidity reports are provided to senior management to enable timely liquidity monitoring. Contingency plans are also in place to satisfy funding requirements in the event of a market disruption.

Foreign exchange rate risk

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

ALCO establishes and is responsible for the monitoring of specific regulations based on statutory and internal limits relevant to the management of foreign exchange rate risk.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a default by a counterparty in their contractual obligation to the Bank. Credit risk is primarily managed by the Credit Committee. The committee establishes credit regulations including the approval

process, portfolio limit concentration guidelines, approval of discretionary limits, formulation of standards for the measurement of credit exposures and the risk rating of clients based on the assessment of management quality and financial statements. All outstanding loans are reviewed at least quarterly. Loans are classified based on a point rating system, which incorporates qualitative and quantitative factors.

4. Use of estimates and judgment

These disclosures supplement the commentary on risk management policy.

Impairment for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.(l), (m) and risk management policy 3.

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

Determining fair value

The fair value valuation techniques for financial assets and liabilities is described in note 28.

Financial assets and liabilities classification

The Group's accounting policies determine the different accounting categories for the classification of financial assets and liabilities. The criteria of them is determine in accounting policies 2.(e.)(g)

Qualifying hedge relationships

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

5. Net interest income

(HUF million)	<u>2006</u>	<u>2005</u>
Interest and similar income		
Interest income from other banks	6,186	6,920
Interest income from customers	2,783	2,741
Interest income on securities	<u>730</u>	<u>572</u>
	<u>9,699</u>	<u>10,233</u>
Interest expense and similar charges		
Interest expense to other banks	(419)	(284)
Interest expense to customers	(23)	-
Interest expense of mortgage bonds issued	<u>(5,886)</u>	<u>(6,676)</u>
	<u>(6,328)</u>	<u>(6,960)</u>
Net interest income	<u>3,371</u>	<u>3,273</u>

6. Net trading income

(HUF million)	<u>2006</u>	<u>2005</u>
Profit on foreign exchange	<u>6</u>	<u>14</u>
	<u>6</u>	<u>14</u>

UNICREDIT JELZÁLOGBANK ZRT
Notes to the Financial Statements
For the year ended December 31, 2006

7. General administrative expenses

(HUF million)	<u>2006</u>	<u>2005</u>
Wages and salaries	333	334
Statutory social-security contributions	100	97
Other employee benefits	24	15
Employer's contributions	<u>14</u>	<u>19</u>
	471	465
Depreciation and amortisation	150	119
Other administrative expenses	<u>368</u>	<u>349</u>
	<u>989</u>	<u>933</u>

The number of full time equivalent employees at the end of 2006 was 36 individuals.
(2005: 34 individuals)

8. Net other operating income and expenses

(HUF million)	<u>2006</u>	<u>2005</u>
Operating Income		
Proceeds on sale of property, plant and equipment		
Other	4	-
Operating expenses		
Taxes, penalties	(1)	
Cost of property, plant and equipment sold	(5)	
Other	<u>(6)</u>	<u>(8)</u>
Net other operating income / (expense)	(8)	(8)

9. Nostros with banks

(HUF million)	<u>2006</u>	<u>2005</u>
Nostros		
Non-related banks	<u>374</u>	<u>331</u>
	<u>374</u>	<u>331</u>

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10. Placements with, and loans and advances to other banks

(HUF million)	<u>2006</u>	<u>2005</u>
Maturity less than one year	7,219	15,782
Maturity more than one year	<u>52,257</u>	<u>55,885</u>
	<u>59,476</u>	<u>71,667</u>

11. Loans and advances to customers

(HUF million)	<u>2006</u>	<u>2005</u>
<i>Private and commercial:</i>		
Maturity less than one year	2,696	2,982
Maturity more than one year	<u>27,294</u>	<u>23,921</u>
	29,990	26,903
Provision for impairment and losses on credit products (Note 21)	<u>159</u>	<u>79</u>
	<u>29,831</u>	<u>26,824</u>

Analysis by industrial sector

(HUF million)	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Real estate finance	5,687	18.96	13,747	51.1
Trade	340	1.13		
Private clients	17,160	57.24	13,156	48.9
Financial activities	5,702	19.01		
Catering trade	883	2.94		
Agriculture	88	0.29		
Other	<u>130</u>	<u>0.43</u>	=	=
Total	<u>29,990</u>	<u>100.00</u>	<u>26,903</u>	<u>100.0</u>

12. Available for sale financial assets

(HUF million)	<u>2006</u>	<u>2005</u>
State bonds	7,823	1,131

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13. Held to maturity investments

(HUF million)	<u>2006</u>	<u>2005</u>
State bonds	3,376	5,231

The market value of the held-to-maturity securities portfolio as at 31 December 2006 is HUF 3,400 million (2005: HUF 5,499 million).

14. Property, plant and equipment

(HUF million)	Cost	Accumulated depreciation	Net book value
2006			
Land and buildings	48	-	48
Office equipment	-	-	-
Motor vehicles	12	4	8
Capital work in progress	=	=	=
Total	<u>60</u>	<u>4</u>	<u>56</u>

(HUF million)	Cost	Accumulated depreciation	Net book value
2005			
Land and buildings	-	-	-
Office equipment	7	2	5
Motor vehicles	16	2	14
Capital work in progress	=	=	=
Total	<u>23</u>	<u>4</u>	<u>19</u>

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(HUF million)

2006	Opening net book value	Additions	Disposals	Depreciation	Closing net book value
Rental rights	-	-	-	-	-
Licenses	-	-	-	-	-
Software	246	138	-	146	238
Goodwill	-	-	-	-	-
Total	<u>246</u>	<u>138</u>	-	<u>146</u>	<u>238</u>

2005	Opening net book value	Additions	Disposals	Depreciation	Closing net book value
Rental rights	-	-	-	-	-
Licenses	-	-	-	-	-
Software	286	76	-	116	246
Goodwill	-	-	-	-	-
Total	<u>286</u>	<u>76</u>	-	<u>116</u>	<u>246</u>

16. Deposits and loans from other banks

(HUF million)	<u>2006</u>	<u>2005</u>
Maturity less than one year	5,581	13,278
Maturity more than one year	<u>11,670</u>	<u>8,631</u>
	<u>17,251</u>	<u>21,909</u>

17. Issued mortgage bonds

(HUF million)	<u>2006</u>	<u>2005</u>
Maturity less than one year	4,129	8,800
Maturity more than one year	<u>66,722</u>	<u>62,728</u>
	<u>70,851</u>	<u>71,528</u>

18. Other liabilities

(HUF million)	<u>2006</u>	<u>2005</u>
Other taxes payable	-	5
Deferred tax	-	-
Other	<u>23</u>	<u>24</u>
	<u>23</u>	<u>29</u>

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19. Share capital

(HUF million)	<u>2006</u>	<u>2005</u>
Authorised and issued share capital	<u>3,000</u>	<u>3,000</u>

The Bank's share capital consists of 3,000 ordinary shares with a par value of 1,000,000 Hungarian Forint (HUF) per share. As at 31st December 2006 UniCredit Bank Hungary Zrt. (formerly HVB Bank Hungary ZRt) held 3,000 shares.

20. Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Bank as adjusted for relevant taxation regulations. The corporate income tax rate in Hungary for the year ended 31 December 2006 was 16% and solidarity tax rate 4% (2005: 16%, 0%, respectively).

(HUF million)	<u>2006</u>	<u>2005</u>
Current tax expense	550	514
Deferred tax charge	=	=
Total income tax expense in income statement	<u>550</u>	<u>514</u>

Reconciliation of effective tax rate

	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
	(%)	(HUF million)	(%)	(HUF million)
Profit before tax		<u>2,364</u>		<u>2,309</u>
Income tax using the domestic corporate tax rate	17.3	411	16.0	369
Supplementary corporate tax for banks	7.8	184	6.0	189
Tax effects of income/expenses exempt from corporate tax	(4.5)	(12)	(1.5)	(35)
Income/expenses giving rise to permanent differences:				
- General Risk Reserve	(0)	(1)	-	-
- Other	<u>1.4</u>	<u>(32)</u>	<u>(0.3)</u>	<u>(9)</u>
	<u>23.3</u>	<u>550</u>	<u>20.2</u>	<u>514</u>

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21. Impairments and provisions

Impairments and provisions on credit products

	Loans	Guarantees and unutilised loans	Credit risk total
Balance 31 December 2005	79		<u>79</u>
Write-offs	-		
Amounts released	(78)		(78)
Additional impairment provisions	<u>158</u>		<u>158</u>
As at 31 December 2006	<u>159</u>		<u>159</u>
Net movement in Impairment provisions	<u>80</u>		<u>80</u>
Write-offs			
Net amount charged to the income statement	<u>80</u>		<u>80</u>
Receivables write-off		-	
Total charged to the income statement	<u>80</u>		<u>80</u>

2005.

	Loans	Guarantees and unutilised loans	Credit risk total
Balance 31 December 2004	73		<u>73</u>
Write-offs	-		-
Amounts released	(44)		(44)
Additional impairment provisions	<u>50</u>		<u>50</u>
As at 31 December 2005	<u>79</u>		<u>79</u>
Net movement in impairment provisions	=		=
Write-offs	-		-
Net amount charged to the income statement	<u>6</u>		<u>6</u>

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22. Commitments and contingent liabilities

At 31 December 2006, the Bank had the following commitments and contingent liabilities (at nominal values):

(HUF million)	<u>2006</u>	<u>2005</u>
Loan and overdraft facilities granted but not disbursed	1,906	796
Guarantees	40	

23. Currency structure of assets and liabilities

The currency structure of assets and liabilities as at 31 December 2006 is as follows:

(HUF million)	Assets	Equity and liabilities	Total Net foreign currency exposure
<u>Currency:</u>			
Euro	19,597	19,544	88
Swiss Francs	<u>1,606</u>	<u>1,571</u>	<u>700</u>
Total foreign currency:	21,203	21,115	788
Hungarian Forint	81,437	81,525	1,158
Total	<u>102,640</u>	<u>102,640</u>	<u>1,946</u>

The currency structure of assets and liabilities as at 31 December 2005 is as follows:

Euro	25,515	25,400	142
Swiss Francs	<u>336</u>	<u>325</u>	<u>10</u>
Total foreign currency:	25,851	25,725	152
Hungarian Forint	80,904	81,030	644
Total	<u>106,755</u>	<u>106,755</u>	<u>796</u>

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24. Maturity analysis as at 31 December 2006 (HUF million)	Up to 1	1-3 months	3-12 months	1-5 years	More than 5	without	Total
	month				years	maturity	
Nostros with banks	374						374
Placements with, and loans and advances to other banks	4,319	437	2,463	14,321	37,936		59,476
Loans and advances to customers	340	236	1,961	14,497	12,797		29,831
Interest receivable and other accruals	713	154	527	37		21	1,431
Deferred tax assets						14	14
Other assets						(104)	7,823
Available for sale financial assets			3,993	1,735	2,199		3,376
Held to maturity investments			3,376				56
Property, plant and equipment						238	238
Intangible assets						<u>225</u>	<u>238</u>
Total assets	5,746	827	12,320	30,590	52,932		102,640
Deposits and loans from other banks	5,582			7,557	4,112		17,251
Issued mortgage bonds		1,300	2,829	56,837	9,885		70,851
Subordinated loans							
Interest payable and other accruals	1,409	1,398	1,842				4,649
Other liabilities	23						23
Shareholder's funds						9,866	9,866
Total liabilities and shareholder's Funds	7,014	2,698	4,671	64,394	13,997	9,866	102,640
Maturity gap	(1,372)	(1,871)	7,649	(33,804)	38,935	(9,537)	

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Maturity analysis as at 31 December 2005

(HUF million)	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	without maturity	Total
Nostros with banks	331	-	-	-	-	-	331
Placements with, and loans and advances to other banks	13,060	210	2,512	14,611	41,274	-	71,667
Loans and advances to customers	538	876	1,489	11,055	12,866	-	26,824
Interest receivable and other accruals	358	78	282	-	-	-	718
Deferred tax assets	-	-	-	-	-	-	-
Other assets	588	-	-	-	-	-	588
Available for sale financial assets	-	-	-	-	1,131	-	1,131
Held to maturity investments	-	-	-	3,376	-	-	5,231
Property, plant and equipment	-	-	1,855	-	-	-	19
Intangible assets	-	-	-	-	-	19	19
Total assets	14,875	1,164	6,138	29,042	55,271	246	106,755
Deposits and loans from other banks	13,278	-	-	3,905	4,726	-	21,909
Issued mortgage bonds	300	400	8,100	46,637	16,091	-	71,528
Subordinated loans	-	-	-	-	-	-	-
Interest payable and other accruals	1,328	1,442	2,384	-	-	-	5,154
Other liabilities	29	-	-	-	-	-	29
Shareholder's funds	-	-	-	-	-	8,135	8,135
Total liabilities and shareholder's Funds	14,935	1,842	10,484	50,542	20,817	8,135	106,755
Maturity gap	(60)	(678)	(4,346)	(21,500)	34,454	(7,870)	

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25. Interest rate sensitivity - Interest re-pricing as at 31 December 2006 (HUF million)	Interest rate sensitivity - Interest re-pricing as at 31 December 2006				Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	
Nostros with banks	374				374
Placements with, and loans and advances to other banks	4,742	2,843	21,524	30,224	59,476
Loans and advances to customers	9,051	2,734	13,077	4,969	
Interest receivable and other accruals					1,431
Deferred tax assets					21
Other assets					14
Available for sale financial assets			3,993	1,735	7,823
Held to maturity investments			3,376		3,376
Property, plant and equipment					56
Intangible assets					238
Total assets	14,167	5,577	41,970	36,928	102,640
Deposits and loans from other banks	5,582		3,394	4,163	17,251
Issued mortgage bonds	3,785	1,300	16,079	43,587	70,851
Subordinated loans					
Interest payable and other accruals					4,649
Other liabilities					23
Shareholder's funds	9,367	1,300	19,473	47,750	9,866
Total liabilities and shareholder's	4,696	4,277	22,497	(10,822)	102,640
On balance sheet interest sensitivity gap					(12,778)

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Interest rate sensitivity - interest re-pricing as at 31 December 2005
(HUF million)

	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
Nostros with banks	331	-	-	-	-	-	331
Placements with, and loans and advances to other banks	16,995	2,625	18,529	33,323	195	-	71,667
Loans and advances to customers	14,183	945	5,998	5,694	4	-	26,824
Interest receivable and other accruals	-	-	-	-	-	718	718
Deferred tax assets	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	588	588
Available for sale financial assets	-	-	-	-	1,131	-	1,131
Held to maturity investments	-	-	1,855	3,376	-	-	5,231
Property, plant and equipment	-	-	-	-	-	19	19
Intangible assets	-	-	-	-	-	246	246
Total assets	31,509	3,570	26,382	42,393	1,330	1,571	106,755
Deposits and loans from other banks	13,278	-	3,905	-	4,726	-	21,909
Issued mortgage bonds	4,091	3,200	21,050	30,887	12,300	-	71,528
Subordinated loans	-	-	-	-	-	-	-
Interest payable and other accruals	-	-	-	-	-	5,154	5,154
Other liabilities	-	-	-	-	-	29	29
Shareholder's funds	-	-	-	-	-	8,135	8,135
Total liabilities and shareholder's	17,369	3,200	24,955	30,887	17,026	13,318	106,755
On balance sheet interest sensitivity gap	14,140	370	1,427	11,506	-15,696	-11,747	

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26. Interest rate risk – average interest rates

In 2006 and 2005 average domestic and foreign currency rates were as follows; with amounts expressed in %.

	EUR		CHF		HUF	
	2006	2005	2006	2005	2006	2005
Assets						
Placements with, and loans and advances to other banks	3.16	2.37	-	-	10.82	11.63
Loans and advances to customers	5.01	5.70	5.07	4.05	14.15	17.08
Securities	-	-			8.73	9.77
Liabilities						
Deposits and loans from other banks	3.11	2.39	1.55	0.80	7.29	6.90
Deposits from customers	-	-	-	-	-	-
Issued bonds	2.76	2.44	-	-	8.63	9.85

27. Balances outstanding with related parties

	2006	2005
Assets		
Nostros, and placements with banks	4,924	13,392
Placements with, and loans and advances to other banks	30,736	21,792
Loans and advances to customers		
Equity investments		
Total	<u>35,660</u>	<u>35,184</u>
Liabilities		
Deposits and loans from other banks	17,251	21,909
Deposits from customers		
Subordinated loans		
Other liabilities	<u>18,953</u>	<u>14,095</u>
Total	<u>36,204</u>	<u>36,004</u>

The above balances are outstanding with UniCredit Bank Hungary Zrt (formerly HVB Bank Hungary Zrt).

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28. Fair value information (HUF million)	2006		2005	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Nostros with banks	374	374	331	331
Placements with, and loans and advances to other banks				
Loans and advances to customers	64,628	59,476	77,227	71,667
Interest receivable and other accruals	30,312	29,831	28,000	26,824
Deferred tax assets	141	1,431	66	718
Other assets		21	-	-
Available for sale financial assets	44	14	588	588
Held to maturity investments	8,266	7,823	1,144	1,131
Property, plant and equipment	3,601	3,376	5,762	5,231
Intangible assets	56	56	19	19
Total assets	237	238	246	246
	<u>107,659</u>	<u>102,640</u>	<u>113,052</u>	<u>106,755</u>
Deposits and loans from other banks				
issued mortgage bonds	17,296	17,251	22,195	21,909
Subordinated loans	76,222	70,851	78,734	71,528
Interest payable and other accruals				
Other liabilities	34	4,649	1,299	5,154
Shareholder's funds	14	23	21	29
Total liabilities and shareholder's	56	9,866	102,249	8,135
	<u>93,566</u>	<u>102,640</u>	<u>102,249</u>	<u>106,755</u>

Estimation of fair values

The following description summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Loans and advances: Fair value is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. Expected future cash flows are estimated taking into account credit risk and any indication of impairment. Expected future cash flows, even for homogeneous categories of loans, are estimated on a single deal basis and discounted at current market rates. The estimated fair values of loans also reflect changes in interest rates.

Investments carried at cost and derivatives: Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs, where available. If a quoted market price is not available, fair value is estimated using pricing models or discounted cash flow techniques, where applicable. For investments and fixed assets, where no reliable market price or model price is available, the book value is taken as fair value.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Bank deposits: For demand deposits and deposits with no defined maturities, fair value is deemed to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using market interest rates. The value of long-term relationships with depositors is not taken into account in estimating fair values.

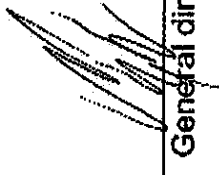
Long-term debt: The fair value is based on quoted market prices, if available. For debt instruments without quoted prices the fair value is estimated as the present value of future cash flows, discounted at market interest rates available at the balance sheet date.

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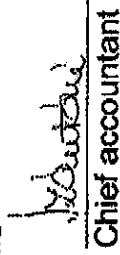
29. Segment report	Total Bank	PuG (Retail)	IFK (Corporate)	TSY (Treasury)	Others
HUF million					
Net Interest Income	3,371	2,389	282	25	676
Interest Earned on Allocated Capital					
Interest Earned on Free Capital					
Total Net Interest Income	3,371	2,389	282	25	676
Risk Provisions for Lending Operations	(84)	(5)	(79)		
Interest Income after Risk Provisions	3,287	2,384	203	25	676
Net Fee and Commission Income	68	99		(35)	3
Trading Result	6			6	
OPERATING INCOME	3,361	2,483	203	(4)	679
Staff Expenses	(471)	(133)	(25)		(313)
Other Administrative Expenses	(368)	(59)	(5)		(302)
Depreciation on Assets	(150)	(47)	(8)		(96)
Direct Expenses	(989)	(239)	(38)	(38)	(711)
Indirect Expenses					
Overhead Expenses		(198)	(33)		(231)
Other Operating Result		(465)	(36)		(501)
OPERATING RESULT	(8)	(6)	(1)	(4)	700
Cost / Income Ratio	2,364	1,575	95	(4)	
Result from Financial Assets					
Other Income / Expenses					
Depreciation on Goodwill					
Other Non-operating Result					
RESULT BEFORE TAXES	2,364	1,575	95	(4)	700
Current Income Taxes	(550)				
Deferred Taxes					
RESULT AFTER TAXES	1,814				
ROE	18,6%				

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HUF million	Total Bank		PuG (Retail) (including SME)		IFK Corporate		TSY (Treasury)		Others	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Interest Bearing Assets	84,963	80,957	72,151	70,388	12,811	10,570	-	-	-	-
Interest Bearing Liabilities										


 General director

UniCredit Jelzálogbank Zrt.
 4.


 Chief accountant