UniCredit Jelzálogbank

UniCredit Jelzálogbank Zrt.

Unconsolidated Financial Statements and Independent Auditor's Report

for the year ended 31 December 2011

Budapest, 14 February 2012

UNICREDIT JELZÁLOGBANK Zrt.

Unconsolidated Financial Statements for the year ended 31 December 2011

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Independent Auditors' Report

To the Shareholder of UniCredit Jelzálogbank Zrt.

Report on the Financial Statements

We have audited the accompanying financial statements of UniCredit Jelzálogbank Zrt. ("the Company"), which comprise the statement of financial position as at 31 December 2011, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgment, 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 policies 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Budapest, 14 February 2012

KPMG Hungária Kft.

Robert Stöllinger
Partner

UNICREDIT JELZÁLOGBANK Zrt.

Unconsolidated statement of financial position (balance sheet) as at 31 December 2011

(HUF million)

	Note	2011	2010
Assets			
Available for sale financial assets	14	10,073	11,170
Placements with, and loans and advances to banks	15	67,720	71,429
Loans and advances to customers	16	48,635	53,376
Property, plant and equipment	17	3	5
Intangible assets	18	19	34
Tax assets	13	452	221
Other assets	19	526	646
Total assets		**127,428**	**136,881**
Liabilities			
Deposits and loans from banks	20	25,516	63,291
Deposits from customers		297	0
Issued bonds	22	83,710	56,360
Tax liabilities	13	378	174
Other liabilities	21	427	432
Total liabilities		**110,328**	**120,257**
Shareholder's Funds			
Share capital	23	3,000	3,000
Capital reserve		783	783
Retained earnings		11,483	9,105
Statutory reserves	24	1,661	2,245
Valuation reserves		(559)	(303)
Net profit for the year after transfers		732	1,794
Total Shareholder's Funds		**17,100**	**16,624**
Total Liabilities and Shareholder's Funds		**127,428**	**136,881**

Budapest, 14 February 2012

Tölli Gabriella
chief executive officer

Novákné Bejczy Katalin
Member of Board of Directors

UniCredit Jelzálogbank Zrt.
H-1054 Budapest
Szabadság tér 5-6.

UNICREDIT JELZÁLOGBANK Zrt.

Unconsolidated income statement
for the year ended 31 December 2011

(HUF million)

	Note	2011	2010
Interest and similar income	6	9,056	9,599
Interest expense and similar charges	6	(5,035)	(5,163)
Net interest income	6	**4,021**	**4,436**
Fee and commission income	7	40	49
Fee and commission expense	7	(131)	(72)
Net fee and commission income	7	**(91)**	**(23)**
Dividend income		0	0
Net trading income	8	139	64
Realised loss on Early Repayment Scheme	10	(745)	-
Net gain and loss on other financial intruments	10	29	5
Operating income		**3,353**	**4,482**
Impairment and losses on credit products	26	(1,008)	(1,473)
Impairment due to Early Repayment Scheme	26	(874)	-
Impairment losses	26	**(1,882)**	**(1,473)**
Net financial activity result		**1,471**	**3,009**
Personnel expenses	9	(104)	(135)
General operating expenses	11	(336)	(574)
Other provision		(1)	3
Depreciation on property, plant and equipments	17	(2)	(2)
Amortization on intangible assets	18	(15)	(18)
Other income /(expenses)	12	(1)	(2)
Operating costs		**(459)**	**(728)**
Profit before tax		**1,012**	**2,281**
Income tax expense	13	(280)	(487)
Net profit for the year		**732**	**1,794**

Budapest, 14 February 2012

Tölli Gabriella
chief executive officer

Novákné Bejczy Katalin
Member of Board of Directors

UniCredit Jelzálogbank Zrt
H-1054 Budapest
Szabadság tér 5-6

UNICREDIT JELZÁLOGBANK Zrt.

Unconsolidated statement of comprehensive income
for the year ended 31 December 2011

(HUF million)

	Note	2011	2010
Net profit for the year		**732**	**1,794**
Movement in fair value reserve (available-for-sale financial assets)		(690)	(375)
Income tax on fair value reserve		434	304
Net movement in fair value reserve		**(256)**	**(71)**
Total comprehensive income for the year		**476**	**1,723**

Budapest, 14 February 2012

Tölli Gabriella
chief executive officer

Novákné Bejczy Katalin
Member of Board of Directors

UniCredit Jelzálogbank Zrt.
H-1054 Budapest
Szabadság tér 5-6.

UNICREDIT JELZÁLOGBANK HUNGARY Zrt.

Unconsolidated statement of changes in Shareholder's equity for the year ended 31 December 2011

(HUF million)	Ordinary Shares	Capital Reserve	Retained Earnings	Statutory Reserves	Available For Sale Reserve	Net profit	Total
Balance 1 January 2010	3,000	783	7,769	2,095	(232)	1,486	14,901
Net profit for the previous year	-	-	1,486	-	-	(1,486)	-
Total comprehensive income for the year	-	-	-	-	(71)	1,794	1,723
Dividend to equity holder	-	-	-	-	-	-	-
Business combination							-
Appropriations							
Transfer from retained earnings	-	-	(150)	150	-	-	-
Balance 31 December 2010	3,000	783	9,105	2,245	(303)	1,794	16,624
Net profit for the previous year	-	-	1,794	-	-	(1,794)	-
Total comprehensive income for the year	-	-	-	-	(256)	732	476
Dividend to equity holder	-	-	-	-	-	-	-
Business combination							
Appropriations							
Transfer from retained earnings	-	-	584	(584)	-	-	-
Balance 31 December 2011	3,000	783	11,483	1,661	(559)	732	17,100

Budapest, 14 February 2012

Tölli Gabriella
chief executive officer

Novákné Bejczy Katalin
Member of Board of Directors

UniCredit Jelzálogbank Zrt.
H-1054 Budapest
Szabadság tér 5-6.

UNICREDIT JELZÁLOGBANK Zrt.

Unconsolidated statement of cash flows
for the year ended 31 December 2011

(HUF million)	Note	2011	2010
Cash flows from operating activities:			
Profit before tax		**1,012**	**2,281**
Items not involving movement of cash:			
Depreciation and amortisation	17,18	17	19
Scrapped and transferred fixed assets			
Profit on disposal of property, plant and equipment			1
Net impairment and losses in credit products	26	1,881	1,453
Net loss/(gain) from cashflow hedging assets			
Foreign exchange loss/(gain) on subordinated loans			
Taxation paid	13	(280)	(487)
Cash flows from operating profits before changes in operating assets and liabilities		**1,618**	**986**
Change in financial assets held for trading			
Change in tax assets	13	(171)	164
Change in other assets		120	686
Change in tax liabilities	13	204	(2)
Change in other liabilities	21	(4)	(3,656)
Change in unrestriced nostros with Central Bank		-	
Change in loans and advances to customers	16	2,859	860
Change in deposits with other banks	15	3,709	(1,862)
Change in deposits from customers		297	
Change in deposits from other banks		(37,775)	1,938
Change in financial liabilities held for trading		-	-
Net cash from operating activities		**(30,761)**	**(1,872)**
Cash flows from investing activities:			
Proceed on sale of property, plant and equipment		0	0
Proceed on sale of intangible assets		0	0
Addition of property, plant and equipment	17	0	0
Addition of intangible assets	18	0	0
Change in equity investments		-	-
Change in held to maturity investments		0	0
Change in available for sale financial assets	14	781	1,828
Net cash used in investing activities		**781**	**1,828**
Cash flows from financing activities:			
Change in issued mortgage bonds		27,350	(3,223)
Net cash from financing activities		**28,131**	**(1,395)**
Net Increase in cash			-
Cash at the beginning of the year		**0**	**0**
Cash at the end of the year		**0**	**0**

The accompanying notes (1-34) form an integral part of these financial statements.

1. General

UniCredit 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 (hereafter: “the Group”). The registered office of the Bank is at 1054 Budapest, Szabadság tér 5-6.

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 either in the territory of Hungary or any EEA Member State 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 2011, UniCredit Bank Hungary Zrt. held 3,000 shares.

Transactions with members of the UniCredit Bank include credit relationships, where the related party is both a borrower and depositor. Such transactions are conducted under substantially the same terms and conditions as are applied to third parties, unless otherwise stated.

The financial statements were authorised by the Supervisory Board on 14 February 2012.

2. Basis of preparation

a) Statement of Compliance

The financial statements have been prepared in accordance with 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”).

b) Basis of measurement

The financial statements have been prepared on a fair value basis for derivative financial instruments, available-for-sale financial assets, except those for which a reliable measurement of fair value is not available. 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.

2. Basis of preparation (continued)

The financial statements are presented in millions of Hungarian Forint ("HUF").

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

3. Significant accounting policies

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

a) Comparatives

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

b) Cash and cash equivalents

Cash and cash equivalents include nostros with other banks and are carried at cost in the balance sheet.

c) Financial instruments

a. Classification

Loans and receivables are loans and receivables created by the Bank other than those created with the intention of short-term profit taking. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables consist of loans and advances to banks and customers, including mortgage rights purchased.

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

3. Significant accounting policies (continued)

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

b. Recognition and de-recognition

The Bank recognises financial assets and liabilities on trade date. They are initially measured at fair value (except for items not subsequently measured at fair value through profit or loss) plus transaction costs that are directly attributable to its acquisition or issue. From this date, any gains and losses arising from changes in fair value of the assets are recognised either in income statement or in equity. All loans and receivables are recognised when funds are 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. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

c. Measurement

Financial instruments are measured initially at fair value, including transaction costs that are directly attributable to the acquisition or issue.

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

All non-trading financial assets, loans and receivables and held-to-maturity investments are measured at amortised cost, using the effective interest method, less accumulated impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and are amortised. Financial assets, with the exception of loans which are reviewed quarterly, are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indicator of impairment exists, the asset's recoverable amount is estimated.

3. Significant accounting policies (continued)

Fair value measurement principles

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

Where discounted cash-flow techniques are used, the estimated future cash-flows are based on management's best estimates and the discount rate is a market related rate at the 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.

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

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading financial assets and financial liabilities are recognised in the income statement. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in the valuation reserve, in equity. Any permanent impairment loss on available for sale financial assets and hedging net of derivatives is recognised in the income statement.

d) Transactions in foreign currency

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

3. Significant accounting policies (continued)

e) Securities

Securities can be held for short-term profit taking, available-for-sale or held-to-maturity purposes. The principles governing the recognition and recording of each category of securities are stated in Note 2.e. above.

f) Property, plant and equipment

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

g) Intangible assets and goodwill

Intangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Intangible assets are reviewed periodically and items which are considered to have no further value are depreciated in full.
There are no intangible assets which have an indefinite useful life.

h) Depreciation and amortisation

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

	Depreciation Rate %
Intangible asset	20
Office equipment	14.5
Motor vehicles	20

i) Impairment on non-financial assets

If there is objective evidence that a non-financial asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in the profit and loss.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no impairment losses recognised in prior years.

3. Significant accounting policies (continued)

j) Loans and advances

Loans and advances originated by the Bank are classified as loans and receivables.

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

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

Purchased independent mortgage rights are also classified as Loans and advances. An independent mortgage right is a type of mortgage, which can be transferred to third person without the assignment of the claim, relevant to the Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds.

k) Impairment and losses on credit products

It is the policy of the Bank to review periodically (at least quarterly) its portfolio of loans and advances to make impairments, where necessary. Impairment is based on assessment of the recoverability of outstanding amounts. Increases and decreases in impairments are charged to the income statement.

Incurred but not reported impairment ("IBNR") is calculated for the performing portfolio, based on the expected loss within one year, taking also into account the loss confirmation period, which ranges from 5 to 6 months according to the type of clients or (in case of the retail segment) products.

l) Issued bonds

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

Issued mortgage bonds are classified as financial liabilities and initially measured at cost plus directly attributable transaction costs, and subsequently measured at their amortised cost.

3. Significant accounting policies (continued)

m) General reserve

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

n) 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 reversed from the Hungarian statement of income in these IFRS financial statements and has been treated as an appropriation of retained earnings.

o) Valuation reserve

Valuation reserves are part of the Shareholder's equity. Under the IFRS principles Valuation reserves include Available for Sale Instrument Reserve less deferred tax as stated in Note 2.e. above.

p) Income

Net Interest income

Interest income and interest expense for the year are recognised on an accruals basis, with the application of the effective interest rate method.

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 Bank's fee-earning business. Commissions and fees are included in the income statement as they arise.

Net trading income

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

3. Significant accounting policies (continued)

Net gain and loss on other non-trading financial instruments

Net gain and loss on other financial instruments relate to non-trading financial assets and equity investments and includes the realized result at derecognition.

q) 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 recognised in full. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the difference between the carrying amounts of assets and liabilities in the IFRS balance sheet and in the balance sheet for local tax purposes.

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

r) Currencies and Market 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 stated otherwise, are disclosed at fair value. Banking transactions unless otherwise stated are effected at market rates.

3. Significant accounting policies (continued)

s) Events after the balance sheet date

Events after the balance sheet date are those events, favourable and unfavourable, 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).

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

t) Segment reporting

Segment information is presented in respect of the Bank's business segment. The format, business segments, is based on the Bank's management and internal reporting structure.

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Business segments

The Bank separates the following main business segments:

- Retail	Includes the loans, deposits and other transactions and balances with retail customers (included the purchase of independent mortgage rights and the agricultural land financing).
- Corporate	Includes the loans, deposits and other transactions and balances with corporate customers
- Others	Includes Assets Liabilities Management activities that contains the Bank's funding and centralised risk management activities through borrowings, investing in liquid assets such as short-term placements and government bonds.

3. Significant accounting policies (continued)

The result of each segment also includes the allocated head office direct costs according to the cost allocation policy. The business segment report is presented in Note 32.

u) New standards and interpretations not yet adopted

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

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

3. Significant accounting policies (continued)

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

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

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

4. Risk Management Policies

The most significant business risks to which the Bank is exposed are credit risk, liquidity risk, market risk (includes interest rate and foreign exchange rate risks), and operational risks. The Bank has a consolidated risk policy with UniCredit Bank Hungary Zrt, and frames its internal regulations according to risk policies of the Group and local legal regulations.

i) Credit risk

Internal risk regulations of the Bank cover the process and methodology of client segmentation, closing risk-related contracts, client and transaction classification, approval process, monitoring, collateral valuation and they are framed according UniCredit Bank Hungary's risk regulations.
The principles of credit regulations are approved by the Management Board, the regulations themself by the Chief Executive Officer of the Bank in accordance with the formal approval of the Chief Risk Officer of UniCredit Bank Hungary Zrt. Classified, problematic loans – restructuring, collection and work-out activity -are handled by UniCredit Bank Hungary Zrt. as agent of the Bank.
Credit risk of the Bank is managed in standard approach.

Client and transaction classification

All outstanding loans are reviewed in general monthly, in-depth at least quarterly on an individual basis or – below a certain threshold – within a collective assessment.
Clients are classified at least yearly based on a point rating system, which incorporates qualitative and quantitative factors, or in case of private clients the classification is based on client's payment history and default events.
In accordance with the Group guidelines the Bank applies a rating masterscale for corporate clients consisting of 26 notches within 10 rating classes. Thereof three notches serve for the defaulted customers, the others for the performing ones. Ratings refer to the probability of default (PD) according to the (group-wide used) masterscale. (Certainly, in case of defaulted clients PD is 100%.)
Client classification is not equivalent to 'loans' classification.

4. Risk Management Policies (continued)

Collaterals

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

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

The Group accepts and registers in its system the following types of collateral:

Financial collateral held with other institutions;
- Insurance;
- Personal collateral – direct;
- Personal collateral – indirect;
- Real estate collateral;
- Assignment of receivables;
- Movable property collateral;
- Other collateral.

The basis for the valuation of collateral is the market value adjusted by the following factors:

- Collateral haircut: a percentage showing the expected loss (in%) of the market value in case of realisation of the collateral. Haircut is separately defined for every collateral type.
- Currency haircut: in case of mismatch between the currency of the loan and that of the collateral, the Bank applies currency haircut to take into account currency risk. The extent of haircut for each currency is specified centrally by the Market Risk department of BA, and this is also the department which carries out the regular review (at least once a year).
- Maturity haircut: maturity mismatch occurs on exceptional basis, if the term of the collateral/collateral agreement is shorter than that of the agreement for the commitment. In such cases a haircut must be applied.

In case of real estate collateral, the value is established by a technical expert who is independent from the credit process. The value of real estate shall be reviewed regularly, in compliance with the legal provisions: at least once a year for non-residential real estate and once every 3 years for residential real estate. In case of residential real estate statistical revaluation can be applied.

4. Risk Management Policies (continued)

The price/value of financial collateral is updated on a monthly basis in the collateral system.
Eligibility of guarantees and surety is subject to proper evaluation of the guarantor according to the respective internal rules.

Loan classification

The Bank assesses whether there is objective evidence that loans and advances are impaired. Loans and advances are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash-flows of the asset that can be estimated reliably.

Objective evidence that loans and advances are impaired can include default or delinquency by a borrower, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications, that a borrower will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults in the Group.

Assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances have to be evaluated as well, taking into account the possibility of expected loss at the sale of that asset, however. The Bank's policy is to pursue timely realisation of the collateral in an orderly manner and generally does not use the non-cash collateral for its own operation.

Loans are classified in general monthly, and going into details at least quarterly, individually or (below a certain threshold) collectively.

Individual classification is necessary if the total exposure of the client exceeds a certain predefined limit. In this case the classification has to be based on the expected cash-flows, evaluated and revised according to the following aspects:

a) the credit rating of the customer or the partner: the financial position, stability and income-generating capacity of the customer or partner affected by the financial or investment service and issuer of the security, and any changes thereto;

4. Risk Management Policies (continued)

b) compliance with the rules of repayment (delay): delays in the repayment of the principal and its interests arising in connection with the repayment of the receivable;
c) the country risk relating to the customer (in respect of both political and transfer risks) and any changes thereto;
d) the value of collateral pledged in security, their liquidity and accessibility, and any changes therein;
e) the marketability and liquidity of the item (the market conditions of supply and demand, the available market prices and participation in the issuer's equity capital in proportion to the investment);
f) the future payment obligation recognized as a loss arising from the item.

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

Collective impairment can be applied if the total exposure of the client does not reach the predefined limit. Impairment is calculated in this case also at individual level, but with a simplified – standardized - method: taking into account certain – statistically estimated - parameters of both the client and the loan. Any deviation from this result is allowed only by taking over the item into individual classification.

4. Risk Management Policies (continued)

Distressed restructuring

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

Impaired loans and securities

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

Past due but not impaired loans

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

Impairment loss

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

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

For predefined sub-portfolios the expected loss is calculated based on the following formula:
EL= EaD * PD * LGD
Where
EL is expected loss,
EaD is exposure at default,
PD is probability of default (within one year), and
LGD is loss given default.

4. Risk Management Policies (continued)

Also at sub-portfolio level the loss confirmation period (LCP) is defined (ranging 5-6 months), which shows the average time period between the deterioration of the client's financial situation and its detection by the Bank.
IBNR is calculated by multiplying EL by LCP, and increase/decrease is booked accordingly.
The parameters are assessed expert-based.

Write-off policy

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

Current trends in lending

The industrial sector analysis and collateral details of loan portfolios are presented in Note 15 and the details of exposure of credit risk are presented in Note 33.

In the retail portfolio the effects of the economic turmoil were perceivable also in 2011, but their seriousness eased compared to the previous year, the pace of deterioration stabilized. Due to the fact that the Bank lays emphasis on all elements of collection it continuously offers the possibility of renegotiation to its private individual clients in payment delay due to the negative effects of the unfavourable exchange rate movements.

The Home protection Act (Act LXXV of 2011) became effective in September 2011. The Act grants an option to the private borrowers to repay their fx mortgage loans at preferential fx rates. Only those borrowers may take part in the scheme who had borrowed loans in CHF, EUR, or JPY at exchange rates below the repayment rates. The repayments rates are: 180 CHF/HUF; 250 EUR/HUF; 2JPY/HUF. The difference between the amount at market rate and at the preferential rate is the loss of the financing banks, and no additional fees can be charged by the Bank for the early repayment.
The program started at end of September 2011, and the customers have the possibility to repay their loans within 60 days after the announcement of their intention, which can happen until end of 2011. The end of the repayment period is end of February, 2012. Additional criterion for the eligibility for repayment is that the customers have to prove that they have the sufficient funds until end of January, 2012 at the latest.
All the losses realized in 2011 (745 MHUF) had been booked as Fixed rate redemption loss and is presented in Note 10., under loss on loans and receivables. On the basis of the submitted repayment applications the Bank defined an estimated loss amount which will be realized only after closing of the financial year. This item is booked as Impairment due to Early Repayment Scheme (Note 26.) and the amount (874 MHUF) was assessed by an expert-based discount model. As the realized loss will be known before the Supervisory Board Approval, this amount has to be presented in the Financial Statement as modifying item for the year ended 31 December 2011.

4. Risk Management Policies (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting due obligations associated with its financial liabilities.

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 gaining importance in recent years ensuring market confidence, and protect the capital base while permitting effective growth. UniCredit Group has created its own short term and structural liquidity models similar to the efforts of the Basel Committee. The Group takes into account also the local legal requirements and limitations and monitors the Basel3 liquidity ratios besides its own internal regulations in managing liquidity.

Limits regarding the maximum net outflow of funds in a particular period (typically short-term) and in a particular currency and all currencies are in place and are monitored daily. Long-term funding plan and structural liquidity is approved and monitored by the Banks' Asset Liability Committee ('ALCO').

In line with UniCredit Group-wide standards, the Bank deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and medium-term liquidity requirements. In this context the liquidity situation for the next few days and also for longer periods is analysed against a standard scenario and against scenarios of several general and bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions is analysed on an ongoing basis. Procedures, responsibilities and reporting lines in this area have been laid down in the liquidity policy, which includes a contingency plan in the event of a liquidity crisis.

Short-term and structural liquidity limits of the Bank were observed continuously in 2011. The degree to which accumulated liquidity outflows are covered by accumulated inflows within the following month and year is determined on an ongoing basis. It was used as a key figure in managing the Bank's liquidity and funding. Beyond the limits on ratios, absolute gap limits were introduced to decrease central funding and liquidity dependency.

The maturity analysis of derivative financial instruments is represented in Notes 28.

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's default) will affect the Bank's income or the value of its holdings of financial instruments.

4. Risk Management Policies (continued)

Market risk management encompasses all activities in connection with Bank's Treasury and Asset-Liability Management ("ALM") operations and management of the statement of financial position structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the ALCO designated by the Management Board.

At the Bank market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily presentation of results of MIB's operations.

The Bank uses the risk management procedures of Bank Austria Group (as a subgroup of UniCredit Group) that complies with UniCredit standards and implements UniCredit Group's new Internal Model (IMOD). These procedures provide aggregate data and make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk ("VaR"), other factors of equal importance are stress-oriented volume and position limits. Additional elements of the limit system are loss-warning level limits and options-related limits applied to trading and positioning in non-linear products.

IMOD, the UniCredit Group wide pure historic VaR model has been used from 1st January, 2011. It is also implemented within the "NoRISK" system as a replacement of the old Monte Carlo simulation. internal risk model is used for computing economic capital in Hungary, but the capital requirement is calculated by the regulatory standard method. The computation of economic capital takes into account the statutory parameters (confidence interval of 99%, 10-day holding period) and additionally the multiplier determined as part of the model review is applied. The system comprises all major risk categories: interest rate risk, credit spread risk, equity position risk (both general and specific risk) and exchange rate risk.

Regular and specific stress scenario calculations complement the information provided to ALCO and the Management Board. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results.

In addition to the risk model results, income data from market risk activities are also calculated and communicated on a daily basis. Such data are presented over time and compared with current budget figures. Reporting includes marking to market of all investment positions regardless of their treatment/classification in the IFRS-based financial statements ("total return"). The results are reported directly to the Group's trading and risk management units, and also via the access-protected web application "ERCONIS" maintained centrally in Vienna, analysed by portfolio, income statement item and currency.

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

4. Risk Management Policies (continued)

The daily reporting also includes details of volume-oriented sensitivities which are compared with the respective limits. The most important detailed presentations include: basis point results (interest rate / spread changes of 0.01 %) by maturity band, FX sensitivities and sensitivities in equities and emerging-market/high-yield positions (by issue, issuer and market). Risk management is performed with details varying according to the risk-takers. In the interest rate sector, for example, basis point limits per currency and maturity band, basis point totals per currency and/or per maturity segment (total of absolute Basis Point Values - BPV) are used for risk management. By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by curve and maturity band (the Bank currently uses credit spread curves for its risk calculations). The interest rate repricing analysis is presented in Note 29.

Management of statement of financial position structure

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

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

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

Foreign exchange rate risk

The 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.

The statement of foreign exchange exposures (currency structure of assets and liabilities) is presented in Note 27.

4. Risk Management Policies (continued)

iv) Compliance with Basel II

The implementation of Basel II, and respectively the European Capital Requirement Directive has been established as a group-wide project overseen by UniCredit Italiano Spa. (hereafter: "UniCredit Group") with regard to group-wide topics and decisions. There is a special Basel II project in Hungary accordingly, and the Bank is participating in this project as well. Close cooperation ensures consistency within the Group, during the implementation and ongoing compliance of Basel II. UniCredit Group standards prepared by the UniCredit Group in cooperation with the major legal entities are used as an instrument for common implementation with a view to meet the legal requirements and ensuring group-wide control.

The Bank used the Basel II standardised approach from the beginning of 2008, and IRB implementation is not planned.

v) Operational risk

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

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

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

The Bank manages its operational risks in standardized approach since 1. January 2008.

Operational risk events and losses of the Bank are collected in a separate system which is defined on group-wide standards.
Controlling of the operational risk activity is outsourced to UniCredit Bank Hungary Zrt.

4. Risk Management Policies (continued)

Internal operational risk regulation is approved by the Management Board of the Bank on the basis of preliminary approval by UniCredit Bank Hungary Zrt's Chief Risk Officer. By this regulation is ensured:

- the operational risk control process is sound and fully communicated and implemented in specific policies process and procedures within the business units taking into account the appropriateness and effectiveness;
- the relevant committees are informed of changes in risk profiles and exposure, supported by the operational risk office;
- major operational risk drivers are identified, also examining reports from the Operational Risk Office, Compliance and Internal Audit.

On the basis of consolidated risk management principles the Management Board of UniCredit Bank Hungary is responsible for approving all the material aspects of the operational risk framework.
Operational Risk Committee is responsible for making decisions on Operational Risk, the Chief Executive Officer of the Bank is member of this Committee.

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

Besides the responsibilities stated in internal regulation, in reviewing the operational risk framework, the Internal Audit Department is responsible for evaluating its functionality and effectiveness, as well as its compliance with the regulatory requirements.

5. Use of estimates and judgements

These disclosures supplement the commentary on risk management policy.

i.) *Impairment for credit losses*

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

ii.) *Determining fair value*

As far as valuation prices and techniques of financial instruments are concerned, the Bank follows a measurement using a three-level fair valuation hierarchy, that reflects the significance of the inputs used in measuring fair values and contains the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2 – inputs, other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices),
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).
The classification of financial instruments is described in Note 31.

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

The fair value valuation techniques for loans and advances, and deposits are described in Note 31.

iii.) *Financial assets and liabilities classification*

The Bank's accounting policies determine the different accounting categories for the classification of financial assets and liabilities.

6. Net interest income

(HUF million)	2011	2010
Interest and similar income		
Interest income from Central Bank	1	-
Interest income from banks	4,378	4,355
Interest income from customers	3,897	4,323
Interest income on Available for sale financial assets	780	921
	9,056	9,599

	2011	2010
Interest expense and similar charges		
Interest expense to Central Banks	-	(1)
Interest expense to banks	(391)	(677)
Interest expense to customers	(11)	(10)
Interest expense on issued bonds	(4,633)	(4,475)
	(5,035)	(5,163)
Net interest income	4,021	4,436

7. Net fee and commission income

(HUF million)	2011	2010
Fees and commission income		
Other financial fees and commissions	40	49
	40	49
Fees and commission expense		
Payment transaction fees	(19)	(25)
Custody service fees	(6)	(4)
Other financial fees and commissions	(106)	(43)
	(131)	(72)
	(91)	(23)

8. Net trading income

(HUF million)	2011	2010
Profit on foreign exchange	139	64

9. Personnel expenses

(HUF million)	2011	2010
Wages and salaries	70	99
Statutory social-security contributions	23	26
Other employee benefits	10	8
Employer's contributions	1	2
	104	135

The average number of employees (including part-time employees) was 21 on 31 December 2011 (2010: 20 employees).

10. Net gain and loss on other financial instruments

(HUF million)	2011	2010
Gain		
Available-for-sale debt securities	29	5
Loss		
Loans and receivables	(745)	-
	(716)	5

Increase in the loss is due to the realised fixed rate redemption loss. The related Home protection program is presented in the Risk policies under Current trends in lending section.

11. General operating expenses

(HUF million)	2011	2010
Other indirect tax expense and costs of authorities	122	333
Renting costs and operating expenses of property	15	14
Advertising	-	-
Information technology costs	39	47
Material and office equipments costs	1	2
Other administrative expenses	159	178
Total	**336**	**574**

The significant decrease in the indirect tax is due to the agreement with the Government that allows the Bank to reduce the special tax levy (which was first introduced in 2010 in Hungary) to the amount of 30 % of the realised loss on Early Repayment Scheme.

12. Other expenses

(HUF million)	2011	2010
Other expenses	-	-
Service transfer fees paid	-	-
Indemnity paid	(1)	-
Penalties	-	-
Cost of property, plant and equipment sold	-	-
Other	-	(2)
	(1)	(2)
Other operating income / expense	(1)	(2)

13. 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 2011 for the tax base was 10% up to 500 million HUF; for the tax base exceeding 500 million HUF the rate was 19%. The Bank has to pay the additional supplementary tax to income earned on special loans.

(HUF million)	2011	2010
Tax expense for the year		
Current tax expense	(141)	446
Adjustments for prior years	-	39
	(141)	485
Deferred tax charge	(139)	2
Total income tax expense in income statement	**(280)**	**487**

Reconciliation of effective tax rate

	2011	2011	2010	2010
	(%)	(HUF million)	(%)	(HUF million)
Profit before tax	-	1,012	-	2,281
Income tax using the domestic corporate tax rate	14.6	147	18.0	411
Supplementary corporate tax for banks	8.1	82	4.5	102
Adjustments for prior years	-	-	1.7	39
Tax effects of income/expenses exempt from corporate tax	-	-	(1.6)	(38)
General risk reserve	6.5	66	-	-
Income/expenses giving rise to permanent differences:				
- Other	(1.5)	(15)	(1.2)	(27)
	27.7	280	21.4	487

13. Taxation (continued)

Balances, related to taxation (HUF million)	**Assets** 2011	**Liabilities** 2011	**Net** 2011	**Assets** 2010	**Liabilities** 2010	**Net** 2010
Current tax assets / (liabilities) for the year	217	-	217	112	-	112
Deferred tax assets / (liabilities)	-	-	-	-	-	-
Available-for-sale securities	132	-	132	71	-	71
Allowances for loan losses (IBNR)	99	-	99	26	-	26
Legal reserve	-	(117)	(117)	-	(174)	(174)
Effect of items, increasing / (decreasing) the local tax base	4	(261)	(257)	12	-	12
Total deferred tax assets / (liabilities)	235	(378)	(143)	109	(174)	(65)
Total tax assets / (liabilities)	**452**	**(378)**	**74**	**221**	**(174)**	**47**

13. Taxation (continued)

Movements in temporary differences during the year – 2011 (HUF million)	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Available-for-sale securities	71	-	61	132
Allowances for loan losses (IBNR)	26	73	-	99
Legal reserve	(174)	57	-	(117)
Effect of items, increasing / (decreasing) the local tax base	12	(269)	-	(257)
Total deferred tax assets / (liabilities)	**(65)**	**(139)**	**61**	**(143)**

Movements in temporary differences during the year – 2010 (HUF million)	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Available-for-sale securities	54	-	17	71
Allowances for loan losses (IBNR)	25	1	-	26
Legal reserve	(176)	2	-	(174)
Effect of items, increasing / (decreasing) the local tax base	17	(5)	-	12
Total deferred tax assets / (liabilities)	**(80)**	**(2)**	**17**	**(65)**

14. Available for sale financial assets

(HUF million)	2011	2010
Government bonds	10,073	11,170
	10,073	11,170

The balance of the AFS reserve including deferred tax in the shareholder's equity was HUF (559) million.

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

(HUF million)	2011	2010
Loans and advance to other banks		
Nostros with other banks	195	183
Maturity less than one year	11,653	8,336
Maturity more than one year	55,872	62,910
Total	67,720	71,429

16. Loans and advances to customers

(HUF million)	2011	2010
Private and commercial:		
Maturity less than one year	15,923	13,931
Maturity more than one year	37,847	42,372
	53,770	56,303
Provision for impairment and losses on credit products (Note 26.)	(4,261)	(2,927)
Impairment due to Early Repayment Scheme	(874)	-
	(5,135)	(2,927)
	48,635	53,376

A. Analysis by industrial sector

(HUF million)	2011	%	2010	%
Real estate finance	13,929	25,9	13,361	23.73
Private clients	37,719	70,15	40,898	72.64
Trade				
Agriculture	927	1,72	952	1.69
Catering trade	1090	2,03	980	1.74
Community	42	0,08	28	0.05
Other	63	0,12	84	0.15
Total	53,770	100.00	56,303	100.00

The total amount is presented net of provision for impairment losses.

B. Collateral for the above loans

The estimate value of collateral and other security for the loans were as follow:

(HUF million)	2011	2010
Against individually impaired	1,447	1,187
Guarantees	78	90
Frozen bank deposits	37	42
Property/Real estate	1,332	1,055

16. Loans and advances to customers (continued)

Collateral for the above loans continued

(HUF million)	2011	2010
Against collectively impaired	1,259	1,547
Guarantees	9	-
Frozen bank deposits	72	174
Property/Real estate	1,178	1,373
Against past due but not impaired	671	6,799
Guarantees	9	139
Frozen bank deposits	3	626
Property/Real estate	659	6,034
Against neither past due nor impaired	86,951	86,281
Guarantees	625	580
Frozen bank deposits	209	1,244
Property/Real estate	27,253	22,217
Debt securities	3,730	3,550
Others (independent mortgage rights)	55,134	58,690

17. Property, plant and equipment

Movement in property, plant and equipment

(HUF million)

	Acquisition cost at the beginning of the year	Accumulated depreciation at the beginning of the year	Additions	Disposals net	Depreciation	**Carrying amount at the end of the year**
2011						
Land and buildings	-	-	-	-	-	**-**
Office equipment	3	3	-	-	-	**-**
Motor vehicles	7	2	-	-	2	**3**
Capital work in progress	-	-	-	-	-	**-**
	10	5	-	-	2	**3**
2010						
Land and buildings	-	-	-	-	-	**-**
Office equipment	3	3	-	-	-	**-**
Motor vehicles	7	1	-	-	1	**5**
Capital work in progress	-	-	-	-	-	**-**
	10	4	-	-	1	**5**

18. Intangible assets

Movement in intangible assets

(HUF million)

	Acquisition cost at the beginning of the year	Accumulated amortisation at the beginning of the year	Additions	Disposals net	Amortisation	**Carrying amount at the end of the year**
2011						
Software	728	694	-	-	15	**19**
	728	694	-	-	15	**19**
2010						
Software	729	676	-	1	18	**34**
	729	676	-	1	18	**34**

19. Other assets

(HUF million)	2011	2010
Trade receivables and advances	216	4
Accrued interest income	310	642
	526	646

20. Deposits and loans from other banks

(HUF million)	2011	2010
Maturity less than one year	21,704	59,207
Maturity more than one year	3,812	4,084
	25,516	63,291

21. Other liabilities

(HUF million)	2011	2010
Accrued expenses and prepaid income	416	315
Trade payable	6	103
Other taxes payable	4	14
Other	1	-
	427	**432**

22. Issued bonds

(HUF million)	2011	2010
Maturity less than one year	17,711	22,919
Maturity more than one year	65,999	33,441
	83,710	56,360

Outstanding amount of mortgage bonds stood at HUF 81,932,750,000 (without accrual) at December 31, 2011 (calculated with official NBH currency rates as of December 30, 2011) up from HUF 54,211,250,000 at December 31, 2010. HUF denominated mortgage bonds took 54.80% (92.29% end-2010) of the total portfolio, the share of EUR denominated instruments was 17.09% (7.71% end-2010) and the same ratio for CHF mortgage bonds was 28.11% (0% end-2010).

The share of fixed coupon bonds was 46.26% (60.93% end-2010), while the remaining 53.74% was floating rate bonds (39.07% end-2010). Overall increase in the Issuer's outstanding mortgage bond amount and the higher share of floating rate bonds versus fixed coupon instruments are contributable to the EUR 30M and CHF 120M (CHF 30M was re-purchased on December 16, 2011) issues of FX mortgage bonds on June 30, 2011 and the larger redemption amount rolled-over in 2011 versus 2010.

All of the foreign currency bonds are paying floating rate with three-month reference rates (EURIBOR or CHFLIBOR) and there is only one HUF denominated floating rate instrument with a six-month BUBOR reference. Premiums over the reference rates are varying between 21bps and 335bps depending on the dates of issues, the maturity and the denomination of certain series. Outstanding fixed coupon mortgage bonds are paying 8.0% (HVBF2012/A; UCJBF2013/A; UCJBF2015/A) or 9.0% (UCJBF2014/A; UCJBF2016/A) annual coupons.

In 2011 average auction yields were set between 140-200bps over the government bond yield curve, depending on the maturity of the placed instrument.

23. Share capital

(HUF million)	2011	2010
Authorised and issued share capital	3,000	3,000

Share capital consists of 3,000 ordinary shares with a par value of HUF 1,000,000 each. 100% of the issued shares are held by UniCredit Bank Hungary Zrt.

24. Statutory reserves

	General Reserve	General Risk Reserve	Regulatory Reserve	**Total**
Balance at 31 December 2010	1,154	1,091	-	**2,245**
Appropriations from retained earnings	7	(591)	-	**(584)**
Other	-	-	-	**-**
Balance at 31 December 2011	1,161	500	-	**1,661**

General Risk Provision release is due to the decrease of corrected Balance Sheet total, which is the basis of the provision calculation. (Note 34.)

25. Commitments and contingent liabilities

At 31 December 2011, the Bank had the following commitments and contingent liabilities (at nominal values):

(HUF million)	2011	2010
Loan and overdraft facilities granted not disbursed	22	72

26. Impairments and provisions

Impairments and provisions on credit products

	Loans	Guarantees and unutilised loans	**Total financial instruments**
Balance 31 December 2010	**2,927**	-	**2,927**
Write-offs	(1)	-	**(1)**
Amounts released	(1,268)	-	**(1,268)**
Additional impairment and provisions	2,268	-	**2,268**
Impairment due to Early Repayment Scheme	874	-	**874**
Effect of f/x rate fluctuation	335	-	**335**
As at 31 December 2011	**5,135**	-	**5,135**
Net movement in impairment and provisions	999	-	**999**
Impairment due to Early Repayment Scheme	874	-	874
Write-offs	1	-	1
Net amount charged to the income statement	**1,874**	-	**1,874**
Receivables written-off	8	-	8
Total charged to the income statement, excluding the effect of f/x rate fluctuation	**1,882**	-	**1,882**

26. Impairments and provisions (continued)

Impairments and provisions on credit products

	Loans	Guarantees and unutilised loans	**Total financial instruments**
Balance 31 December 2009	1,314	1	**1,315**
Write-offs	(30)	-	**(30)**
Amounts released	(588)	(1)	**(589)**
Additional impairment and provisions	2,075	-	**2,075**
Effect of f/x rate fluctuation	156	-	**156**
As at 31 December 2010	2,927	-	**2,927**
Net movement in impairment and provisions	1,457	(1)	**1,456**
Write-offs	30	-	30
Net amount charged to the income statement	**1,487**	**(1)**	**1,486**

27. Currency structure of assets and liabilities

The currency structure of assets and liabilities as at 31 December 2011 is as follows:

(HUF million)	Assets	Equity and Liabilities	Total Net foreign currency exposure long/(short)
Currency:			
Euro	22,875	23,056	(181)
Swiss Francs	38,960	39,610	(650)
Total foreign currency:	61,835	62,666	(831)
Hungarian Forint	65,593	64,762	831
Total	**127,428**	**127,428**	

The currency structure of assets and liabilities as at 31 December 2010 is as follows:

(HUF million)	Assets	Equity and Liabilities	Total Net foreign currency exposure long/(short)
Currency:			
Euro	22,500	22,501	(1)
Swiss Francs	44,900	45,282	(382)
Total foreign currency:	67,400	67,783	(383)
Hungarian Forint	69,481	69,098	383
Total	**136,881**	**136,881**	

28. Residual contractual maturities of financial liabilities

HUF million	**Note**	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**
31 December 2011								
Non-derivative liabilities								
Trading liabilities		-	-	-	-	-	-	-
Deposits from banks		25,516	(25,820)	(16,603)	(42)	(5,162)	(4,013)	-
Deposits from customers		297	(297)	(297)	-	-	-	-
Debt securities issued		83,710	(99,915)	(21)	(549)	(19,594)	(46,064)	(33,687)
Subordinated liabilities		-	-	-	-	-	-	-
		109,523	**(126,032)**	**(16,921)**	**(591)**	**(24,756)**	**(50,077)**	**(33,687)**
Derivative liabilities								
Trading		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Risk management		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Unrecognised loan commitments		-	(22)	-	-	-	-	(22)
		109,523	**(126,054)**	**(16,921)**	**(591)**	**(24,756)**	**(50,077)**	**(33,709)**

28. Residual contractual maturities of financial liabilities (continued)

HUF million	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2010								
Non-derivative liabilities								
Trading liabilities		-	-	-	-	-	-	-
Deposits from banks		63,291	(63,499)	(49,049)	(2,292)	(10,218)	(1,940)	-
Deposits from customers		-	-	-	-	-	-	-
Debt securities issued		56,360	(74,994)	(13)	(8,086)	(17,056)	(25,483)	(24,356)
Subordinated liabilities		-	-	-	-	-	-	-
		119,651	**(138,493)**	**(49,062)**	**(10,378)**	**(27,274)**	**(27,423)**	**(24,356)**
Derivative liabilities								
Trading		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Risk management		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Unrecognised loan commitments		-	(72)	-	(34)	(18)	-	(20)
		119,651	**(138,565)**	**(49,062)**	**(10,412)**	**(27,292)**	**(27,423)**	**(24,376)**

29. Exposure to interest rate risk – non-trading portfolios

HUF million	Note	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2011							
Cash and cash equivalents		-	-	-	-	-	-
Loans and advances to banks		67,720	9,607	28,646	12,789	16,668	10
Loans and advances to customers		48,635	(1,090)	1,857	38,658	8,930	280
Investment securities		10,073	657	-	-	9,416	-
		126,428	9,174	30,503	51,447	35,014	290
Deposits from banks		(25,516)	(16,619)	(8,897)	-	-	-
Deposits from customers		(297)	(297)	-	-	-	-
Debt securities issued		(83,710)	(6,444)	(39,366)	(6,600)	(31,300)	-
Subordinated liabilities		-	-	-	-	-	-
		(109,523)	(23,360)	(48,263)	(6,600)	(31,300)	-
Effect of derivatives held for risk management		-	-	-	-	-	-
		16,905	**(14,186)**	**(17,760)**	**44,847**	**3,714**	**290**

29. Exposure to interest rate risk – non-trading portfolios (continued)

HUF million	Note	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2010							
Cash and cash equivalents		-	-	-	-	-	-
Loans and advances to banks		71,429	36,379	4,949	11,503	18,598	-
Loans and advances to customers		53,376	778	18,595	27,605	6,242	156
Investment securities		11,170	667	-	798	9,705	-
		135,975	37,824	23,544	39,906	34,545	156
Deposits from banks		(63,291)	(49,996)	(13,295)	-	-	-
Deposits from customers		-	-	-	-	-	-
Debt securities issued		(56,360)	(6,330)	(23,800)	(13,970)	(12,260)	-
Subordinated liabilities		-	-	-	-	-	-
		(119,651)	(56,326)	(37,095)	(13,970)	(12,260)	-
Effect of derivatives held for risk management		-	-	-	-	-	-
		16,324	**(18,502)**	**(13,551)**	**25,936**	**22,285**	**156**

30. Balances outstanding with related parties

(HUF million)	2011	2010
Assets		
Loans and receivables with bank	55,518	57,046
Loans and receivables with customers	10,737	9,856
Other assets		45
Total	**66,255**	**66,947**
Liabilities		
Deposit from banks	25,511	63,127
Debt certificates including bonds	69,096	29,784
Other liabilities	237	1,209
Total	**94,844**	**94,120**
Income Statement		
Interest and similar income	2,331	1,717
Interest expense and similar charges	(3,912)	(3,404)
Fee and commission expense	(104)	(41)
Operating costs	(133)	(151)
Total	**(1,818)**	**(1,879)**

The above balances are with UniCredit Bank Hungary Zrt., UniCredit Bank Czech Republic, UniCredit Global Information Services, Európa Ingatlanbefektetési Alap and Bank Austria AG.

31. Fair value information

(HUF million)	2011 Fair Value	2011 Carrying amount	2010 Fair Value	2010 Carrying amount
Available for sale financial assets	10,073	10,073	11,170	11,170
Placements with, and loans and advances to other banks	64,616	67,720	67,685	71,429
Loans and advances to customers	51,348	48,635	53,545	53,376
Financial Assets & Derivatives	126,037	126,428	132,400	135,975
Deposits and loans from other banks	25,497	25,516	63,269	63,291
Issued mortgage bonds	82,485	83,710	56,493	56,360
Deposits and loans from customers	297	297	-	-
Financial Liabilities	108,279	109,523	119,762	119,651

* All the above listed carrying amounts contain interest accrued.

31. Fair value information (continued)

Estimation of fair values for the Fair Value Report to the Notes

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. (Past due and doubtful loans are exhibited with book value.) 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 derivates: 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 and customer 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.

In line with the above detailed fair value computation, i.e. gross present value, the respective accrued interest is added to the carrying value for a good comparison.

32. Segment report

	Total Bank		Retail		Corporate		Others	
(HUF million)	2011	2010	2011	2010	2011	2010	2011	2010
Net Interest Income	**4,021**	**4,436**	**2,186**	**2,702**	**591**	**640**	**1,244**	**1,094**
Net fee and commission income	(90)	(23)	41	49	(18)	(24)	(113)	(48)
Trading profit	139	64	-	-	-		139	64
Balance of other oper.inc./exp.	(739)	(2)	-	-	-	-	(739)	(2)
REVENUES	**3,331**	**4,475**	**2,227**	**2,751**	**573**	**616**	**531**	**1,108**
Staff Expenses	(104)	(136)	(33)	(42)	-	-	(71)	(94)
Other Administrative Expenses	(337)	(574)	154	(74)	(2)	(4)	(489)	(496)
W/d on tang./intang. assets	(17)	(19)	(9)	(6)	-	(1)	(8)	(12)
Direct Expenses	**(458)**	**(729)**	**(112)**	**(122)**	**(2)**	**(5)**	**(568)**	**(602)**
Indirect Expenses	-	-	(22)	(103)	(4)	(15)	26	118
Overhead Expenses	-	-	(327)	(444)	(7)	(45)	334	489
OPERATING EXPENSES	**(458)**	**(729)**	**(237)**	**(669)**	**(13)**	**(65)**	**(208)**	**5**
GROSS OPERATING RESULT	**2,873**	**3,746**	**1,990**	**(2,082)**	**560**	**551**	**323**	**1,113**
Cost / Income Ratio	**13,7%**	**16.3%**	-	-	-	-	-	-
Provision for risk and charges	(1)	(3)	-	-	-	-	(1)	3
Goodwill impairment	-	-	-	-	-	-	-	-
P/L and net w/d on loans	**(1,889)**	**(1,473)**	**(1,852)**	**(1,503)**	**(37)**	**(30)**	-	-
P/L and net w/d on investment	29	5	-	-	-	-	29	5
Integration costs	-	-	-	-	-		-	-
RESULT BEFORE TAXES	**1,012**	**2,281**	**138**	**579**	**523**	**581**	**351**	**1,121**
Income taxes	(280)	(487)						
RESULT AFTER TAXES	**732**	**1,794**						
ROE	**4,2%**	**10.8%**						
Interest Bearing Assets	124,934	126,067						
Interest Bearing Liabilities	112,503	118,852						

33. Exposure to credit risk

(HUF million)	Loans and advances to customers 2011	2010	Placements with , and loans and advances to other banks 2011	2010
Individually impaired				
Grade 1 - Bonis	-	942	-	-
Grade 2 – Past Due	61		-	-
Grade 3 – Ristrutturati	-	-	-	-
Grade 4- Incaglio	1,697	589	-	-
Grade 5- Sofferenze	2,156	1,537	-	-
Gross amount	3,914	3,068	-	-
Allowance for impairment	(2,049)	(1,061)	-	-
Carrying amount	**1,865**	**2,007**	-	-
Collectively impaired				
Grade 1 - Bonis	-	533	-	-
Grade 2 – Past duel	450		-	-
Grade 3 – Ristrutturati	49		-	-
Grade 4 - Incaglio	936	997	-	-
Grade 5 -Sofferenze	1,928	2,468	-	-
Gross amount	**3,363**	**3,998**	-	-
Allowance for impairment	(1,689)	(1,728)	-	-
Carrying amount	**1,674**	**2,270**	-	-
Past due but not impaired				
Grade 1 - Bonis	2,151	10,955	-	-
Grade 2 – Past Due	-	-	-	-
Grade 3 - Ristrutturati	-	-	-	-
Grade 4 - Incaglio	-	-	-	-
Grade 5 -Sofferenze	-	-	-	-
Carrying amount	**2,151**	**10,955**	-	-
Past due comprises				
0-30	1701	9,085	-	-
30-60	293	1,544	-	-
60-90	157	159	-	-
90-180	-	56	-	-
over 180 days	-	111	-	-
Carrying amount	**2,151**	**10,955**	-	-

33. Exposure to credit risk (continued)

(HUF million)	2011	2010	2011	2010
Neither past due nor impaired				
Grade 1 - Bonis	42,945	38,282	59,367	66,046
Grade 2 – Past Due	-	-	-	-
Grade 3 - Ristrutturati	-	-	-	-
Grade 4 - Incaglio	-	-	-	-
Grade 5 - Sofferenze	-	-	-	-
Carrying amount	42,945	38,282	59,367	66,046
IBNR	(1,397)	(138)	-	-
Total	48,635	53,376	59,367	66,046

The categories for loan classification are as follows:

General remarks:

- All categories are considered at client level.
- Past due days are defined according to the Basel II. definition.

Bonis (performing) loans: Loans belonging to client who have no overdue debt or it does not exceed 90 days, and who have no other "unlikely to pay" default event.

Impaired loans:

Past due: Loans belonging to clients who have an overdue amount between 90 and 180 days on any of their loans, and who have no "unlikely to pay" default event.

Restuctured (Ristrutturati): Renegotiated / restructured loans, if the effect of the restructuring is NPV negative (NPV = Net Present Value), or if at the time of restructuring the a material part of the loan had already been overdue more than 180 days, or at the time of restructuring the client had an "unlikely to pay" default event.

Doubtful (incagli) loans: Loans belonging to client who has an overdue debt on any loan more than 180 days but less than 365 days; or who has an "unlikely to pay" default event (excluding work-out); or who after restructuring got again overdue with the restructured loan more than 30 days but not exceeding 365 days.

Non-performing (sofferenze) loans: Loans belonging to client who are in delay with any of their loans by more than 365 days, or who are in the work-out phase.

34. Regulatory capital

The Hungarian Financial Supervisory Authority's guidance is based on the European Commission's directive, the Basel Committee's work and the guideline on Pillar 2 published by the Committee of European Banking Supervisors. The Basel Committee emphasizes the importance of setting quantitative and qualitative capital targets, adequately proactive capital planning and strong senior management involvement in, and responsibility for, capital planning. HFSA requires monthly reports from banks and financial institutions concerning the capital requirement and solvency ratio. The European Common Reporting (COREP) charts are used as a standard form to be reported from 1 January 2008.

Main elements for the calculation of Risk Weighted Assets are the followings:
Tier 1 capital, which includes ordinary share capital, share premium, general reserve, general risk provision, retained earnings, negative differences due to consolidation, less intangible asset adjustments. 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 treated as an appropriation of retained earnings.

Tier 2 capital containing fair value reserve for available-for-sale equity securities and qualifying subordinated liabilities. These two elements create the regulatory capital which is reduced by the amount of investments in financial institutions, large exposure limit and certain other regulatory items, if any.

The most significant business risks to which the Bank is exposed are market interest rate, liquidity, foreign exchange rate and credit risks. 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.

Various limits are applied to elements of the capital base. The amount of qualifying subordinated loan capital may not exceed 50 percent of original own funds.
The combined value of a credit institution's exposures to a single client or a group of connected clients, after taking into account the effect of the credit risk mitigation:
a) may not exceed twenty-five percent of the credit institution's own funds, or
b) where that client is a credit institution, investment firm or where a group of connected clients includes one or more credit institutions or investment firms, forty-two billion forints or the amount defined in Paragraph *a)*, whichever the higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation, to all connected clients that are not credit institutions or investment firms does not exceed twenty-five percent of the credit institution's own funds.

Banking operations are categorised in banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

34. Regulatory capital

The Bank implemented Basel II Standard method from 1 January 2008. The Bank follows the instructions, requirements and methods given by the national regulator and its parent bank. The purpose of Basel II was to create standards and regulations on how much capital financial institutions must have put aside. Banks need to put aside capital to reduce the risks associated with its investing and lending practices. The Bank intends to use the standardized approach in the future.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with gearing and the advantages and security afforded by a sound capital position. HFSA gave the permission for the 0% risk weight calculation at the fully consolidated Hungarian group members of the Bank. This means the Bank could now apply 0% for UniCredit Bank Hungary in COREP report.

	2011	2010
Tier 1 Capital		
Ordinary share capital	3,000	3,000
Share premium	783	783
General reserve	1,162	1,155
General risk provision the 1,25 percentages of the corrected balance sheet total	531	1,025
Retained earnings	10,616	9,214
P/L according to the balance sheet	69	1,402
Less intangible adjustments	(19)	(34)
Tier 1 Total	**16,142**	**16,545**
Tier 2 Capital		
Fair value reserve for available-for-sale equity securities	-	23
Tier 2 Total	-	**23**
Total regulatory capital	**16,142**	**16,568**
Large explosure limit	(265)	-
Modified adjusted capital	**15,877**	**16,568**
Risk Weighted Assets	**53,338**	**107,011**
Credit risk	46,072	100,340
Market risk	-	-
Operational risk	7,266	6,671
Capital adequacy (%)	**29,77%**	**15.48%**