

**HVB JELZÁLOGBANK ZRT.
HALF-YEARLY FLASH REPORT
2006**

HVB Jelzálogbank Zrt. Flash Report

In compliance with its obligation by law, HVB Jelzálogbank Zrt. (hereinafter referred to as: Mortgage Bank) would like to inform its mortgage bondholders of changes which have occurred at the Company, the asset value of their outstanding mortgage bonds and related collateral, as well as business in the first half of 2006.

Changes at the Company

- There has been no change in the ownership structure of the Mortgage Bank since 31 December 2005. The shareholders in the subscribed capital of the Company are HVB Bank Hungary Zrt. and SAS-Reál Ingatlanüzemeltető és Kezelő Kft. with respective holdings of 99.97% and 0.03%.
- There have been changes in the members of the Board of Directors since 31 December 2005. On 30 March 2006 the General Meeting of the Mortgage Bank decided unanimously to elect Dr. Bruno Ettenauer, Dr. Mihály Patai and Ágnes Radványi as external Board members, while Tibor Rácz was elected as an external Board member upon standing down from his position as an internal Board member. In light of the fact that despite his appointment Dr. Bruno Ettenauer did not wish to continue participating in the work of the Board, his position as an external Board member was terminated as of 30 March 2006.
- Board members Dr. Matthias Kunsch and Dr. Doffek Jánosné stood down from their Board positions as of 31 March 2006.
- At the Board meeting of the Mortgage Bank held on 20 June 2006 the members appointed Mihály Patai as Chairman of the Board.
- The Metropolitan Court as the Court of Registration recorded the changed name of the Company as of 11 May 2006, according to which the Company's new name is HVB Jelzálogbank Zártkörűen működő részvénytársaság (private company limited by shares) (abbreviated name: HVB Jelzálogbank Zrt.).
- The Mortgage Bank switched to fair value measurement as of 1 January 2006.

The members of the Board of Directors and the Supervisory Board were as follows on 30 June 2006:

Board of Directors

Dr. Mihály Patai	Chairman of the Board, external Board member
Dr. Gyula Nagy	Chief Executive Officer, internal Board member
Péter Lengyel	Deputy General Manager, internal Board member
Ágnes Radványi	external Board member
Tibor Rácz	external Board member
Markus Winkler	external Board member
Reinhardt Madlencnik	external Board member

Supervisory Board:

Dr. Zsuzsanna Gulyás

Franz Unger

Franz Wolfger

Chair of Supervisory Board

Supervisory Board member

Supervisory Board member

Asset value

In accordance with Act CXX of 2001 on the Capital Market, information disclosed regularly on issued debt securities secured by specific assets or instruments pledged in collateral must indicate any change in the value of such assets or instruments. In conformance with this regulation, what follows is the nominal value and interest amounts of outstanding mortgage bonds of the Mortgage Bank still not repaid as of 30 June 2006, as well as the value of collateral as verified by the Property Supervisor.

Outstanding mortgage bonds denominated in forints: as yet unpaid		
➤ Nominal value (a)	67,516,230,000	HUF
➤ Interest (b)	20,018,021,900	HUF
Total (a+b)	87,534,251,900	HUF
Forint value of outstanding mortgage bonds denominated in foreign currency converted using official MNB exchange rate: as yet unpaid		
➤ Nominal value (c)	4,228,950,000	HUF
➤ Interest (d)	1,039,059,749	HUF
Total (c+d)	5,268,009,749	HUF
Outstanding mortgage bonds denominated both in forints and foreign currency: as yet unpaid		
➤ Nominal value (a+c)	71,745,180,000	HUF
➤ Interest (b+d)	21,057,081,649	HUF
Grand total (a+b+c+d)	92,802,261,649	HUF
Value of ordinary collateral in forints as verified by property supervisor		
➤ Capital receivable (e)	60,936,339,793	HUF
➤ Interest receivable (f)	26,829,456,180	HUF
Total (e+f)	87,765,795,973	HUF
Forint value of ordinary collateral denominated in foreign currency, converted using official MNB exchange rate on reporting date		
➤ Capital receivable (g)	13,617,004,587	HUF
➤ Interest receivable (h)	2,450,309,382	HUF
Total (g+h)	16,067,313,969	HUF
Collective value of ordinary collateral denominated in forints and foreign currency:		
➤ Capital receivable (e+g)	74,553,344,380	HUF
➤ Interest receivable (f+h)	29,279,765,562	HUF
Grand total (e+g+f+h)	103,833,109,942	HUF
Value of additional collateral:		
➤ Capital receivable (i)	9,230,365,281	HUF
➤ Interest receivable (j)	0	HUF
Total (i+j)	9,230,365,281	HUF

All of the additional collateral is kept by the Bank in government securities.

Main rows of the Mortgage Bank's balance sheet and profit and loss statement as at 30 June 2006 according to Hungarian Accounting Regulations (MSZSZ)

BALANCE SHEET	Figures in THUF		change %
	30.06.2005	30.06.2006	
I. LIQUID ASSETS	327,413	319,492	-2.4%
II. GOVERNMENT SECURITIES	5,721,012	9,261,961	61.9%
a) held-for-trading	-	-	-
b) held-to-maturity	5,721,012	9,261,961	61.9%
RECEIVABLES FROM CREDIT INSTITUTIONS			
III. RECEIVABLES FROM CREDIT INSTITUTIONS	60,766,399	63,442,034	4.4%
a) sight	5,501		-100.0%
b) other receivables from financial services	60,760,898	63,442,034	4.4%
ba) short-term	2,400,000	5,838,950	143.3%
bb) long-term	58,360,898	57,603,084	-1.3%
IV. RECEIVABLES FROM CUSTOMERS	22,724,592	26,629,930	17.2%
a) from financial services	22,724,592	26,629,930	17.2%
aa) short-term	46,490	64,108	37.9%
ab) long-term	22,678,102	26,565,822	17.1%
b) from investment services	-	-	-
V. DEBT SECURITIES, INCLUDING THOSE WITH FIXED INTEREST	-	-	-
VI. SHARES AND OTHER SECURITIES WITH VARIABLE YIELDS	-	-	-
VII. SHARES, HOLDINGS HELD TO MATURITY	-	-	-
VIII. SHARES, HOLDINGS IN RELATED COMPANIES	-	-	-
IX. INTANGIBLE ASSETS	240,333	234,507	-2.4%
a) intangible assets	240,333	234,507	-2.4%
b) upwards revaluation of intangible assets	-	-	-
X. TANGIBLE ASSETS	19,333	12,799	-33.8%
a) financial and investment service tangible assets	-	-	-
b) indirect financial and investment service tangible assets	19,333	12,799	-33.8%
XI. OWN SHARES	-	-	-
XII. OTHER ASSETS	1,091,960	657,842	-39.8%
a) inventories	-	-	-
b) other receivables	1,091,960	657,842	-39.8%
PREPAID EXPENSES AND ACCRUED INCOME			
XIII. INCOME	838,709	628,434	-25.1%
a) accrued income	370,061	443,435	19.8%
b) prepaid expenses	468,648	184,999	-60.5%
c) accrued payables	-	-	-
TOTAL ASSETS	91,729,751	101,186,999	10.3%
Of which			
- CURRENT ASSETS	3,871,364	6,880,392	77.7%
- FIXED ASSETS	87,019,678	93,678,173	7.7%

	Figures in THUF		change %
	30.06.2005	30.06.2006	
I. LIABILITIES TO CREDIT INSTITUTIONS	10,618,725	16,791,480	158.1%
a) sight	-	-	-
b) fixed-term liabilities from financial services	10,618,725	16,791,480	58.1%
ba) short-term	1,873,932	7,783,113	315.3%
bb) long-term	8,744,793	9,008,367	3.0%
c) from investment services	-	-	-
II. LIABILITIES TO CLIENTS	-	-	-
III. LIABILITIES DUE TO ISSUED SECURITIES	70,241,930	71,745,180	2.1%
a) issued bonds	-	-	-
b) other issued debt securities	70,241,930	71,745,180	2.1%
ba) short-term	5,504,700	6,100,000	10.8%
bb) long-term	64,737,230	65,645,180	1.4%
IV. OTHER LIABILITIES	17,363	241,022	1,288.1%
a) short-term	17,363	241,022	1,288.1%
b) long-term	-	-	-
ACCRUED EXPENSES AND DEFERRED			
V. INCOME	3,502,353	3,284,021	-6.2%
a) deferred income	1,782,863	1,325,221	-25.7%
b) accrued expenses	1,719,490	1,958,800	13.9%
c) accrued assets	-	-	-
VI. PROVISIONS	265,000	322,000	21.5%
a) provisions for pensions and severance payments	-	-	-
b) risk provisions for commitments and contingent liabilities	-	-	-
c) general risk reserve	265,000	322,000	21.5%
d) other provisions	-	-	-
VII. SUBORDINATED LIABILITIES	-	-	-
VIII. SUBSCRIBED CAPITAL	3,000,000	3,000,000	0.0%
IX. SUBSCRIBED, BUT UNPAID CAPITAL (-)	-	-	-
X. CAPITAL RESERVE	782,918	782,918	0.0%
XI. GENERAL RESERVE	206,986	380,770	84.0%
XII. PROFIT RESERVE	2,085,147	3,649,204	75.0%
XIII. NON-DISTRIBUTABLE RESERVE	-	-	-
XIV. VALUATION RESERVE	-	-	-
a) valuation reserve from upwards revaluations	-	-	-
b) valuation reserve from fair valuations	-	-	-
XV. RETAINED PROFIT FOR THE YEAR	1,009,329	990,404	-1.9%
TOTAL EQUITY AND LIABILITIES	91,729,751	101,186,999	10.3%
Of which			
- CURRENT LIABILITIES	7,395,995	14,124,247	91.0%
- LONG-TERM LIABILITIES	73,482,023	74,653,547	1.6%
- EQUITY	7,084,380	8,803,184	24.3%

PROFIT AND LOSS STATEMENT

 Figures in THUF
 30.06.2005 30.06.2006 change %

<i>1. Interest received and similar income (2+5)</i>	4,876,795	4,597,036	-5.7%
a) interest income on debt securities with fixed interest	238,396	300,826	26.2%
b) other interest received and similar income	4,638,399	4,296,210	28.3%
<i>2. Interest paid and similar expenses (9+10)</i>	3,516,720	3,325,701	-5.4%
Interest margin (1-2)	1,360,075	1,271,335	36.6%
<i>3. Income from securities</i>	-	-	-
<i>4. Commission and fee income</i>	219,160	169,267	-22.8%
a) fee income of other financial services	219,160	169,267	-22.8%
b) income from investment services (except trading activity income)	-	-	-
<i>5. Commissions paid (payable) and fee expenses</i>	19,963	16,380	-17.9%
a) other financial service expenses	1,310	6,882	425.3%
b) investment service expenses (with the exception of trading activity expenses)	18,653	9,498	-49.1%
<i>6. Net profit on financial transactions 6.a)-6.b)+6.c)-6.d)</i>	68,402	238,669	248.9%
a) income of other financial services	316,801	256,724	-19.0%
b) other financial service expenses	248,399	18,055	-92.7%
c) investment service income (trading activity income)	-	-	-
d) investment service expenses (trading activity expenses)	-	-	-
<i>7. Other income from business activities</i>	0	1,620	100.0%
<i>8. General administrative expenses</i>	341,996	347,758	-1.7%
a) staff costs	216,968	229,901	6.0%
aa) wage costs	156,783	164,465	4.9%
ab) other staff benefits	6,315	8,504	34.7%
ac) wage contributions	53,870	56,932	5.7%
b) other administration costs (material-type expenses)	125,028	117,857	-5.7%
<i>9. Depreciation</i>	55,918	68,565	22.6%
<i>10. Other expenses from business activity</i>	130,484	151,058	15.8%
a) non-financial and non-investment service expenses	-	-	-
b) other expenses	130,484	151,058	15.8%
<i>11. Impairment on receivables and risk provisioning for commitments and contingent liabilities</i>	118,737	182,226	53.5%
a) impairment on receivables	118,737	182,226	53.5%
b) risk provisioning for commitments and contingent liabilities	-	-	-
<i>12. Reversal of impairment on receivables and utilisation of risk provisions for commitments and contingent liabilities</i>	28,790	75,500	162.2%
a) reversal of impairment on receivables	28,790	75,500	162.2%
b) utilisation of risk provisions for commitments and contingent liabilities	-	-	-
12/A Difference between general risk provisions allocated and used	-	-	-
Profit on ordinary activities	1,009,329	990,404	-1.9%
of which:			
- PROFIT ON FINANCIAL AND INVESTMENT SERVICES	1,009,329	990,404	-1.9%
- PROFIT FROM NON-FINANCIAL AND NON-INVESTMENT SERVICES	-	-	-
18. Extraordinary profit	-	-	-
19. Profit before tax	1,009,329	990,404	-1.9%
21. Profit after tax	-	-	-
25. Retained profit for the year	-	-	-

The Mortgage Bank emphasises to its investors that the balance sheet and profit and loss statement figures in the Flash Report compiled under Hungarian accounting regulations are not audited!

The undersigned hereby declare that all of the data and representations in the above Flash Report are true and correct, and that it contains all of the facts and information necessary to make an informed judgement of the situation of the Mortgage Bank.

The Mortgage Bank shall be liable to recompense any damage caused by failure to provide regular and exceptional information, as well as by misleading data.

The Flash Report shall be published on the website of the Mortgage Bank (www.jelzalogbank.hu), on the website of HVB Bank Hungary Zrt. (www.hvb.hu), on the website of the Budapest Stock Exchange (www.bet.hu), and in the national daily newspaper the Magyar Tőkepiac on 25 July 2006. The Flash Report can be viewed at the registered office of the Mortgage Bank (1065 Budapest, Nagymező u. 44.) from 25 July 2006.

Budapest, 21 July 2006

Dr. Gyula Nagy
Chief Executive Officer

Szántó Istvánné
Chief Accountant