Independent Auditors' Report issued on 2008 Unconsolidated IFRS Financial Statement of UniCredit Jelzálogbank Zrt.

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Independent Auditor's Report

To the shareholder of UniCredit Jelzálogbank Zrt.

We have audited the accompanying financial statements of UniCredit Jelzálogbank Zrt. (hereinafter referred to as "the Company"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the UniCredit Jelzálogbank Zrt. as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Budapest, 19 February 2009

KPMG Hungária Kft.
1139 Budapest, Váci út 99.

John Varsanyi
Partner

UNICREDIT JELZÁLOGBANK ZRT

Unconsolidated balance sheet
as at 31 December 2008

(HUF million)

	Note	2 008	2 007
Assets			
Available for sale financial assets	14	12 616	13 130
Placements with, and loans and advances to other banks	13	70 389	52 513
Loans and advances to customers	16	58 426	45 024
Property, plant and equipment	17	6	55
Intangible assets	18	79	92
Tax assets	12	328	61
Other assets	19	2 021	1 362
Total assets		**143 865**	**112 237**
Liabilities			
Deposits and loans from other banks	20	63 015	26 050
Issued mortgage bonds	21	63 429	69 417
Tax liabilities		24	16
Other liabilities	22	4 616	5 109
Other provisions		0	46
Total liabilities		**131 084**	**100 638**
Shareholder's Funds			
Share capital	23	3 000	3 000
Capital reserve		783	783
Other reserves		1 360	1 090
Retained earnings		6 650	5 076
Valuation reserves		(866)	(194)
Net profit		1 854	1 844
Total Shareholder's Funds		**12 781**	**11 599**
Total Liabilities and Shareholder's Funds		**143 865**	**112 237**

The accompanying notes (1-32) form an integral part of these financial statements.

19 February 2009

UniCredit Jelzálogbank Zrt.
4.

Member of Board of Directors

General Director

UNICREDIT JELZÁLOGBANK ZRT

Unconsolidated income statement
for the year ended 31 December 2008

(HUF million)

	Note	2008	2007
Interest and similar income		10 562	10 224
Interest expense and similar charges		(7 026)	(6 762)
Net interest income	5	**3 536**	**3 462**
Fee and commission income		69	288
Fee and commission expense		(23)	(30)
Net fee and commission income	6	**46**	**258**
Dividend income			
Net trading income	7	23	1
Net gain and loss on other financial intruments disposals	8		(36)
Operating income		**3 605**	**3 685**
Impairment and losses on credit products	25	(163)	(54)
Net financial activity result		**3 442**	**3 631**
Personnel expenses	9	(539)	(561)
General operating expenses	10	(448)	(424)
Other provision		46	(46)
Amortization and impairment on Property, plant and equipm	17	(48)	(4)
Amortization and impairment on Intangible assets	18	(62)	(165)
Other income /(expenses)	11	6	(14)
Operating costs		**(1 045)**	**(1 214)**
Profit before tax		**2 397**	**2 417**
Income tax expense	12	(543)	(573)
Net profit for the year		**1 854**	**1 844**

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19 February 2009

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Member of Board of Directors

General Director

UNICREDIT JELZÁLOGBANK ZRT

Unconsolidated statement of changes in shareholder's equity as at 31 December 2008

(HUF million)	Ordinary Shares	Capital Reserve	Retained Earnings	Other reserves: General Reserve	Other reserves: General Risk Reserve	Valuation reserves	Net profit	Total
Balance 1 January 2007	3 000	783	3 473	563	316	(83)	1 814	9 866
Gains and losses recognised directly in equity in accordance with IAS 39	-	-	-	-	-	(111)		(111)
Net profit for the previous year			1 814				(1 814)	0
Net profit for the current year	-	-		-	-	-	1 844	1 844
Transfer from retained earnings	-	-	(211)	180	31	-	-	0
Balance 31 December 2007	3 000	783	5 076	743	347	(194)	1 844	11 599
Gains and losses recognised directly in equity in accordance with IAS 39	-	-		-	-	(672)		(672)
Net profit for the previous year			1 844				(1 844)	0
Net profit for the current year	-	-		-	-	-	1 854	1 854
Transfer from retained earnings	-	-	(270)	173	97		-	0
Balance 31 December 2008	3 000	783	6 650	916	444	(866)	1 854	12 781

The accompanying notes (1-32) form an integral part of these financial statements.

19 February 2009

UniCredit Jelzálogbank Zrt.
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Member of Board of Directors

General Director

UNICREDIT JELZÁLOGBANK ZRT
Statement of Cash Flows
for the year ended 31 December 2008

(HUF million)	2 008	2007
Cash flows from operating activities:		
Net profit for the year	**1 854**	**1 844**
thereof interest received	10 562	10 224
interest paid	7 026	6 762
Adjustment to determine net cash provided by operating activities		
Depreciation	110	169
Net change in other assets and tax assets and other liabilities	302	761
Income taxes paid	(548)	(582)
(Increase)/Decrease in current account and deposits with banks	(13 050)	2 322
Increase in loans and advances to customer, net	(13 160)	(15 193)
Increase in individual mortgage rights purchased	(4 840)	4 642
Increase in deposits, net of withdrawals	36 965	8 799
Cash flow from / (used in) operating activities	5 779	918
Investing Activities		
Proceed on sale of property, plant and equipment	0	1
Purchases of intangibles and equipment	(49)	(27)
Disposal of intangibles and equipment	0	13
Increase in securities purchased	(1 596)	(1 689)
Cash flow from / (used in) investing activities	(1 645)	(1 702)
Financing activities		
Increase in mortgage bonds issued, net	(5 988)	(1 434)
Cash flow from / (used in) financing activities	(5 988)	(1 434)
Net increase /(decrease) in cash and cash equivalents	0	(374)
Cash and cash equivalents at beginning of year	0	374
Cash and cash equivalents at year end	0	0

The accompanying notes (1-32) form an integral part of these financial statements.

19 February 2009

UniCredit Jelzálogbank Zrt.
4.

Member of Board of Directors

General Director

1. General

UniCredit Jelzálogbank Zrt. - formerly HVB Jelzálogbank Zrt. – („the Bank") is a mortgage bank which was established in Hungary on June 1, 1998. The Bank's ultimate holding company is Unicredito Italiano Spa. The registered office of the Bank is at 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 2008, UniCredit Bank Hungary Zrt. (formerly HVB 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 19 February 2009.

2. 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) Statement of Compliance

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

b) Basis of preparation

The financial statements have been prepared on a fair value basis for derivative financial instruments, financial assets and liabilities through profit or loss, and 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.

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

c) Comparatives

In case certain balances would have been restated and reclassified to provide consistency for presentation purposes, it would be disclosed.

d) Cash and cash equivalents

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

e) Financial instruments

i. Classification

Trading financial assets and financial liabilities are those that the Bank principally holds for the purpose of short-term profit taking. These include shares, bonds, certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All non-hedge derivatives in a net receivable position (positive fair value), are classified as trading financial assets. All trading derivatives in a net payable position (negative fair value), are classified as trading financial liabilities.

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.

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.

ii. Recognition and de-recognition

The Bank recognises financial assets and liabilities on the trade date. They are initially measured at fair value (except for an item 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 cash is advanced to the counterparty.

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

iii. 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.

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 upon 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 valuation reserve, in equity. Any permanent impairment loss on available for sale financial assets and hedging derivatives is recognised in the income statement.

f) Transactions in foreign currency

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 the HUF.

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.

g) Investment 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.

h) Equity investments

Equity investments that the Bank holds for the purpose of short-term profit taking are classified as trading financial assets. Other equity investments are classified as available-for-sale financial assets. The measurement of these equity investments is stated in Note 2.e.

i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation 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.

j) 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.

k) 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	25
Buildings	2 - 6
Office equipment	14.5 - 33
Motor vehicles	20

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

l) Loans and advances to customers

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

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

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 charged 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.

m) 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 an individual 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 4 to 6 months according to the type of clients or (in case of the retail segment) products.

n) 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 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 using the effective interest method.

o) 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.

p) 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.

q) Valuation reserve

The valuation reserves are part of the Shareholder's equity. Under the IFRS principles the valuation reserves include the Cash-flow Hedge Reserve and Available for Sales instruments Reserve less deferred tax as stated in Note 2.e. above.

r) 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.

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.

s) Impairment

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

An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business. If the asset's carrying amount exceeds its recoverable amount, the asset is impaired. It is written down to its recoverable amount and an impairment loss is recognised.

t) 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.

u) 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.

v) 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.

w) 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.

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

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 and other transactions and balances with corporate customers
- Treasury	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.

The result of each segment also include the head office direct costs allocated on a reasonable basis. The business segment report is presented in Note 30.
The secondary segmentation is not relevant at the Bank because the real estates financed by the Bank are located in Budapest and around Budapest.

x) 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 2008, and have not been applied in preparing these consolidated financial statements:

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 unconsolidated financial statements and will be applicable retrospectively. The Bank is currently in the process of evaluating the potential effect of this interpretation.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 unconsolidated financial statements, with retrospective application. The Bank is currently in the process of evaluating the potential effect of this amendment.

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 unconsolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Bank presents segment information in respect of its business segments (see note w). The Bank is currently in the process of determining the potential effect of this standard on the Bank's segment reporting.
- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank's 2009 financial statements.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will become mandatory for the Bank's 2009 unconsolidated financial. The Bank is currently in the process of evaluating the

potential effect of this amendment.

- Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank's 2010 unconsolidated financial statements will have no impact on the unconsolidated financial statements.
- Amendments to IAS 32 and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank's 2009 unconsolidated financial statements with retrospective application required, do not have any significant impact on the unconsolidated financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 unconsolidated financial statements. The Bank does not expect these amendments to have any significant impact on the unconsolidated financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 unconsolidated financial statements, with retrospective application required.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that:
    - net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation
    - the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged
    - on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

3. 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 takes its part in UniCredit Group-wide approach to manage risk, tailored for specific Hungarian legal and business requirements. Integrated and on-line systems ensure constant, timely monitoring of risk.

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

The Bank's response to the current financial crisis is a joint risk strategy developed by UniCredit Bank.

i) Credit risk

Credit risk is the risk of financial loss occurring as a result of a default by counterparty in their contractual obligation to the Bank. Credit risk is primarily managed by the Credit Committee. The committee establishes credit regulations including the approval process, portfolio limit concentration guidelines, approval of discretionary limits, formulation of standards for the measurement of credit exposures and the risk rating of clients based on the assessment of management quality and financial statements. All outstanding loans are reviewed at least quarterly. Loans are classified based on a point rating system, which incorporates qualitative and quantitative factors.

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 groups of loan portfolios based on internal policies which are allocated to individual assets of these loan portfolios.

The Bank establishes the impairments for incurred but not reported (IBNR) loss based on the historical database for the loan portfolios.

Write-off policy

The Bank writes-off a loan or security balance (and any related impairment losses balance) when the Bank determines that the loan or security is uncollectible.

The industrial sector and collateral details of loan portfolios are presented in Note 15. and the details of exposure of credit risk are presented in Note 31.

ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting 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 critical to maintain market confidence, and protect the capital base while permitting effective growth. In managing its liquidity the Bank takes into account various legal requirements and limitations.

Limits regarding the maximum net outflow of funds in a particular period are in place and are approved and monitored by 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 a general and a bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions are 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 long-term liquidity limits of the Bank were observed continuously in 2008. 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 is used as a key figure in managing the Bank's liquidity and funding.

The maturity analysis of balance sheets for 2007 and 2008 are represented in Note 26.

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 credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

Market risk management encompasses all activities in connection with Bank's International Markets operations and management of the balance sheet 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 the International Markets Division's.

The Bank based on Bank Austria Creditanstalt Group standard (as a subgroup of Unicredit Group) uses uniform risk management procedures. These procedures provide aggregate data and make available the major risk parameters for the various trading operations at least once a day. Market risk limits control 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 positions in non-linear products.

The bank does not perform value at risk analysis because,

a. there is no FX position initiated by business policy, the basis point value and the value at risk is low and there is no trading book,
b. the risk initiated by clients are transferred to the parent bank, which monitors all risk reporting.

Daily reporting includes details of volume-oriented sensitivity analysis which are compared with their respective trigger point. The most important items presented 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). Market risk management is also performed with reference to specific counterparties. Interest rate analysis includes, 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). Daily reporting also presents details of credit spread by curve and maturity band.

Management of balance sheet structure

Interest rate risk and liquidity risk arising from customer transactions is monitored by the Bank's treasury operations through a matched funds transfer pricing system applied throughout the Bank. 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 origination and classification. ALCO ensures that the Bank's overall maturity structure is optimised within targets, with the results from maturity transformation being reflected in the International Markets Division.

Products for which interest-rate and capital maturity are 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.

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. All FX positions are transfered to UniCredit Bank Hungary Zrt. through FX deals.

The statements of foreign exchange exposures (currency structure of assets and liabilities is presented in Note 25.

iv) Compliance with Basel II

In October 2007, a local Basel II internal rating-based approach (IRB) project was set up at the UniCredit Bank Hungary comprising all three pillars of Basel II. The Bank's representative takes part in the team to coordinate the activity and to assure that the specialities of the mortgage bank will be taken into consideration.
The IRB roll-out will be carried out locally. This decentralised approach means that the requirements of Advanced IRB (hereafter A-IRB) approach will be implemented by the UniCredit Group but Strategic Risk Management of Unicredit Italiano Spa. and BA-CA will provide support during the implementation by providing guidelines and standards and in terms of coaching and advice. The Unicredit Group will be responsible for the use and development of methods and the compliance with local regulatory requirements, while the approval of the developed models and methods will be under the responsibility of the Strategic Risk Management Department.

The Bank uses the Basel II standardised approach from the beginning of 2008.
A high-level roll-out plan for the gradual switch to the IRB approach is being set up on Hungarian group level and will be refined on an ongoing basis. At first phase, the Bank will introduce Foundation IRB (hereafter F-IRB) approach for corporate clients and then A-IRB will be used for retail and corporate segments. The roll-out plan for the Bank is under evaluation.

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 Bank's physical assets, business disruption and system failures, process management.

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

The Bank operates its operation risk activity according to its internal regulations based on the operation risk regulation of UniCredit Bank Hungary Zrt. in tight cooperation with the centralized Operational Risk Controlling of UniCredit Bank Hungary Zrt (in form of a Service Level Agreement).

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. At least annually, it checks the loss data collection from operational risk, management and storage process to ensure the data quality.

4. 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

The fair value valuation techniques for financial assets and liabilities 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. The criteria of them is described in accounting policies 2.(e.)(i)

5. Net interest income

(HUF million)	2008	2007
Interest and similar income		
Interest income from banks	5,023	5,682
Interest income from customers	4,541	3,647
Interest income on Available for sale financial assets	998	781
Interest income on Held to maturity assets	-	114
	10,562	10,224

5. Net interest income (continue)

(HUF million)	2008	2007
Interest expense and similar charges		
Interest expense to banks	(1,222)	(742)
Interest expense to customers	(88)	(84)
Interest expense on issued bonds	(5,716)	(5,936)
	(7,026)	(6,762)
Net interest income	3,536	3,462

6. Net fee and commission income

(HUF million)	2008	2007
Fees and commission income		
Other financial fees and commissions	69	288
	69	288
Fees and commission expense		
Payment transaction fees	(1)	(1)

Custody service fees	(3)	(3)
Brokerage	(18)	(23)
Other financial fees and commissions	(1)	(3)
	(23)	(30)
	46	258

7. Net trading income

(HUF million)	2008	2007
Profit on foreign exchange	23	1

8. Net gain and loss on other financial instruments

(HUF million)	2008	2007
Gain		
Available for sale debt securities	-	6
	-	6
Loss		
Available for sale debt securities	-	42
	-	42
Net gain and loss on other financial instrument	-	(36)

9. Personnel expenses

(HUF million)	2008	2007
Wages and salaries	384	402
Statutory social-security contributions	114	120
Other employee benefits	26	23
Employer's contributions	15	16
	539	561

The number of employees was 42 at 31 December 2008 (2007: 38 employees).

10. General operating expenses

(HUF million)		2008		2007
Other indirect tax expense and costs of authorities		98		119
Renting costs and operating expenses of property		60		58
Advertising		1		1
Information technology costs		58		42
Material and office equipments costs		2		2
Other administrative expenses		229		202
thereof				
Rental fee	*45*		*37*	
Education, training	*1*		*3*	
Advertising campaigns	*1*		*7*	
Legal and consulting expenses	*87*		*73*	
Other costs	*95*		*82*	
Total		448		424

11. Other income and expenses

(HUF million)

Other income	2008	2007
Proceeds on sale of property, plant and equipment	0	4
Other	21	17
	21	

21

Other expenses		
Taxes, penalties	(5)	(4)
Cost of property, plant and equipment sold	0	(5)
Other	(10)	(26)
	(15)	(35)
Other operating income / expense	6	(14)

12. Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Bank as adjusted for relevant taxation regulations. The corporate income tax rate in Hungary for the year ended 31 December 2008 was 16% and an additional 4%. The Bank has to pay the additional supplementary tax to income earned from loans.

(HUF million)	2008	2007
Tax expense for the year		
Current tax expense	543	581
Adjustments for prior years	5	1
	548	582
Deferred tax charge	(5)	(9)
Total income tax expense in income statement	**543**	**573**

Reconciliation of effective tax rate

	2008 (%)	2008 (HUF million)	2007 (%)	2007 (HUF million)
Profit before tax		2,397		2,417
Income tax using the domestic corporate tax rate	20.0	479	20.0	483
Supplementary corporate tax for banks	4.8	115	4.6	111
Adjustments for prior years	0.2	5	0	1
Tax effects of income/expenses exempt from corporate tax	(1.6)	(39)	0.3	6
Income/expenses giving rise to permanent differences:				
- General Risk Reserve		-	(0.3)	(6)
- Other	(0.7)	(17)	(1.0)	(22)
	22.7	543	23.6	573

Balances related to taxation

(HUF million)	2008	2007
Tax assets		
Tax assets for the year	74	4
Deferred tax assets	254	57
	328	61
Tax liabilities		
Tax liabilities for the year	24	16
	24	16

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

(HUF million)	2008	2007
Loans and advance to other banks		
Maturity less than one year	18,348	5,111
Maturity more than one year	52,041	47,402
Total	70,389	52,513

14. Available for sale financial assets

(HUF million)	2008	2007
Government bonds	13,698	13,372
	13,698	13,372
Fair value adjustment recognised in equity	(1,082)	(242)
	12,616	13,130

15. Loans and advances to customers

(HUF million)	2008	2007
Private and commercial:		
Maturity less than one year	4,748	3,697
Maturity more than one year	54,061	41,540
	58,809	45,237
Provision for impairment and losses on credit products (Note 24)	(383)	(213)
	58,426	45,024

A. Analysis by industrial sector

(HUF million)	2008	%	2007	%
Real estate finance	4,189	3.68	4,365	4.57
Private clients	39,684	34.83	26,908	28.17
Financial activities	12,471	10.95	11,933	12.49
Trade	484	0,42	499	0.52
Agriculture	983	0.86	614	0.64
Catering trade	927	0.81	887	0.93
Community	10	0.01	-	-
Bank (Purchased independent mortgage rights)	55,125	48.38	50,285	52.64
Other	61	0.05	31	0.03
Total	113,934	100.00	95,522	100.00

The total amount contains loans without provision for impairment and losses.

B. Collateral for the above loans

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

(HUF million)	2008	2007
Against individually impaired	937	630
Guarantees	0	16
Frozen bank deposits	10	34
Property	927	580

Collateral for the above loans continued

(HUF million)	2008	2007
Against collectively impaired	515	65
Guarantees	15	0
Frozen bank deposits	150	5
Property	350	60
Against past due but not impaired	1,832	970
Guarantees	13	7
Frozen bank deposits	258	794
Property	1,561	169
Against neither past due nor impaired	91,181	80,719
Guarantees	730	851
Frozen bank deposits	15,154	13,318
Property	31,840	16,265
Others (independent mortgage rights)	43,457	50,285

16. Property, plant and equipment

Movement in property, plant and equipment

(HUF million)

	Acquisition cost at the beginning of the year	Accumulated depreciation and amortisation at the beginning of the year	Additions	Disposals net	Depreciation and amortisation	**Carrying amount at the end of the year**
2008						
Land and buildings	48	(1)	-	-	47	**-**
Office equipment	4	(4)	-	-	-	**-**
Motor vehicles	9	(1)	-	-	2	**6**
Capital work in progress	-	-	-		-	**-**
	61	(6)	-	-	49	**6**
2007						
Land and buildings	48	(0)	-	-	1	**47**
Office equipment	3	(3)	1	-	1	**-**
Motor vehicles	12	(3)	6	5	2	**8**
Capital work in progress	-	-	7	7	-	**-**
	63	(6)	14	12	4	**55**

17. Intangible assets

Movement in intangible assets

(HUF million)

	Acquisition cost at the beginning of the year	Accumulated depreciation and amortisation at the beginning of the year	Additions	Disposals net	Depreciation and amortisation	**Carrying amount at the end of the year**
2008						
Software	672	580	49	-	62	79
	672	580	49	-	62	79
2007						
Software	653	415	19	-	165	92
	653	415	19	-	165	92

18. Other assets

(HUF million)	2008	2007
Accrued interest income	1,276	909
- thereof accrued interest on AFS bonds	*719*	*705*
Other	745	453
	2,021	1,362

19. Deposits and loans from other banks

(HUF million)	2008	2007
Maturity less than one year	46,346	8,986
Maturity more than one year	16,669	17,064
	63,015	26,050

20. Issued bonds

(HUF million)	2008	2007
Maturity less than one year	17,797	9,680
Maturity more than one year	45,632	59,737
	63,429	69,417

21. Other liabilities

(HUF million)	2008	2007
Accrued interest and expenses	3,717	3,795
- thereof accrued interest on issued bonds	*3,531*	*3,627*
Other taxes payable	-	4
Other	899	1,310
	4,616	5,109

22. Share capital

(HUF million)	2008	2007
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.

23. Commitments and contingent liabilities

At 31 December 2008, the Bank had the following commitments and contingent liabilities (at nominal values):

(HUF million)	2008	2007
Loan and overdraft facilities granted not disbursed	1,929	2,106

24. Impairments and provisions

Impairments and provisions on credit products

	Loans	Total financial instruments
Balance 31 December 2007	213	213
Write-offs	-	-
Amounts released	(95)	(95)
Additional impairment	265	265
As at 31 December 2008	383	383
Net movement in impairment provisions	163	163
Others	-	-
Net amount charged to the income statement	163	163
Receivables written-off	-	-

Effect of f/x rate fluctuation	7	7
Total charged to the income statement, excluding the effect of f/x rate fluctuation	**170**	**170**

25. Currency structure of assets and liabilities

The currency structure of assets and liabilities as at 31 December 2008 is as follows:

(HUF million)	Assets	Equity and Liabilities	Total Net foreign currency exposure long/(short)
Currency:			
Euro	22,701	22,659	42
Swiss Francs	30,220	30,138	82
Total foreign currency:	52,921	52,797	124
Hungarian Forint	90,944	91,068	(124)
Total	143,865	143,865	

The currency structure of assets and liabilities as at 31 December 2007 is as follows:

(HUF million)	Assets	Equity and liabilities	Total Net foreign currency exposure long/(short)
Currency:			
Euro	20,975	20,956	19
Swiss Francs	9,040	9,014	26
Total foreign currency:	30,015	29,970	45
Hungarian Forint	82,222	82,267	(45)
Total	112,237	112,237	

26. Maturity analysis as at 31 December 2008

(HUF million)	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	without maturity	Total
Available for sale financial assets		333	-	5,590	6,693	-	**12,616**
Placements with, and loans and advances to other banks	15,103	695	2,550	15,322	36,719	-	**70,389**
Loans and advances to customers	1,805	348	2,212	22,511	31,550	-	**58,426**
Property, plant and equipment	-	-	-	6	-	-	**6**
Intangible assets	-	-	-	79	-	-	**79**
Tax assets	-	-	-	-	328		**328**
Other assets	1,142	683	104	89	3	-	**2,021**
Total assets	**18,050**	**2,059**	**4,866**	**43,597**	**75,293**	**0**	**143,865**
Deposits and loans from other banks	46,346	-	-	16,669	-	-	**63,015**
Issued mortgage bonds	-	13,947	3,850	39,132	6,500	-	**63,429**
Tax liabilities	-	-	-	-	24		**24**
Other liabilities	1,080	1,793	1,743	-	-	-	**4,616**
Other provisions		-	-	-	-	-	
Shareholder's funds	-	-	-	-	-	12,781	**12,781**
Total liabilities and shareholder's Funds	**47,426**	**15,740**	**5,593**	**55,801**	**6,524**	**12,781**	**143,865**
Maturity gap	**(29,376)**	**(13,681)**	**(727)**	**(12,204)**	**68,769**	**(12,781)**	

26. Maturity analysis as at 31 December 2007

(HUF million)	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	without maturity	Total
Available for sale financial assets	-	-	-	3,219	9,911		**13,130**
Placements with, and loans and advances to other banks	2,371	422	2,318	14,048	33,354	-	**52,513**
Loans and advances to customers	1,490	656	1,551	19,992	21,335	-	**45,024**
Property, plant and equipment	-	-	-	55	-	-	**55**
Intangible assets	-	-	-	92	-	-	**92**
Tax assets	-	-	-	-	61	-	**61**
Other assets	537	674	96	53	2		**1,362**
Total assets	4,398	1,752	3,965	37,459	64,663	0	**112,237**
Deposits and loans from other banks	8,986			13,542	3,522	-	**26,050**
Issued mortgage bonds	-	-	9,680	56,737	3,000	-	**69,417**
Tax liabilities	-	-	-	-	16	-	**16**
Other liabilities	1,430	1,797	1,882	-	-	-	**5,109**
Other provisions	46	-	-	-	-	-	**46**
Shareholder's funds	-	-	-	-	-	11,599	**11,599**
Total liabilities and shareholder's Funds	10,462	1,797	11,562	70,279	6,538	11,599	**112,237**
Maturity gap	(6,064)	(45)	(7,597)	(32,820)	58,125	(11,599)	

27. Interest re-pricing as at 31 December 2008

(HUF million)

	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non interest bearing	Total
Available for sale financial assets	-	333	-	5,590	6,693		**12,616**
Placements with, and loans and advances to other banks	28,398	6,744	19,833	15,305	109	-	**70,389**
Loans and advances to customers	8,823	21,039	21,923	6,482	159	-	**58,426**
Property, plant and equipment	-	-	-	-	-	6	**6**
Intangible assets	-	-	-	-	-	79	**79**
Tax assets	-	-	-	-	-	328	**328**
Other assets	-	-	-	-	-	2,021	**2,021**
Total assets	37,221	28,116	41,756	27,377	6,961	2,434	**143,865**
Deposits and loans from other banks	46,346	2,503	-	14,166	-	-	**63,015**
Issued mortgage bonds	3,972	13,947	10,950	28,060	6,500	-	**63,429**
Tax liabilities	-	-	-	-	-	24	**24**
Other liabilities	-	-	-	-	-	4,616	**4,616**
Other provisions	-	-	-	-	-	-	**-**
Shareholder's funds	-	-	-	-	-	12,781	**12,781**
Total liabilities and shareholder's Funds	50,318	16,450	10,950	42,226	6,500	17,421	**143,865**
On balance sheet interest sensitivity gap	(13,097)	11,666	30,806	(14,849)	461	(14,987)	

27. Interest re-pricing as at 31 December 2007

(HUF million)	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non interest bearing	Total
Available for sale financial assets	-	-	-	3,266	9,864		**13,130**
Placements with, and loans and advances to other banks	3,326	4,009	27,998	17,180	-	-	**52,513**
Loans and advances to customers	8,361	2,601	26,186	7,483	393		**45,024**
Property, plant and equipment	-	-	-	-	-	55	**55**
Intangible assets	-	-	-	-	-	92	**92**
Tax assets	-	-	-	-	-	61	**61**
Other assets	-	-	-	-	-	1,362	**1,362**
Total assets	**11,687**	**6,610**	**54,184**	**27,929**	**10,257**	**1,570**	**112,237**
Deposits and loans from other banks	8,986	-	2,901	10,641	3,522	-	**26,050**
Issued mortgage bonds	3,800	-	20,630	41,987	3,000	-	**69,417**
Tax liabilities	-	-	-	-		16	**16**
Other liabilities	-	-	-	-		5,109	**5,109**
Other provisions	-	-	-	-	-	46	**46**
Shareholder's funds	-	-	-	-	-	11,599	**11,599**
Total liabilities and shareholder's Funds	**12,786**	**-**	**23,531**	**52,628**	**6,522**	**16,770**	**112,237**
On balance sheet interest sensitivity gap	**(1,099)**	**6,610**	**30,653**	**(24,699)**	**3,735**	**(15,200)**	

28. Balance sheet and Income statement items with related parties

(HUF million)	2008
Assets	
Nostros and placements with banks	5
Placements with, and loans and advances to other banks	51,519
Other assets	38
Total	51,557
Liabilities	
Deposits and loans from other banks	63,015
Other liabilities	51
Total	63,066
Income Statement	
Interest and similar income	1,046
Interest expense and similar charges	(1,223)
Fee and commission expense	(3)
Operating costs	(139)
Total	(319)

The above balances are with UniCredit Bank Hungary Zrt.

In 2008, the members of the Board of Directors and the Supervisory Board were not remunerated for their work performed in these capacities and they have no received loans.

29. Fair value information

(HUF million)	2008 Fair Value	2008 Carrying amount	2007 Fair Value	2007 Carrying amount
Available for sale financial assets	13,335	12,616	13,845	13,140
Placements with, and loans and advances to other banks	72,010	70,389	55,668	52,503
Loans and advances to customers	61,573	58,426	46,027	45,024
Financial Assets & Derivatives	146,918	141,431	115,540	110,667
Deposits and loans from other banks	63,070	63,015	26,105	26,050
Issued mortgage bonds	65,614	63,429	74,779	69,417
Financial Liabilities	128,684	126,444	100,884	95,467

Estimation of fair values

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

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

Investments carried at cost and 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, 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.

30. Segment report

(HUF million)	Total Bank 2008	Total Bank 2007	Retail 2008	Retail 2007	Corporate 2008	Corporate 2007	Treasury 2008	Treasury 2007	Others 2008	Others 2007
Net Interest Income	**3,536**	**3,462**	**2,368**	**2,432**	**205**	**239**	-	**57**	**963**	**734**
Net fee and commission income	47	258	69	286	-	-	-	(23)	(22)	(5)
Trading profit	23	1	-	-	-	-	-	1	23	-
Balance of other oper.inc./exp.	5	(13)	-	(6)	-	(2)	-	-	5	(13)
REVENUES	**3,611**	**3,708**	**2,437**	**2,718**	**205**	**239**	-	**35**	**969**	**716**
Staff Expenses	(539)	(561)	(222)	(162)	(18)	(25)	-	-	(299)	(374)
Other Administrative Expenses	(448)	(424)	(97)	(97)	(10)	(7)	-	-	(341)	(320)
W/d on tang./intang,assets	(110)	(170)	(24)	(67)	(3)	(9)	-	-	(83)	(94)
Direct Expenses	**(1,097)**	**(1,155)**	**(343)**	**(326)**	**(31)**	**(41)**	-	-	**(723)**	**(788)**
Indirect Expenses	-	-	(235)	(198)	(43)	(38)	-	-	278	236
Overhead Expenses	-	-	(415)	(531)	(37)	(38)	-	-	452	569
OPERATING EXPENSES	**(1,197)**	**(1,155)**	**(993)**	**(1,055)**	**(111)**	**(117)**	-	-	**7**	**17**
GROSS OPERATING RESULT	**2,514**	**2,553**	1,444	**1,633**	**94**	**122**	-	**35**	**976**	**733**
Cost / Income Ratio	**(30.4%)**	**(31.1%)**	-	-	-	-	-	-	-	-
Provision for risk and charges	46	(46)	-	-	-	-	-	-	46	(46)
Goodwill impairment	-	-	-	-	-	-	-	-	-	-
P/L and net w/d on loans	**(163)**	**(54)**	**(174)**	**(60)**	**111**	7	-	-	-	**(1)**
P/L and net w/d on investmnet	-	(36)	-	-	-	-	-	(36)	-	-
Integration costs	-	-	-	-	-	-	-	-	-	-
RESULT AFTER TAXES	**2,397**	**2,417**	**1,270**	**1,603**	**105**	**129**	-	**(1)**	**1,022**	**686**
Income taxes	(543)	(570)	-	-	-	-	-	-	-	-
RESULT AFTER TAXES	**1,854**	**1,847**	-	-	-	-	-	-	-	-
ROE	**15.7 %**	**16,8%**	-	-	-	-	-	-	-	-
Interest Bearing Assets	97,753	89,199	80,479	74,713	17,274	14,486	-	-	-	-
Interest Bearing Liabilities	126,444	95,467	113,800	85,920	12,644	9,547	-	-	-	-

According to the owner's regulations the table contains the annual average business volumes of Retail and Corporate segments.

31. Exposure to credit risk

(HUF million)	Loans and advances to customers 2008	2007	Placements with , and loans and advances to other banks 2008	2007
Individally impaired				
Grade 2 - to be monitored	406	92	-	-
Grade 3 - below average	724	489	-	-
Grade 4 - doubtfull	42	89	-	-
Gross amount	1,172	671	-	-
Impairment	(138)	(135)	-	-
Carrying amount	1034	536	-	-
Collectively impaired				
Grade 2 - to be monitored	0	81	-	-
Grade 3 - below average	355	19	-	-
Grade 4 - doubtfull	267	63	-	-
Grade 5 - bad	33	51	-	-
Gross amount	655	214	-	-
Impairment	(153)	(66)	-	-
Carrying amount	502	148	-	-
Past due but not impaired				
Grade 1 - problem free	0	6	-	-
Grade 2 - to be monitored	2,109	1,521	-	-
Carrying amount	2,109	1,527	-	-
Past due comprises				
0-30	109	1,253	-	-
30-60	1,993	274	-	-
60-90	7	0	-	-
Carrying amount	2,109	1,527	-	-
Neither past due nor impaired				
Grade 1 - problem free	41,505	42,774	55,125	50,285
Grade 2 - to be monitored	13,368	53	0	0
Carrying amount	54,873	42,827	55,125	50,285
IBNR	(92)	(14)		
Total	**58,426**	**45,024**	**55,125**	**50,285**

The categories for loan classification are as follows:

Problemfree (Grade 1): no loss can be expected, the loan will be repaid, and or the payment does not exceed 15 days or - in case of private individuals - 30 days, and/or will be recovered.

To be monitored (Grade 2): minimal loss (up to 10% of principal), or need special attention.

Below average (Grade 3): assets carrying higher risk then usual, the loss ranges from 11% to 30% of principal.

Doubtful (Grade 4): the payment delay is permanent or regular, the loss does not exceed 70% of principal.

Bad (Grade 5): the loss is expected to higher than 70% of the book value, or there is a bankruptcy proceeding against the client, and the collaterals are not expected to cover the loss.

The threshold for collective classification was increased from HUF 15 million to 40 million.

32. Regulatory capital

	2007	2008
Ordinary share capital	3,000	3,000
Share premium	783	783
General reserve	743	916
General risk provision the 1 percentages of the corrected balance sheet total	347	393
Retained earnings	5,287	6,911
P/L according to the balance sheet	1,624	1,556
Negativ differences due to consolidation		
Less intangible adjustments	-92	-79
Total own funds	**11,692**	**13,555**
Total regulatory capital	**11,692**	**13,555**
Large explosure limit	-5,855	-4,715
Modified adjusted capital	**5,837**	**8,840**
Trading book		
Banking book	112,423	144,697
Risk Weighted Assets	**34,704**	**57,225**
Capital adequacy (%)	**16.82**	**15.45**

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:
Own funds, which includes ordinary share capital, share premium, general reserve, general risk provision, retained earnings, negative differences due to consolidation, less intangible 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.

Additional own funds 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.

Own funds are the same as the regulatory capital as the Bank contains no fair value reserve for available-for-sale equity securities according to the local accounting and qualifying subordinated liabilities.

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.
There also are restrictions on the amount of large exposure limits. The amount of the exposure against a customer or a customer group cannot exceed 25 percent of the bank's regulatory capital; the total amount of large risk taken by the bank may not exceed the eightfold amount of the bank's regulatory capital.

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.

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 risk weighted assets of Mortgage Bank as of 31 December 2007 based on Basel I calculation was less than the 31 December 2008 figure. The increase is caused by the change of the calculation method which means that the risk weight of the refinancing amount of credit was 20% due to Basel I regulation and from 1 January 2008 due to Basel II, the risk weight of this type of

business is mostly 35%, but in case of refinancing commercial real estates, the risk weight is 50%.
The Bank intends to implement IRB approach, but not before 2010.
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.