

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 second half of 2005.

Changes at the Company

- There has been a change in the ownership structure of the Mortgage Bank since 30 June 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 were no changes in the Board of Directors at the Mortgage Bank in the second half of 2005.

The members of the Board of Directors and the Supervisory Board are as follows:

Board of Directors

Dr. Matthias Kunsch	Chairman of the Board, external Board member
Dr. Gyula Nagy	Chief Executive Officer, internal Board member
Tibor Rác	Chief Executive Officer, internal Board member
Péter Lengyel	Deputy General Manager, internal Board member
Dr. Doffek Jánosné	external Board member
Markus Winkler	external Board member
Dr. Bruno Ettenauer	external Board member
Reinhardt Madlencnik	external Board member

Supervisory Board:

Dr. Zsuzsanna Gulyás	Chair of Supervisory Board
Franz Unger	Supervisory Board member
Franz Wolfger	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 31 December 2005, 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)	67,737,230,000	HUF
➤ Interest (b)	24,694,926,200	HUF
Total (a+b)	92,432,156,200	HUF
Forint value of outstanding mortgage bonds denominated in foreign currency converted using official MNB exchange rate: as yet unpaid		
➤ Nominal value (c)	3,790,950,000	HUF
➤ Interest (d)	598,476,435	HUF
Total (c+d)	4,389,426,435	HUF
Outstanding mortgage bonds denominated both in forints and foreign currency: as yet unpaid		
➤ Nominal value (a+c)	71,528,180,000	HUF
➤ Interest (b+d)	25,293,402,635	HUF
Grand total (a+b+c+d)	96,821,582,635	HUF
Value of ordinary collateral in forints as verified by property supervisor		
➤ Capital receivable (e)	62,060,248,159	HUF
➤ Interest receivable (f)	30,395,716,306	HUF
Total (e+f)	92,455,964,465	HUF
Forint value of ordinary collateral denominated in foreign currency, converted using official MNB exchange rate on reporting date		
➤ Capital receivable (g)	13,073,837,089	HUF
➤ Interest receivable (h)	1,690,406,832	HUF
Total (g+h)	14,764,243,921	HUF
Collective value of ordinary collateral denominated in forints and foreign currency:		
➤ Capital receivable (e+g)	75,134,085,248	HUF
➤ Interest receivable (f+h)	32,086,123,138	HUF
Grand total (e+g+f+h)	107,220,208,386	HUF
Value of additional collateral:		
➤ Capital receivable (i)	5,498,848,000	HUF
➤ Interest receivable (j)	0	HUF
Total (i+j)	5,498,848,000	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 31 December 2005 according to Hungarian Accounting Regulations (MSZSZ)

ASSETS

		Figures in THUF		Change
		31.12.2004	31.12.2005	%
I.	LIQUID ASSETS	90,524	329,061	363.5
II.	GOVERNMENT SECURITIES	5,645,402	6,362,019	112.7
a)	held-for-trading	1,143,962	1,855,214	162.2
b)	held-to-maturity	4,501,440	4,506,805	100.1
III.	RECEIVABLES FROM CREDIT INSTITUTIONS	60,233,543	71,669,750	119.0
a)	sight	16,820	1,963	11.7
b)	other receivables from financial services	60,216,724	71,667,787	119.0
ba)	short-term	6,271,062	15,783,082	251.7
bb)	long-term	53,945,662	55,884,705	103.6
IV.	RECEIVABLES FROM CUSTOMERS	20,563,908	26,823,649	130.4
a)	from financial services	20,563,908	26,823,649	130.4
aa)	short-term	2,833,784	2,902,785	102.4
ab)	long-term	17,730,124	23,920,864	134.9
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	285,726	245,867	86.0
a)	intangible assets	285,726	245,867	86.0
b)	upwards revaluation of intangible assets	-	-	-
X.	TANGIBLE ASSETS	1,392	19,388	1392.8
a)	financial and investment service tangible assets	1,392	14,513	1042.6
b)	indirect financial and investment service tangible assets	-	-	-
c)	assets under construction	-	4,875	100.0

XI. OWN SHARES	-	-	-
XII. OTHER ASSETS	525,492	591,479	112.6
a) inventories	-	-	-
b) other receivables	525,492	591,479	112.6
XIII. PREPAID EXPENSES AND ACCRUED INCOME	708,950	714,366	100.8
a) accrued income	372,060	535,791	144.0
b) prepaid expenses	336,890	178,575	53.0
c) accrued payables			
TOTAL ASSETS	88,054,938	106,755,579	121.2
Of which			
CURRENT ASSETS	10,881,644	21,463,584	197.2
FIXED ASSETS	76,464,344	84,577,629	110.6

EQUITY AND LIABILITIES

	Data in THUF		Change
	31.12.2004	31.12.2005	%
I. LIABILITIES TO CREDIT INSTITUTIONS	12,336,359	21,909,244	177.6
a) sight	-	-	-
b) fixed-term liabilities from financial services	12,336,359	21,909,244	177.6
ba) short-term	567,995	13,277,884	2,337.7
bb) long-term	11,768,364	8,631,360	73.3
c) from investment services	-	-	-
II. LIABILITIES TO CLIENTS	-	-	-
III. LIABILITIES DUE TO ISSUED SECURITIES	64,503,980	71,528,180	110.9
a) issued bonds	-	-	-
b) other issued debt securities	64,503,980	71,528,180	110.9
ba) short-term	1,266,750	8,800,000	694.7
bb) long-term	63,237,230	62,728,180	99.2
IV. OTHER LIABILITIES	18,819	29,107	154.7
a) short-term	18,819	29,107	154.7
b) long-term	-	-	-
V. ACCRUED EXPENSES AND DEFERRED INCOME	4,855,728	5,154,156	106.1
a) deferred income	929,260	1,285,679	138.4
b) accrued expenses	3,926,467	3,868,477	98.5
c) accrued assets	-	-	-

VI.	PROVISIONS	265,000	322,000	121.5
a)	provisions for pensions and severance payments	-	-	-
b)	risk provisions for commitments and contingent liabilities	-	-	-
c)	general risk reserve	265,000	322,000	121.5
d)	other provisions	-	-	-
VII.	SUBORDINATED LIABILITIES	-	-	-
VIII.	SUBSCRIBED CAPITAL	3,000,000	3,000,000	100.0
IX.	SUBSCRIBED, BUT UNPAID CAPITAL (-)	-	-	-
X.	CAPITAL RESERVE	782,918	782,918	100.0
XI.	GENERAL RESERVE	206,986	380,770	184.0
XII.	PROFIT RESERVE	744,806	2,085,147	280.0
XIII.	NON-DISTRIBUTABLE RESERVE	-	-	-
XIV.	VALUATION RESERVE	-	-	-
a)	valuation reserve from upwards revaluations	-	-	-
b)	valuation reserve from fair valuations	-	-	-
XV.	RETAINED EARNINGS	1,340,341	1,564,057	116.7
TOTAL EQUITY AND LIABILITIES		88,054,938	106,755,579	121.2
	Of which			
	- CURRENT LIABILITIES	1,853,565	22,106,991	1,192.7
	- LONG-TERM LIABILITIES	75,005,594	71,359,540	95.1
	- SHAREHOLDER'S EQUITY	6,075,052	7,812,892	128.6

PROFIT AND LOSS STATEMENT

	Data in THUF		Change
	31.12.2004	31.12.2005	%
<i>1. Interest received and similar income (2+5)</i>	8,532,613	10,147,498	118.9
a) interest income on debt securities with fixed interest	419,688	491,338	117.1
b) other interest received and similar income	8,112,925	9,656,160	119.0
<i>2. Interest paid and similar expenses (9+10)</i>	6,132,474	6,999,115	114.1
Interest margin (1-2)	2,400,138	3,148,383	131.2
<i>3. Income from securities</i>	-	-	-
<i>4. Commission and fee income</i>	328,856	16,783	5.1
a) fee income of other financial services	328,856	16,783	5.1
b) income from investment services (except trading activity income)	-	-	-
<i>5. Commissions paid (payable) and fee expenses</i>	79,654	45,425	57.0
a) other financial service expenses	943	3,590	380.7
b) investment service expenses (with the exception of trading activity expenses)	78,710	41,835	53.2
<i>6. Net profit on financial transactions 6.a)-6.b)+6.c)-6.d)</i>	132,333	135,364	102.3
a) income of other financial services	257,926	690,613	267.8
b) other financial service expenses	125,593	555,249	442.1
c) investment service income (trading activity income)	-	-	-
d) investment service expenses (trading activity expenses)	-	-	-
<i>7. Other income from business activities</i>	2,815	547	19.4
<i>8. General administrative expenses</i>	738,327	726,538	98.4
a) staff costs	449,480	464,268	103.3
aa) wage costs	326,257	334,489	102.5
ab) other staff benefits	11,266	13,901	123.4
ac) wage contributions	111,957	115,878	103.5
b) other administration costs (material-type expenses)	288,846	262,270	90.8
<i>9. Depreciation</i>	98,166	118,580	120.8
<i>10. Other expenses from business activity</i>	64,421	285,133	442.6
a) non-financial and non-investment service expenses	-	-	-
b) other expenses	64,421	285,133	442.6

<i>11. Impairment on receivables and risk provisioning for commitments and contingent liabilities</i>	66,703	49,555	74.3
a) impairment on receivables	66,703	49,555	74.3
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>	25,810	44,221	171.3
a) reversal of impairment on receivables	25,810	44,221	171.3
b) utilisation of risk provisions for commitments and contingent liabilities	-	-	-
12/A Difference between general risk provisions allocated and used	72,000	57,000	79.2
Profit on ordinary activities	1,770,683	2,063,067	116.5
of which:			
- PROFIT ON FINANCIAL AND INVESTMENT SERVICES	1,768,590	2,062,998	116.6
- PROFIT FROM NON-FINANCIAL AND NON-INVESTMENT SERVICES	2,093	69	3.3
18. Extraordinary profit	-	-	-
19. Profit before tax	1,770,683	2,063,067	116.5
21. Profit after tax	1,489,268	1,737,841	116.7
25. Retained profit for the year	1,340,341	1,564,057	116.7

Main rows of the Mortgage Bank's balance sheet and profit and loss statement as at 31 December 2005 according to International Accounting Regulations (IFRS)

ASSETS	Figures		Change
	HUF million		
	2005	2004	%
Liquid assets and receivables from credit institutions	13,392	3,561	376.1
Securities held to maturity	5,231	5,645	92.7
Available-for-sale financial assets	1,131	-	
Loans	85,430	77,327	110.5
Prepaid expenses and accrued income	718	709	101.3
Other assets	588	526	111.8
Intangible and tangible assets	<u>265</u>	<u>287</u>	92.3
Total assets	<u>106.755</u>	<u>88.055</u>	121.2

EQUITY AND LIABILITIES

Liabilities to credit institutions	21,909	12,336	177.6
Accrued expenses and deferred income	5,154	4,856	106.1
Issued mortgage bonds	71,528	64,504	110.9
Other sources	<u>29</u>	<u>19</u>	152.6
Total equity and liabilities	<u>98.620</u>	<u>81.715</u>	120.7

Equity

Subscribed capital	3,000	3,000	
Capital reserve	783	783	
General reserve and general risk provision	703	472	148.9
Profit reserve	<u>3,649</u>	<u>2,085</u>	175
	<u>8,135</u>	<u>6,340</u>	128.3
	<u>106.755</u>	<u>88.055</u>	121.2

PROFIT AND LOSS STATEMENT

Interest received	10,233	8,762	116.8
Interest paid	<u>(6,960)</u>	<u>(5,995)</u>	116.1
Interest margin	3,273	2,767	118.3
Commissions received	12	124	9.7
Commissions paid	<u>(43)</u>	<u>(80)</u>	53.8
Balance of commission income/expenses	(31)	44	70.5

Trading result	14	(28)	50
Balance of other income/expenses	(8)	(3)	266.7
Impairment on receivables	(6)	(41)	14.6
General administrative expenses	<u>(933)</u>	<u>(896)</u>	104.1
Profit before tax	2.309	1.843	125.3
Tax payment liability	<u>(514)</u>	<u>(282)</u>	182.3
Profit after tax	<u>1.795</u>	<u>1.561</u>	115

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

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 can be viewed on the website of the Mortgage Bank (www.jelzalogbank.hu), and at its registered office (1065 Budapest, Nagymező u. 44.) from 14 February 2006.

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.

Budapest, 10 February 2006

Dr. Gyula Nagy	Szántó Istvánné
Chief Executive Officer	Chief accountant