



**Stock Market Annual Report of
FHB Land Credit and Mortgage
Bank for 2003**

Budapest, 29 April 2004

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1 Brief history of FHB

FHB Land Credit and Mortgage Bank Company, a specialised credit institution, was established in October of 1997 by three commercial banks, the Hungarian Development Bank (MFB), and the Hungarian State. By establishing the Bank, the goal of the founders was to establish long-term financing, to create opportunities for long-term investment, and to promote the development of the real estate market. The Bank was granted a licence of operation by the Hungarian Financial and Capital Market Supervisory Agency in March 1998.

In its first year of operation the Bank developed its strategy, clientele and products responding demands and in keeping with regulatory provisions and capital market requirements. FHB played a prominent part in the Government's new housing financing concept launched in 1999. As a result the State's involvement at the level of ownership increased gradually until April 2002, when the Hungarian Privatisation and State Holding Company (ÁPV Rt.) became sole proprietor of the Bank, after buying out the commercial banks and MFB.

The business activities reflecting FHB's new strategy commenced in February 2000. Since then, the main components of the Bank's strategy relying on home lending have remained unchanged. The 2001 amendment of the Act on Credit Institutions and the Mortgage Bond provided for the refinancing of commercial banks' mortgage loans by purchasing independent liens. Since the promulgation of the amended Act, the Bank has signed a framework agreement for refinancing with nine commercial banks, and by the end of 2003 refinancing loans contributed almost two-thirds of the total mortgage loan portfolio.

The bank's own loans and refinanced loans are funded from the mortgage bonds issued by FHB. Since the spring of 2001 mortgage bonds issued by the Bank have been introduced to the Budapest Stock Exchange. Due to the limitations of domestic capital market demands and conditions the Bank registered an international mortgage bond programme in Luxembourg with 1 billion euros.

FHB was partially privatised in 2003. As a result, the share of ÁPV Rt. in the Bank shrank to 53.2%. The Bank's ordinary shares of Series "A" were put on the trading list of the Budapest Stock Exchange Category "A" Shares.

In November 2001 the Bank joined the European Mortgage Federation as an associate member. Upon its initiative the Hungarian Association of Mortgage Banks, the professional and advocacy organisation of the three Hungarian mortgage loan institutions was established in the fall of 2002.

2 The macroeconomic and monetary environment in 2003

2.1 The economic environment in 2003

In economic terms, 2003 was a **contradictory** year: the unfavourable trends of the first months were followed by a slow upward swing; nevertheless, industrial growth and with it, the growth of the GDP were offset by the dual deficit of the budget and of the balance of payments on current account.

According to the preliminary calculations of the Central Statistics Office (CSO), Hungary's **gross domestic product increased by 2.9%** in 2003 with an increase in industrial production and services and a decrease in agriculture compared to the previous year. From the production side, the pick-up of the Hungarian economy was based on the increasing rate of growth in industry. **Industrial production grew 6.4% last year**, a rate deemed good compared to 2.6% in 2002, although still lagging behind the double-digit growth figures of the late 1990's. While some of the important branches of the processing industry served as a pull factor for production, the shrinking of light industrial branches continued. **Export sales** proved to be the factor determining industrial growth, which on an annual scale **exceeded the 2002 figure by 11%**. The trade deficit amounted to 4.3 billion euros last year, more than 0.8 billion euros behind the 2002 figure. The high trade deficit was due primarily to high imports and also to sluggish exports hit hard by an overall stagnation in Europe. The **volume of national investment grew 3.1%** over the previous year. The value of investment amounted to 3,680 billion forints. The increase in the 2003 performance was due to a large extent to an expansion in the real estate transactions and economic services branch (including housing investment), and to an increase in the manufacturing industry

In 2003 the slow pick-up of the Hungarian economy went hand in hand with a deteriorating external financial equilibrium and an improving but still relatively **high deficit of the state budget**. Last year **the deficit of the balance of current accounts amounted to 4.6 billion euros**, almost two-thirds higher than the previous year's figure. In 2003 the foreign direct investment influx was **1.5 billion euros** but given that Hungarian companies' investment outside Hungary amounted to 1.3 billion. The **deficit of public finances** (excluding local governments) was **1,054 billion forints** in 2003, 526 billion less than in the preceding year. Seventy percent of the deficit appears at the level of the central budget, the remaining 30% appears at the level of the social security funds. According to researchers' estimates, the total **deficit** of public finances **approached 6% of GDP** last year, which is hardly favourable in international comparison.

In 2003 **prices were considerably more volatile** than in the previous year, changes being generated by the conversion of the energy sector as well as by agricultural and food production and sales, and changes in the exchange rate of the forint. In December 2003 the **increase in consumer prices** was **5.7%** compared the same period of the previous year. The price of market goods increased to a lesser extent whereas the increase in the price of household energy was greater.

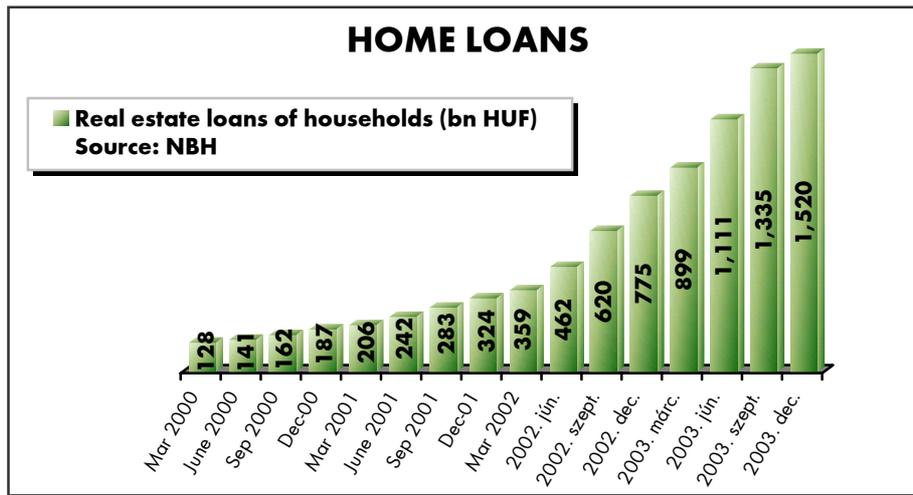
The size of the **working population increased by 1.3%** last year compared to 2002. Gross nominal wages and salaries of the employed population was 12% higher in 2003 than a year earlier (including wages and salaries 8.9% higher in the private sector and 17.5% higher in the public sector), net average wages and salaries increased by 14.3%, **real wages by 9.2%** (besides a 5.7% increase in consumer prices). The gross nominal average wage amounted to 137,200 forints in 2003 with the net average wage being 88,800 forints.

2.2 The banking sector and home lending in 2003

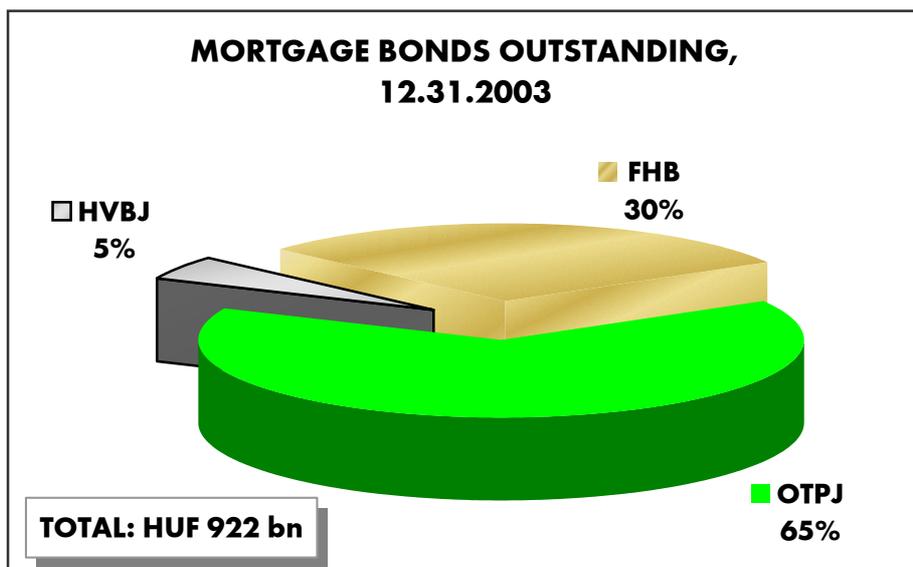
Activities of the financial institutions sector last year were mainly determined by government-initiated processes of the national economy, specifically the boom in subsidized home loans and its consequences. According to the report of the Hungarian Financial Supervisory Authority, the growth of the financial sector reached 15% in 2003, the sector's total assets to the GDP climbed from 65% to 69%. Banks proved to be the most successful financial institutions last year, with an aggregate profit before taxes increasing from 155.5 billion forints in 2002 to 215.9 billion forints. The average return on assets in the banking sector grew from 1.69% to 1.85%, while return on equity improved from 18.27% to 21.13% within a year. According to statistics by the NBH, the amount of home loans extended by monetary institutions to households doubled over a year while there was also an expansion in current account credits and consumer credits.

The operation of the banking sector was marked by the **volatility of financial market yields last year**: in January 2003 speculators tried to trigger further appreciation of the forint and force a shift in the band, in June the government and the National Bank decided to weaken the forint and shifted the band towards the weak edge. Thus after a drop to 6.5% in January the base rate rose to 9.5% by June to reach 12.5% in November. Low interest rates at the beginning of the year, coupled with households' increasing credit demands had a negative effect on retail savings and households became **net borrowers**. The total bank debts of retail customers reached 21% of the revenues available. It was not until the end of the year that bank deposits saw an influx of funds as a result of higher yields due to increasing interest rates.

In 2003 the **retail home loan market** expanded to an unprecedented extent, doubling the year-end figure of 775 billion forints in 2002 to reach **1,520 billion forints**. Most of the expansion originated from mortgage bond based home lending offered by financial institutions with extremely favourable terms and conditions.



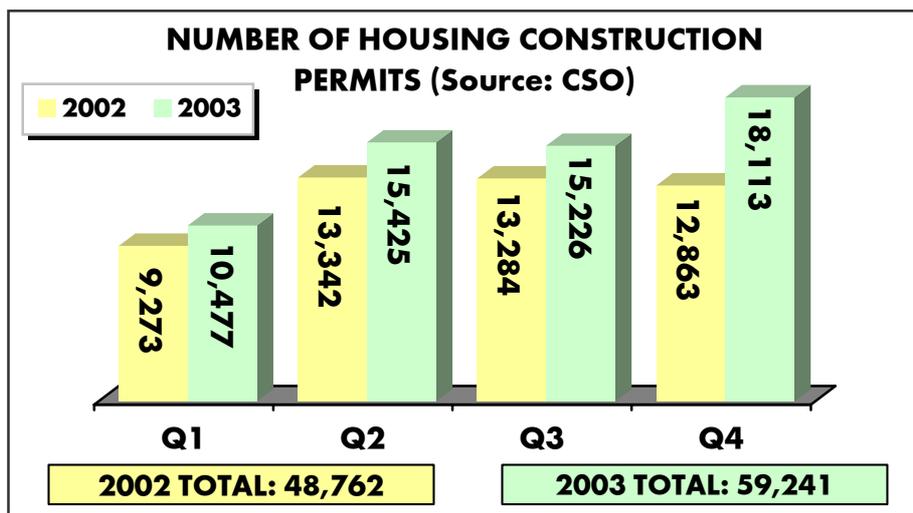
The almost one billion forints of outstanding mortgage bonds were contributed by three financial institutions in 2003 similarly to previous years: OTP Mortgage Bank continued to be the market leader, FHB has about one-third of the market and HVB Mortgage Bank’s market share is around 5%.



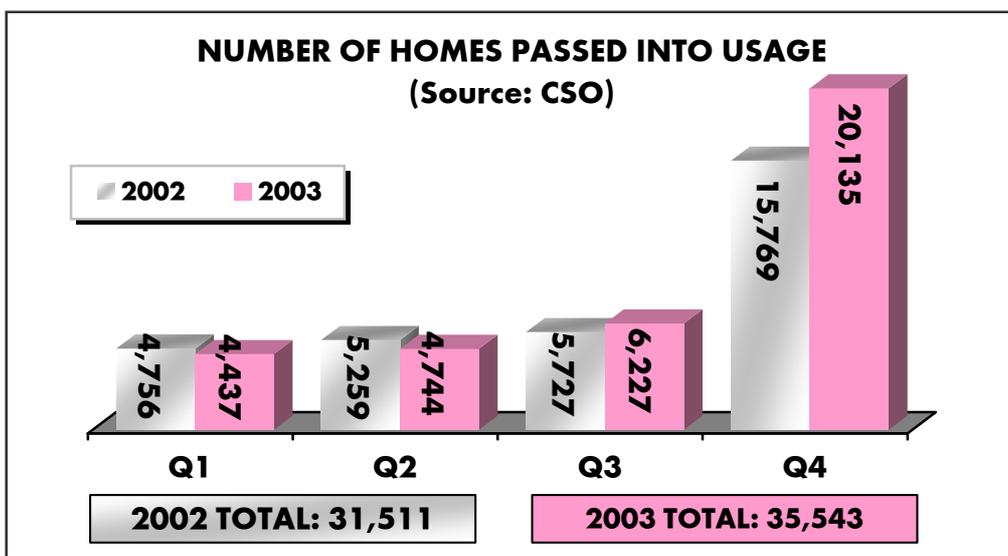
Three privatisation transactions put the banking sector in the focus of attention last year. Postabank was sold to Erste Bank for 101 billion forints. Konzumbank was bought by the Hungarian Foreign Trade Bank for over 9 billion forints, and FHB’s partial privatisation was accompanied by listing of the Bank’s shares on the Stock Exchange.

2.3 The housing market in 2003

In 2003 the production of the building industry surpassed the previous year's level by 0.7%. Building constructions continued to be dominated by subsidized homes as well as industrial and commercial buildings. The year of 2003 was medium-to-good for the real estate market: after a drop in sales in the first three quarters there was a turn in the last quarter and an upward trend took shape.



CSO statistics confirmed 2003 to be an outstanding year in terms of housing construction: 2003 brought a peak since 1986 in the number of new home building permits and the number of accomplished homes was also highest since 1991. In 2003 **license of usage was issued for a total of 35.5 thousand** homes, and the **construction of more than 59 thousand new homes were started on the basis of newly issued permits.**



3 2003: year of FHB's stock exchange listing

3.1 Privatisation

In accordance with the owner's intent the **Hungarian Privatisation and State Holding Company (ÁPV Rt.)** as selling shareholder **commenced preparations for the Bank's privatisation in early 2003**. Public offering, stock exchange launching of ordinary shares and leading selling company's duties were undertaken by Concorde Értékpapír Rt. selected by ÁPV Rt. in the context of a tender procedure.

The public owner intended to sell a maximum of 50%-one vote shares in the Company owned directly and indirectly by the State relying on capital market techniques and depending on demand and market price. Furthermore, **the regular Annual General Meeting resolved to increase the Company's capital by 2.5 billion forints**, accordingly, the **registered capital was increased to 6.6 billion forints** by the private placement of 2,500,000 dematerialised ordinary shares of 1,000 forints par value each.

On 31 October 2003 the Hungarian Financial Supervisory Authority granted permission for the Company to issue the prospectus of the transaction, the public offering and public bid, and the introduction of the Company's shares to the Budapest Stock Exchange.

The **public and private placement** of the Company's shares between **10 and 14 November 2003** resulted in a **substantial overdemand** for ordinary shares, consequently a total of 900,000 ordinary shares were sold in the context of public offering along with an additional 1,324,899 ordinary shares sold to institutional investors in the context of private placement. A total of **588,570 voting preference shares were sold to the Bank's priority strategic partners** in the context of private placement. **The price of shares was 4,300 forints**. After the placement the number of shares remaining in ÁPV Rt.'s possession was 3,511,431, which means that the **state's ownership share** in FHB Rt. **dropped from 94.7% to 53.2%**.

In order to comply with publicity requirements under the Capital Market Act and in the interest of launching the Company's shares on the stock exchange, simultaneously with the privatisation FHB Rt. successfully issued a single ordinary share in the context of public offering by capital increase, and fully sold its own share of 5.3% in the framework of the private placement and the parallel employee stock ownership plan.

3.2 Stock Exchange listing

By virtue of Resolution No. 200/2003 the Budapest Stock Exchange Company put on the trading list of BÉT Category "A" shares 5,800,000 dematerialised registered ordinary shares of Series "A" of 1,000 forints par value each issued by FHB Rt. with a total par value of 5,800,000,000 under ISIN code HU0000067707 as of 24 November 2003. **The first trading day was 24 November 2003 and the listing price of the shares was 4,300 forints**. Lot was established at one share and the increment at five forints

Along with prompt launching, BÉT Rt., the Budapest Stock Exchange Company also decided to **introduce the shares in the futures market**, by virtue of its Resolution No. 201/2003.

Accordingly, individual futures contracts of FHB Rt.'s ordinary shares could also be transacted as of 24 November 2003 with six different maturities

3.3 Ownership structure of FHB

Ownership structure of FHB before the privatisation (30 September 2003):

Shareholder	Number of shares (pcs)	Ownership share in the share capital
Series "A" ordinary shares		
ÁPV Rt. - Series "A"	5,450,000	82.48%
MEHIB Rt.	100	0.01%
FHB Rt.	349,900	5.39%
<i>Total:</i>	5,800,000	87.88%
Series "B" voting preference shares		
ÁPV Rt.	800,000	12.12%
Shares total:	6,600,000	100.00%

Ownership structure of FHB before the privatisation (31 December 2003):

Shareholder	Number of shares (pcs)	Ownership share in the share capital
Series "A" ordinary shares		
ÁPV Rt. - Series "A"	3,300,001	50.00%
Domestic institutional investors / companies	903,475	13.69%
Foreign institutional investors / companies	814,031	12.33%
Private individuals	507,493	7.69%
FHB employees	275,000	4.17%
<i>Total:</i>	5,800,000	87.88%
Series "B" voting preference shares		
ÁPV Rt. - Series "B"	211,430	3.20%
Institutional investors - Series "B"	588,570	8.92%
<i>Total:</i>	800,000	12.12%
Shares total:	6,600,000	100.00%

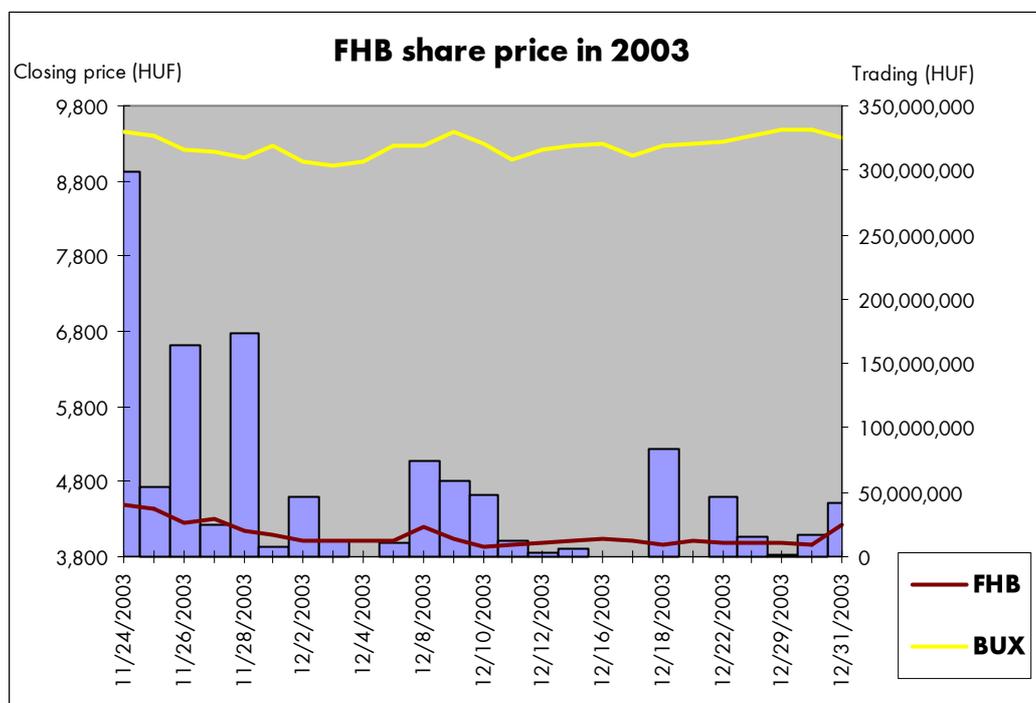
3.4 Stock exchange prices

The **stock market of the Budapest Stock Exchange** showed an upward trend in 2003 due primarily to the favourable impact of global prosperity. BUX rose from 7798 points at the end of 2002 to 9380 points by 31 December 2003, which is a 20.3% strengthening, while in the same period the MAX index of government securities showed no profits. In 2003 the stock market turnover was 1,850 billion forints, 22% higher than in the previous year. There were three major slumps which halted the upward trend, all closely related to the exchange rate of the forint and changes in interest rates.

In January the forint reached the strong edge of the intervention band whereupon the National Bank of Hungary reduced the interest rate. This however, did not prevent a drop in Hungarian share prices because of a global slump in stock exchange indexes. March brought back investors' trust and after bottoming out at 7000 BUX almost reached 8500 by early June.

On 5 June the National Bank shifted the mean rate from 276.1 HUF/EUR to 282.36 following the government's decision, which resulted in a sudden weakening of the forint. This and the ensuing increase in interest rates once again created an uncertain climate for investment and generated a slump in the BUX index of about 700 points within the month. The volume of trade was high because of large numbers of sell orders. This was followed by an upward movement of share prices.

In September and October the ascent was halted by minor corrections. In November, however, bad macroeconomic news coupled with a three percentage points increase in the interest rate again caused a slump in share prices, which was partially offset by the end of the year.



FHB's ordinary shares closed the year 2003 at 4220 forints (-1.9% compared to 4300). A total of 806 contracts were transacted during the 25 trading days of the year involving 286,478 shares at a transaction value of 1,203.7 billion forints. Not counting the first week after listing, trading was relatively slow (20 transactions on the average amounting to 25 million forints per day), about 0.5% of BÉT's shares trading. Following their launch FHB's shares were traded every day, and while trading was not comparable to that of blue chip shares, it held its ground compared to other Category "A" shares (for instance Synergon and Antenna), and proved to be more liquid than Inter-Európa Bank and Borsodchem Rt. Moreover, the volume of FHB shares trading by 31 December 2003 reached the total volume of Category "B" trading. FHB Rt. share prices were affected by an unfavourable macroeconomic environment in December, so no long-term consequences can be drawn from trading trends so far.

In the **futures market** six positions are continuously open for FHB share transactions, for the three closest months and the usual quarterly terms (March, June, September and December). Similarly to ordinary shares, the increment is five forints and lot size numbers of FHB shares equivalent to a total par value of 100,000 forints (100 shares).

4 Report on the 2003 business activity

4.1 FHB Land Credit and Mortgage Bank Company's business activity in 2003

4.1.1 Major financial indicators

As a result of an expansion of the retail home lending market the dynamic growth of FHB continued in 2003 so that the Bank **closed the most successful year** since its establishment. In 2003 the Bank became one of the dominant actors in the Hungarian mortgage bonds and home loans market.

FHB Service Company is entirely owned by FHB Land Credit and Mortgage Bank Co. In the consolidated report the two companies' payables to and receivables from each other have been offset against each other to the amount of 36.3 million forints as well as the income and expenditure amounting to 121.5 million forints for the year.

After 2002, the first profitable year for the Company, the 2003 business year was closed with an **after-tax profit of 4,026 million forints**, ten times of the previous year's figure.

The Group's consolidated balance sheet profit was 2,962.7 million forints.

Between 31 December 2002 and 31 December 2003 the **consolidated balance sheet total grew** from 115,557 million **to 310,149 million forints**, which means an annual increase of 268.4%. The main engine behind the increase of the balance sheet total was the growth of accounts receivable from customers and credit institutions (including refinancing), the entire volume of which grew by 191,948 million forints in 2003.

Major financial indicators	Consolidated figures according to HAR		
	31.12.2002	31.12.003	12.2003 / 12. 2002
Balance sheet total (million HUF)	115,557	310,149	268.4%
Mortgage loan portfolio (million HUF)	105,792	297,741	281.4%
Mortgage bonds outstanding (million HUF)	101,644	277,906	273.4%
Own equity (million HUF)	5,662	11,529	203.6%
Adjusted capital (million HUF)	5,488	11,248	205.0%
Capital adequacy ratio	10.9%	10.8%	99.27%
After tax profit (million HUF)	391	4,026	1029.7%
Balance sheet profit (million HUF)	349	2,963	849.5%
CIR (operating costs / gross operating profit)	86.8%	51.7%	59.6%
EPS (HUF)	95.4	610.0	639.2%
ROAA (return on average assets)	0.6%	1.9%	318.1%
ROAE (return on average equity)	7.2%	47.1%	656.1%

Mortgage bonds amounting to 277,906 million in total surpassed the previous year by 173% following the financing needs of the dynamically growing accounts receivable. In the year 2003 the Bank placed 10 series of mortgage bonds with the face value of HUF 190,242 million, which is 2.5 times the volume of 75,008 million forints issued in 2002.

In 2003, return and efficiency indicators improved considerably over the previous year. Return on assets and return on equity put FHB among the top-ranking banks in Hungary.

4.1.2 Products

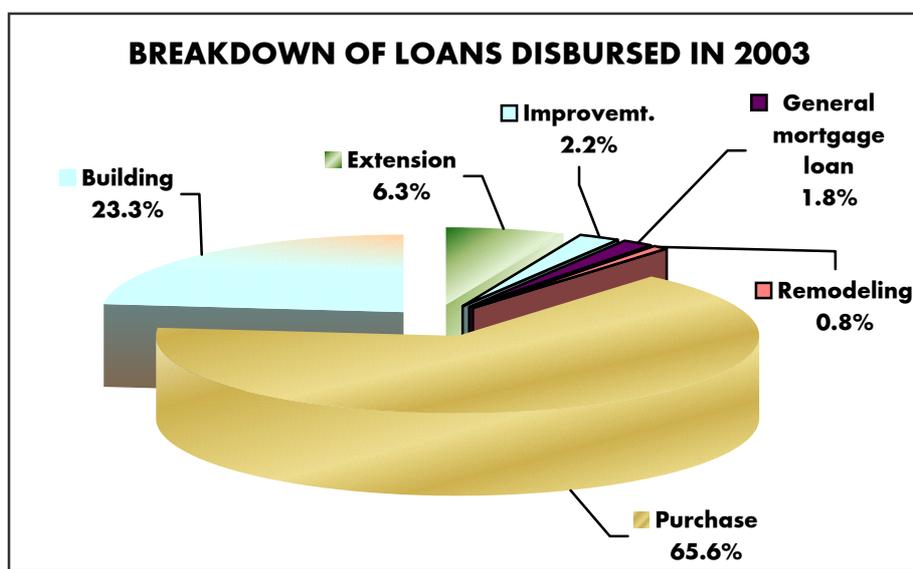
Last year FHB continued to offer its clients a wide range of retail home loan facilities including products developed by the Bank and lien purchase offered by partner banks.

The Bank's classical retail home loan products with subsidized interest offered to retail customers are as follows:

- Home purchase mortgage loan
- Home extension mortgage loan
- Home building mortgage loan
- Home improvement mortgage loan
- Mortgage loan to consolidate home loans

The amount of general mortgage loan extended to retail customers is also significant, this product, however, does not involve state subsidy. In addition, FHB also extends direct support including preferential home building schemes, tax refund support and support for accessible housing.

Home purchase and building loans continued to be the leading retail products of the Bank. Home purchase loans contributed 65.5% of total loans extended to retail customers in 2003 followed by building loans contributing 23.3%. Among other loans, the 6.3% contribution of home extension loans was significant.

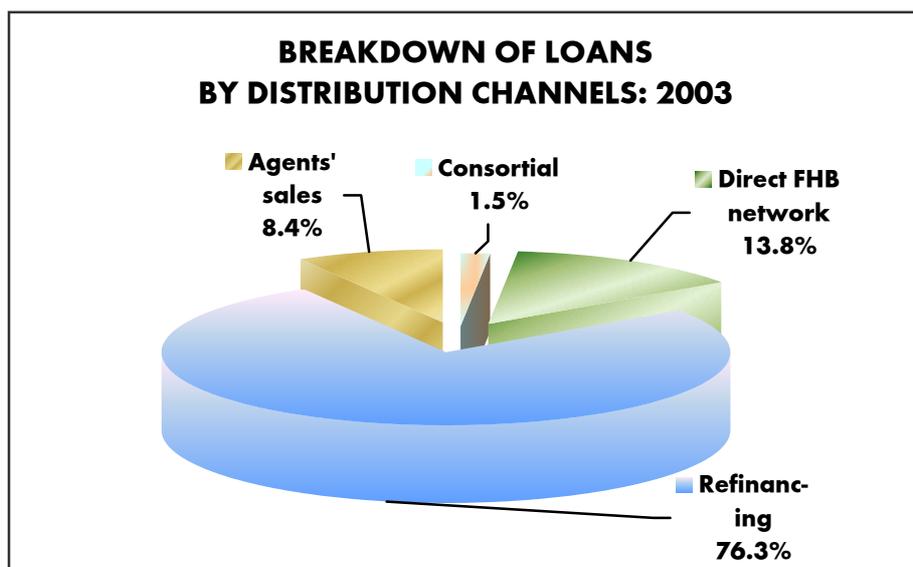


The typical contractual term of mortgage loans extended by the Bank tended to be increasingly longer in 2003: while at the end of 2002 only half of the loan contracts had a maturity exceeding 15 years, by the end of 2003 this amounted to two-thirds. Five-sixth of the own lending portfolio was contributed by loans with a five-year interest period, a proportion 10

percentage points higher than in the previous year. At the end of 2003, 16% of loans were of variable interest compared to one-fourth in the previous year.

In accordance with the Bank's strategic plan, project financing ceased in 2003. No new transactions were accepted or initiated, and the project loan portfolio amounting to 724 million forints was entirely annulled by the end of the third quarter.

4.1.3 Distribution channels



Direct FHB distribution network

From the point of view of **loan disbursement**, own lending exceeded the performance of previous years throughout 2003. Figures of the fourth quarter are particularly spectacular. In December 2003 the value of **accepted loan applications** was an all-time high in the weeks preceding the date when the amendment of state housing support entered into effect.

A large portion of retail lending continued to be transacted through the Bank's distribution network. Calculated from the point of view of primary acquisition, about 58.2% of loans disbursed throughout the year (about 29 billion forints) were extended via the Bank's own distribution network, 35.4% (almost 18 billion forints) through agents, 6.4% (3.2 billion forints) through consortial partners.

Loans disbursed by the coordination offices amounted to an average of 1.583 billion forints per month, a total of 19 billion forints in 2003, which was five billion forints (or 36%) higher than in 2002.

Agency activities – improvement of geographical coverage

In order to **expand its external distribution channels the Bank signed contracts with new companies** in 2003. Taking savings cooperatives also into consideration, at the end of 2003 the distribution network included a total of 46 companies operating as acquisition agents under contract, which allowed the involvement of increasing areas of the country in direct sales.

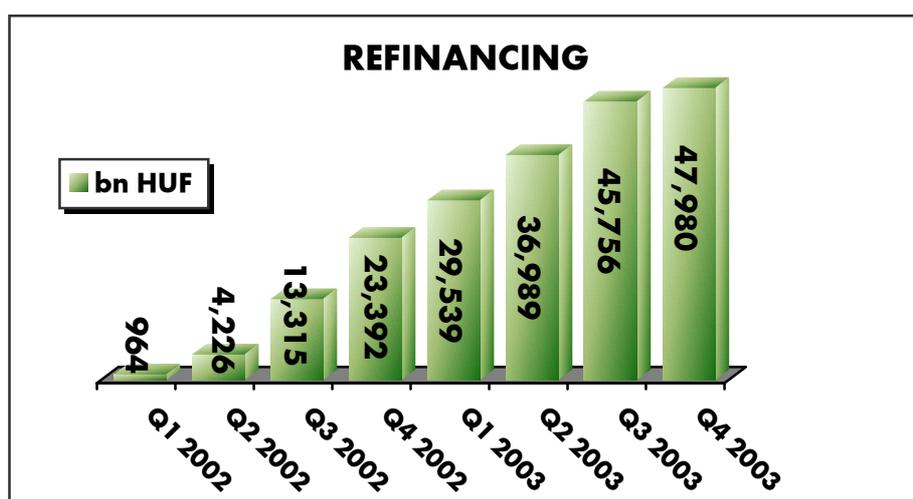
Compared to the previous year, **loan disbursement from transactions acquired by agents more than doubled (from 7.6 billion to 16.9 billion forints)**, which was 77% of the loan applications accepted.

Refinancing – the engine of mortgage lending

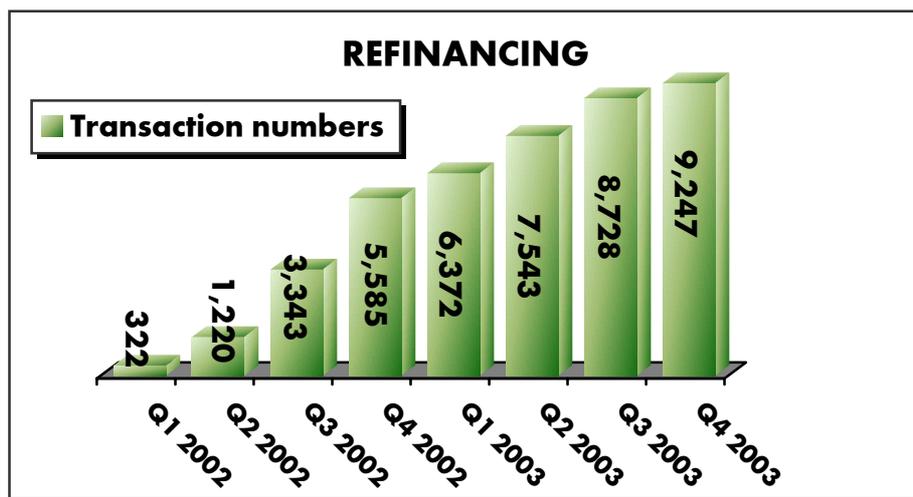
In accordance with its medium-term strategy, the Bank increased its focus on refinancing extended to commercial bank partners in 2003. **Developed by FHB, this branch of business** provides partner banks with a long-term resource for mortgage lending. By issuing mortgage bonds FHB securitizes long-term retail housing mortgage loans extended by commercial banks.

Implemented though the purchase of independent liens, FHB's refinancing business was operated with **nine partners at the end of 2003**. FHB's refinancing portfolio with these banks was continuously increasing over the years. Offers and purchase of refinancing batches took place on a regular basis and was scheduled to suit the partner bank's business cycles. At the end of 2003 the **number of loans refinanced by the Bank was 41,640**.

Expansion of FHB Rt.'s range of partners resulted in increased activity compared to previous business years and contributed to the Bank's increased profitability. In addition, mortgage bond issues are more even and of a higher volume.



In 2003 a total of **31,890 transactions were refinanced to the value of 160.3 billion forints**, which was triple the 2002 transaction numbers (10.470) and almost quadruple the transaction value (41.9 billion forints).



The **term** of refinanced loans from purchase to maturity **tends to shift towards the longer term**: while at the end of 2002 the share of loans with terms exceeding 15 years was 42%, in 2003 it was over 51%.

Consortial loans and partners

In 2003 the Bank bought a total of 777 outstanding accounts from its consortial partners amounting to 3.2 billion forints in value. This included 2.6 billion forints (86.2%) loans from savings cooperatives. The **aggregate amount of outstanding not yet due loans was 6.9 billion forints** as of 31.12.2003.

The Bank's standard products (including mortgage bonds, and home purchase, extension and improvement loans with subsidised interest) are sold in the context of consortial cooperation. The loans are secured by the real estate property valued by, and encumbered with the lien of, the bank, and the debtors (guarantors) meet the Bank's requirements. By 31 December 2003 the Bank signed a syndicated cooperation agreement with 64 savings cooperatives.

4.1.4 Portfolio analysis

The Bank's classified assets amounted to 301.8 billion forints, its pending commitments amounted to 7.7 billion forints (altogether 309.5 billion forints), and future commitments amounting to 2.5 billion forints as at 31 December 2003.

Figures in million HUF

Breakdown of portfolio by classification, loss in value and provisions						
CLASSIFICATION	31 December 2002			31 December 2003		
	Total accounts receivable	Loss in value and prov.	Ratio	Total accounts receivable	Impair. and prov.	Ratio
Problem-free	111,566	0	0.0%	306,736	0	0.0%
Watch	1,927	1	0.0%	1,882	1	0.0%
Substandard	205	23	11.0%	324	37	11.5%
Doubtful	453	167	36.9%	508	185	36.3%
Bad	34	34	100.0%	28	28	100.0%
TOTAL	114,185	224	0.2%	309,478	250	0.1%

Over the past period the portfolio of the Bank maintained its high quality along with fast growth. Owing to the special features of collateral for mortgage loans, the solvency of the customers exceeds the average value in the bank sector: at the end of 2002 the **ratio of problem-free accounts receivable** constituted 97.7% in the Bank's total portfolio, and **99.1% at the end of 2003**. Loss in value and provisions made for loans classified as substandard or poorer only increased by 26 million forints net over a period of a year.

Receivables from customers amounted to 106.2 billion forints (34.3% of the portfolio) in addition to 7.7 billion forints (2.5%) disbursement commitment based on valid loan agreements. Of these receivables 2.6 billion forints attached to 620 contracts and 0.1 billion forints commitments were classified in the categories watch to bad, with 0.25 billion forints total loss in value and provisions.

The refinancing loans portfolio with nine commercial banks amounted to 192.5 billion forints (62,2%), classified as problem-free.

Other classified items were not significant in terms of size. The Bank had term or at-sight deposits with five commercial banks amounting to 3.0 billion forints (1.0%). As regards investments in other companies, the Bank continues to own a 100% stake in FHB Service Company. The nominal value of this investment is 65 million forints, classified as problem-free.

Despite its rapid expansion the portfolio continues to be of good quality. The proportion of the problem-free category improved in both the entire portfolio and the loan portfolio (receivables from customers and commitments). The average loss in value of the portfolio as a whole continued to diminish and is currently 0.08%, and 0.2% in terms of the loan portfolio

4.1.5 Collateral valuation

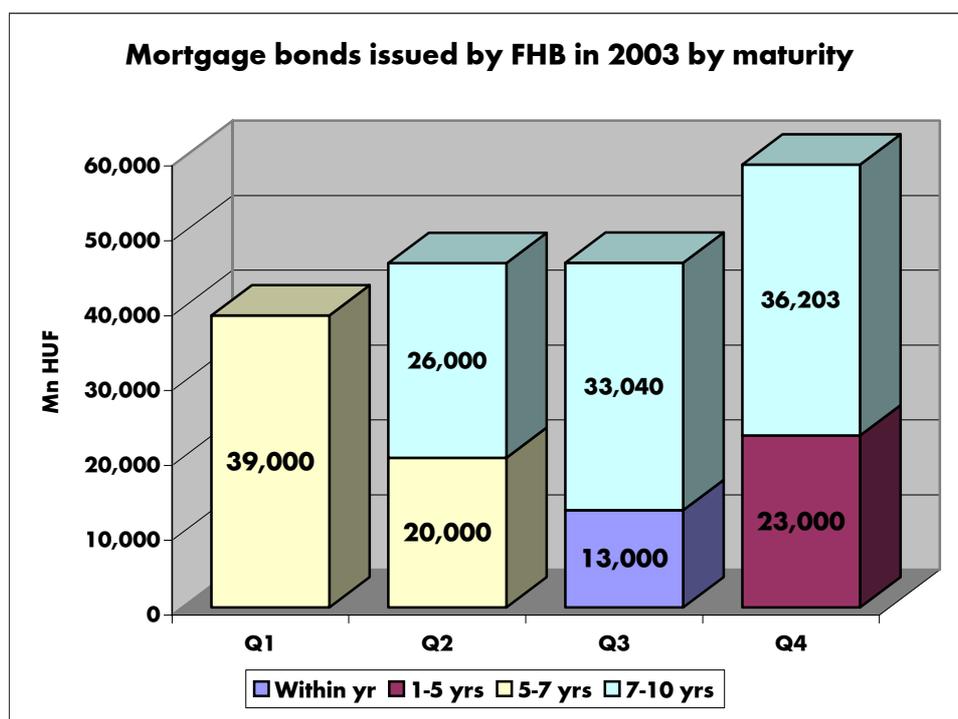
In 2003 the number of valuations increased substantially along with the expansion of lending: **the Bank valued more than 26% more real estate properties than in the previous year.** The number of own valuations remained essentially unchanged, the Bank involved valuation agencies to meet increasing demands through outsourcing.

In addition to collaterals to loans extended by the Bank, real estate properties covering the refinanced portfolio is also valued in order to determine the collateral value.

In 2003 FHB's income from collateral valuation fees was 1,336 million forints against payments to 1,104 million forints to external valuation agencies (the positive difference resulted from the Bank's own valuations). This means a 40% increase over 2002 while costs exceeded the level of the previous year by 37%.

4.1.6 Mortgage bond issue, mortgage bond coverage

In 2003 the opening portfolio of **mortgage bonds** was 101,644 million forints, the closing portfolio as of 31 December 2003 was, after mid-year repayments, 277,906 million forints. The total face value of mortgage bonds issued throughout the year was 190,242 million forints.



Mortgage bonds issued in 2003 included 189 billion forints fix interest bonds (including 13 billion forints with less than a year maturity), and only one billion forints face value of variable interest series. This proportion reflected the composition of the portfolio increase on the asset side. The average portfolio of mortgage bonds in 2003 was HUF 187,755 million.

In order to optimise the cost of funds and profitability the Bank sold mortgage bonds of less than a year's maturity twice during 2003, in August and September.

FHB appeared on the international capital market for the first time in July with a mortgage bond issued in a structured financing format (through SPV). The fourth quarter of the year was a milestone in the Bank's involvement of funds: in November the Bank registered its international mortgage bond programme (EMTN) in Luxembourg with 1 billion euros, and in December, already within the framework of the programme, **the bank issued its largest series so far, amounting to 125 million euros.**

Foreign issue was made possible by **the Bank's good rating**: Moody's maintained its A2 rating and took the Bank off the watch list; the rating of mortgage bonds was A1 (with watch status), the Bank's financial strength was rated D with "positive outlooks" added by the rating company. FHB is the only Hungarian mortgage bank having international rating for its mortgage bonds.

Due to the Bank's international issues and more importantly, because of its privatisation the international rating agency **Moody's** reviewed the rating of the Bank's credit risk and financial strength and **confirmed FHB's A2/P-1 rating**. FHB undertook to keep a stricter mortgage bond coverage ratio than prescribed by the rules in Hungary, i.e. it undertook to ensure capital-to-capital adequacy at all times.

Parallel with an increasing activity in issuance **the trading of FHB's mortgage bonds in the Stock Exchange has increased substantially** so that **it became the second most sought instrument** in the domestic bonds market **after government bonds**.

In 2003 **the Bank was awarded the Budapest Stock Exchange's title of "loan securities issuer of the year" for the third time**.

In 2003 the number of loans classified by the property supervisor as ordinary collateral was 11,862, while 571 items were cancelled, and 62 were reclassified as neutral. By the end of the target period the ordinary collateral portfolio included 28,673 items with 81,993 real estate properties involved as coverage, one-third of which covered own loans and two-thirds covering refinanced loans. Despite a massive increase in the number of disbursements, the number of neutral collateral items dropped from 986 at year-end to 629, which is 2.15% of the total mortgage loan portfolio.

The value **ordinary collateral**, i.e. assets involved as collateral to mortgage bonds issued by the Bank was 542.3 billion forints as of 31 December 2003 (294.0 billion forints principal +248.3 billion forints interest), which means a 165.8% increase in the value of ordinary collateral as at 31 December 2002 (204.0 billion forints).

The value of assets involved as collateral as at 31 December 2003 was as follows:

Outstanding mortgage bonds in circulation	HUF
face value:	277,906,290,000
interest:	168,270,855,608
total:	446,177,145,608

Ordinary collateral value	HUF
principal:	294,024,554,193
interest:	248,269,210,696
total:	542,293,764,889

Value of assets involved as supplementary collateral	HUF
principal:	1,499,222,965
interest:	1,930,595,784
total:	3,429,818,749

Assets involved as supplementary collateral are loans with state guarantee.

Principal receivable from customers amounting to 296,872 million forints was covered by real estate with a total collateral value of 718,125 million forints at the end of 2003. The **LTV ratio** (principal receivable / collateral value) was **41.3%** as of 31 December 2003 against 38.3% as of 31 December 2002.

4.1.7 Liquidity management

Due to its special form as a mortgage bank, FHB generates resources mainly from issuing mortgage bonds in the domestic and foreign markets, which it uses to cover its own refinancing activities and refinancing by its partner banks. It typically keeps its temporarily superfluous financial assets in O/N – 2WK term inter-bank deposits, and fills its temporary liquidity gaps from the inter-bank market. The aim of the Bank during the year was to increase its financing facilities and upgrade its safe liquidity position, therefore it was striving for the extension of its possible mortgage bond issues, and gaining new sources in addition to taking out inter-bank deposits. During the year, it signed revolving loan facility contracts with two banks. The first stand-by loan contract was signed in the first quarter, and the second in September. **The liquidity position** of the Bank **was stable during the year**, it had a 2 billion forints lending position based on its opening portfolio in 2003, and a 3 billion forints borrowing position based on its closing portfolio.

The net interbank position was characterised by a safely managed liquidity position fluctuation related to the fluctuation of its financing volume. The average value of inter-bank deposits was 7,319 million HUF, and that of inter-bank borrowings was 1,904 million HUF.

4.1.8 Capital investment

In early 2003, the Bank had gross investment assets to the extent of 2,012 million forints, with almost two thirds (1,230 million forints) in intangible assets, and more than one-third (782 million forints) in fixed assets necessary for rendering its activities as a credit institution. During the year the gross amount of intangible assets increased by 77 million forints, and that of fixed assets increased by 92 million forints. Depreciation written off on invested assets increased from 1,073 million forints at the beginning of the year to 1,418 million forints by the end of the year. As a balance of these items, **the net value of intangible assets at the end of 2003 was 299 million, and that of fixed assets was 464 million forints.**

The most important IT-related investment for 2003 was a **document management IT system**, the introduction of which commenced in November 2003 with the complete implementation expected for the second half of 2004

4.1.9 Restructuring, staff figures

The Bank had 197 staff as of December 31, 2003, which was 8 persons more than at the end of 2002. The **consolidated staff number** was the same as the Bank's headcounts at the end of 2002 and was **236 at the end of 2003**. The main increase in staff took place at the level of the Bank's subsidiary, which developed its organization structure for agency activities.

The Bank carried out no major **organisational restructuring** during 2003.

4.2 The consolidated financial accounts of FHB

The financial data presented in this chapter are based on the consolidated balance sheet and P/L statement as at 31 December 31 prepared in accordance with the Hungarian accounting rules and audited by FHB's auditor.

4.2.1 Balance sheet structure

The balance sheet footing of the Bank increased dynamically over the last year due to the increase of receivables from customers and refinancing.

Figures in million HUF

DESCRIPTION	31.12.2002	31.12.2003	Dec 2003 / Dec 2002
Assets			
Interest earning assets (at net value)	111,841	304,240	272.0%
- Residential loans	62,810	104,998	167.2%
- Corporate loans	1,805	204	11.3%
- Refinanced loans	41,177	192,538	467.6%
- Securities / inter-bank	6,049	6,500	107.5%
Own assets and investments	1,289	763	59.2%
Other assets	2,427	5,146	212.0%
Assets total	115,557	310,149	268.4%
Liabilities			
Interest bearing liabilities	105,144	283,906	270.0%
- Mortgage bonds	101,644	277,906	273.4%
- Inter-bank loan	2,000	6,000	300.0%
- Subordinated debt	1,500	0	-
Other liabilities	4,749	14,712	309.8%
Own equity and provisions	5,664	11,531	203.6%
Liabilities total	115,557	310,149	268.4%

Interest earning assets

Within interest earning assets, each asset category increased its portfolio, from which the highest level of increase could be seen in **refinancing**: it increased from 41.2 billion HUF at the end of 2002 to **192.5 billion forints**, which was 63.3% of net interest earning assets (compared to the ratio of 36.8% at the end of last year). The amount of **retail loans** disbursed via the Bank's own channels amounted to 62.8 billion forints by December 31, 2002, and the portfolio grew to **105 billion forints** by December 31, 2003, thus contributing 34.5% to interest bearing assets. The 0.2 billion forints portfolio of corporate loans represented less than 0.1% of net interest earning assets, and its significance became further marginalized. The volume of the total loan portfolio, also covering retail, corporate and commercial bank loans, was 297.7 billion forints on December 31, 2003. This value was 281.4% of the amount in the same period of 2002 (105.8 billion forints). The composition of the loan portfolio was more and more shifted towards longer

term during the year (the proportion of loans over 15 years is 87.8%). The main reason for this was the permanently low level of customer interest rates in 2003 (3 to 6%), and the 20-year period of interest rebate as a result of the state subsidy scheme.

The portfolio of **interbank deposits** as of December 31, 2002 was 3.9 billion forints, while on December 31, 2003 it was 3.0 billion forints, of which interest earning assets represented 1.0%. During the year inter-bank deposits partly comprised two-week deposits placed with the National Bank of Hungary, and other deposits with a maximum tenor of two weeks placed with other banks.

The value of the **securities** of the Bank represented 2,099 million forints as of January 1, and 3,455 million forints on December 31, which corresponded to an increase of 65%. The average annual portfolio of forints owned securities was 2,576 million forints. The Bank handles the portfolio of securities as a liquidity reserve, and holds it for the purposes of risk management in line with the internal rules of the Bank. The portfolio contained only government bonds and Central Bank bonds, as well as treasury bills during the year. The proportion of securities was 1.1% among interest earning assets.

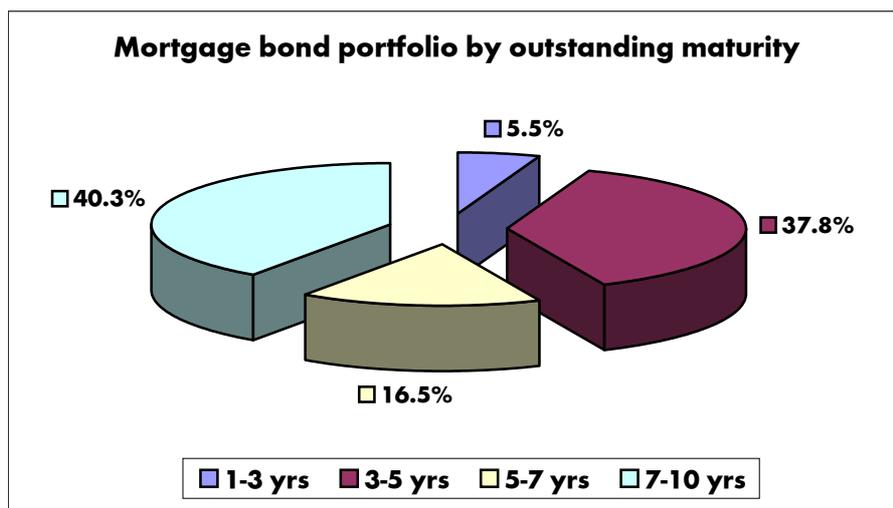
Own assets and investment

The portfolio of 939 million forints in **fixed assets and intangible assets** as of December 31, 2002 dropped to 764 million forints by the end of 2003. These assets served only banking operational purposes. The portfolio of 350 million in **own shares** as of December 31, 2002 was sold partly in open sales and partly within the ESOP programme.

Interest bearing liabilities

The portfolio of mortgage bonds is the dominant element of financing, which represented 98% of interest bearing liabilities as of December 31, 2003, with the remaining 2% from loans taken from the interbank market.

The closing portfolio of issued **mortgage bonds** at the end of 2002 was 101,644 million forints, and its closing portfolio as of December 31, 2003 was 277,906 million forints. During the business year, the Bank repaid mortgage loan capital of 13,980 million, from which 13,000 million originated from short term (2-3 month) mortgage bonds issued in the third quarter of the year. During the year mortgage bonds were issued to a total face value of 190,242 million forints. Among the issues, the 125 million Euro mortgage bond issue is most significant, which was implemented in the framework of the international mortgage bond programme, registered in Luxembourg



The term to maturity of more than 50% of mortgage bonds on December 31, 2003 was longer than five years. No major mortgage bond repayments will happen during the next two years. Most of the mortgage bond portfolio, 92.1% (256 billion forints) were with fixed interest rates, at the end of 2003 the Bank had only 22 billion forints in mortgage bonds issued with variable interest rates, which represented 7.9% of the portfolio.

The interbank deposits taken out by the Bank represented 2,000 million forints as of December 31, 2002, and on December 31, 2003, the Bank did not have such a portfolio. **Revolving loan facilities** during 2003 appeared as new, additional sourcing facilities to support and secure the prevailing liquidity of the Bank. Presently, the total amount of such sourcing facility, available for the Bank amounts to 7,500 million forints. On December 31, 2003 a drawn down portfolio of 6,000 million forints was available from the total facility.

During the first half year, the Hungarian Financial Supervisory Authority approved for the Bank the repayment of the 1.5 billion forints **subordinated debt**, outstanding since 1999, before the deadline specified in the contract, thus on the basis of a common agreement between FHB Rt., and ÁPV Rt. the subordinated debt was repaid on June 4, 2003. On the same value date, ÁPV Rt effected a 2.5 billion forints **capital increase**.

Off balance sheet items

Pending liabilities moved in parallel with the increase of the loan portfolio during 2003. The still available loan facility of disbursed loans at the end of 2002 had been 14.7 million forints, while it was 139 million forints at the end of 2003. The amount of contracted but not yet disbursed loans increased by 35 % compared to 2002 (5,223.4 million forints in 2002, and 7,065.9 million forints in 2003). The portfolio of loans to be purchased from partner banks in the framework of refinancing increased at a similar pace, and reached the closing portfolio of 461.4 million forints at the end of 2003.

Future liabilities deriving from the hedge-type interest swap concluded by the Bank for the purposes of risk management were 2,885 million forints in 2003, while the Bank had not made such a deal in 2002.

4.2.2 Profitability

Due to the upsurge in lending over the last year, the gross operating income of the Company increased by 119% by the end of 2003 compared to the previous year. Net interest revenue, which had a major weight in the gross result increased by 135% in the span of one year.

Figures in million HUF

DESCRIPTION	31 Dec 2002	31 Dec 2003	Dec 2003 / Dec 2002
Net interest income	4,125	9,694	235.0%
Net commission and fee income	963	699	72.6%
Net result of financial operations	-39	675	-
Gross operating income	5,049	11,067	219.2%
Operating expenses	-4,381	-5,721	130.6%
Other income and expenditure	-149	-369	220.5%
Net operating income	501	4,978	994.6%
Net provisions and losses	-10	-26	258.9%
Extraordinary income/expenditure	-2	-6	293.5%
Profit before tax	489	4,947	1,012.5%
Taxes	-97	-920	946.3%
After-tax profit	391	4,026	1,029.0%
General provision	-43	-404	948.7%
Dividends	0	-660	-
Profit on balance	349	2,963	849.5%

As a result of cost efficient management net operating income was almost ten times as in 2002 (after the early years following its foundation, the Bank reached economy of size in 2002, and was able to produce a positive result; the extent of output increase in 2003 should be interpreted in this context)

Net interest income

In 2003 the net interest revenue of the Company was 9,694 million forints, which was by 5,568 million forints higher than the previous year. This was the balance of the 26,007 million forints interest income (an increase of 175%) and the 16,313 million HUF interest expense (an increase of 206%). Interest payable was almost fully represented by interest expenditure payable on mortgage bonds (91% in 2002, and 97% in 2003).

Net commission and fee income

Last year fee income totalled HUF 2,171 million, representing an increase of 60% compared to the base year. The larger component of fee income – which, however, has shown a decreasing tendency – consisted of appraisal fees (their proportion being 71% in 2002 and 62% in 2003), this decrease was made up for by an increase in commissions received from customers and fees charged for credit scoring. The amount of fee expenses increased from HUF 393 million to HUF 1,472 million in one year. In 2002 the fees related to the issuance of mortgage bonds used as financing sources constituted 80% of all fee expenditures; however, the proportion of this item fell to 46% in 2003 because the agent commissions paid made up for a larger proportion of fee

expenditures. As a combined result of the above factors, the net fee income showed a 27% decrease compared to the base year.

Net profit from financial operations

The net profit from financial operations was 675 million forints at the end of 2003, which represented a significant improvement compared to 39 million forints deficit at the end of 2002. The increase is accounted for by two fundamental factors, the single 563 million forints gain realized at the stock market listing of the shares of the Company in November, and 125 million forints net income realized on the mortgage bonds issued.

Operating costs

Figures in million HUF

DESCRIPTION	31.12.2002	31.12.2003	Dec 2003 / Dec 2002
General administrative costs	4,038	5,332	132.0%
Personnel expenses	1,940	2,393	123.3%
Other administrative costs	2,098	2,939	140.1%
- incl. special mortgage banking costs	1,257	1,639	130.4%
Depreciation	343	388	113.2%
TOTAL OPERATING EXPENSES	4,381	5,721	130.6%

In the course of 2003 the Bank continued with its policy of **successful cost management**: the total amount of operating expenses, 5,721 million forints, showed an increase of 31% compared to the previous year, which only constitutes one-sixth of the 168% increase of the balance sheet total, and thus means that cost efficiency was further improved. The cost-income ratio (CIR) was reduced to 52% from 87% in 2002.

Total **personnel expenses** and social security contributions amounted to 2,393 million forints, constituting 42% of the total costs.

In 2003 **other costs** increased by 40% compared to the base year, while their proportion within the total costs increased by 3.5 percentage points to 51%. In 2003 over half of all other costs, 1,639 million forints, were made up for by the special costs associated with performing mortgage bank activities. The fees paid to subcontracting appraisal companies, 1,104 million forints, constituted two-thirds of these particular expenditures last year, which compares with 803 million forints in 2002; the 300 million forints increase shows the growth of the number of appraisal orders for the properties offered as collateral. Fees associated with mortgage bond issuing and agent fees constituted 6% and 6% respectively of the above special costs, while 17% went to credit coverage life insurance.

In 2003, 388 million forints of **depreciation** was 45 million forints (13%) higher than the corresponding figure for the previous year, while depreciation within the item of total operating costs decreased from 7.8% in the base year to 6.8%.

4.2.3 *Change in capital structure*

ÁPV Rt. **raised the share capital** of the Bank by 2.5 billion forints in June 2003. No other extraordinary changes happened to capital components following the first half-year. In connection with the privatisation of FHB Rt., the price of one public placement FHB share (4,300 forints) was deposited in the Bank's account set apart for share capital increase.

The value of the **own equity** of the Bank was 11,529 million forints on 31 December 2003, which compares with the corresponding figure of 5,662 million forints at the end of the previous year, and represents an increase of 104%. The increment is made up of the following items: the June 2003 share capital increase of 2,500 million forints, 490 million forints decrease of term reserve, 34 million forints decrease in the change of the own equity of the Bank's subsidiary, increase of general reserve by 404 million forints, increase of retained profits by 873 million forints, and the increase of the balance sheet profit by 2,614 million forints

The Bank paid a dividend for the first time in its history. In accordance with the resolution passed by the 2003 General Meeting the dividend was 100 forints, or 10%, on each share of 1,000 forints face value.

By 31 December 2003, the amount of risk-weighted assets and off balance sheet assets increased to reach 103,999 million forints. The **adjusted capital** of the Bank was 5,488 million forints as of 31 December 2002, while on 31 December 2003 it was 11,248 million forints, which includes the audited profit.

On 31 December 2003 the **capital adequacy ratio** was 10.8%, which exceeds the 8% required by the Act on Credit Institutions and also satisfies the 10% target ratio set up by the management of the Bank.

4.3 Report of FHB Service Company

FHB Land Credit and Mortgage Bank has a 100% ownership share in FHB Service Company.

In the first half of 2003 the Service Company concluded its activities acquired as qualified receivables package from the Bank and sold the related real estate. In the **second half of 2003, the Bank set a new objective** for its subsidiary, namely, that the Service Company will operate as the Bank's acquiring agent. As an initial step, an acquisition agency contract was concluded between the parties. In order to be able to carry out its activities, in the second half of 2003 the Service Company employed new staff to ensure the workforce necessary for its future activities.

Since the third quarter of 2003, the Service Company has carried out acquisition agency activities. Employees of the Service Company inform customers of loan products, assist customers in preparing loan applications and taking over the applications.

Due to costs, expenses and revenues related to the two major operations in 2003 – selling real estate and creating conditions for, and carrying out, agency activities – the balance sheet, as well as the profit and loss statement of the Service Company changed considerably. The revenues generated by the Service Company totalled 191.1 million forints, set against costs and expenses of 200.5 million forints.

The losses of the Service Company in 2003 amounted to 9.4 million HUF, the balance sheet total reached 77.7 million forints.

5 Risk Factors

5.1 Macro-economic risk

The macro-economic trends and the domestic/international evaluation of the Hungarian economy have a significant influence on the activity and efficiency of FHB's operation. On the one hand, the macro-economic conditions – through the level of incomes – will determine the size of grantable housing loans and developments in the quality of the loan portfolio. On the other hand, the deficit of the state budget and the current account balance, the rate of inflation, interest level and exchange rate of Hungarian Forint will influence the issue of and demand for mortgage bonds as well as costs of funds incurred by the Bank.

Though, for medium-term the EU convergence of the Hungarian economy (exchange rate of Hungarian Forint, interest rates) can be forecasted in a relatively reliable manner, it includes also risks, since the precise development, intensity and volatility of the adaptation are not computable.

Due to the size and openness of the Hungarian capital market, the international tendencies will appear in no time and dynamically in form of changes in domestic interest rates, stock exchange and money market rates. Such changes will intensively influence the possibilities and conditions of acquiring funds for the Bank. To extend the scope of possibilities and reduce the exposure to capital market risks, in 2003 the Bank decided to issue mortgage bonds also on the international market.

5.2 Regulatory risk

The modification of housing subsidizing decree may be a significant risk related to the regulatory environment. In the course of 2003, two significant changes occurred, which influenced the demand for loans and as such the operation and profitability of the Bank. Both in 2003 and thereafter, the Bank has been following the effects of changes in rules of law and will model the short and long term effects thereof on profitability and financial plans.

5.3 Market competition

The market of housing loans is a multi-participant one (including commercial banks, mortgage banks, housing savings banks, mutual savings banks and insurance companies), and also in the mortgage banks' market segment an intensive competition is experienced. After Hungary's EU accession, it will be easier for foreign banks to open branches in Hungary, and so it is imaginable that the number of participants in housing loan market will continue increasing.

In comparison with other participants in the market, the own branch network of the Bank is smaller. For compensating such situation the Bank has established an extensive network of agents. Notwithstanding, own lending transactions have been continuing to decrease. At the same time, the decrease in own lending transactions is compensated by the refinancing operations. The primary risk in this sphere includes keeping the partner banks to be refinanced and the strengthening of competition in the refinancing market.

5.4 Credit risk

Prior to assuming any risk or liability, FHB is analyzing the capability and readiness of its prospective partners to repay loans and the values and mobilizability of the properties offered as collaterals. The Bank uses a simple and complex debtor qualification system for its customers, classifying the credit applicants in five classes, establishing a credit limit for them. The Bank has established and applies a 'scoring system' for credit rating.

For qualification of its accounts receivable, the Bank applies the qualification classes and provisioning limits set forth in its internal regulations and the relevant rules of law.

For securing the loans granted by it, the Bank accepts independently marketable, mostly first ranked mortgage established on properties of permanent value without any legal action, encumbrances or claims. To ensure the security of mortgage lending in all cases, the Bank considers the valuation of properties as an activity of key importance.

In addition to requirements set out in the relevant rules of law, the auditor of Bank's assets (PriceWaterhouseCoopers LLC) will audit the real estate valuers of FHB in cases selected by the auditor and/or perform supervision of evaluations on a randomly selected basis.

The Bank establishes the values of collaterals and registers the ordinary and additional coverage provided by mortgage bonds according to and in compliance with strict internal regulations approved by the Banking Supervision.

5.5 Interest rate risk

As a result of its operation as a mortgage bank and special statutory regulations governing its operation, FHB has a special asset/liability structure within the Hungarian domestic banking system, because:

- Its liabilities are mostly long-term capital market funds of fixed interest rate or with relatively long repricing period.
- Customers are typically long-term ones.

The factors accounting for the Bank's interest rate risk include as follows:

- Changes in capital and money market during the period of the disbursement of loans to issue of mortgage bonds.
- Differing repricing and interest periods of loans and funds.
- Re-investing risk, which may result from the early repayment of loans.
- Differing repayment schedules of annuity loans and mortgage bonds.
- Differing maturity structures of assets and liabilities.

The Bank manages its interest rate risk by approximation of the maturity structures of liabilities and assets, making the repricing periods agreed, and limiting the possible difference between assets and liabilities of fixed and variable interest rates. The Bank limits both the time and sum of prepayment of loans.

The Bank monitors on a daily basis the major liquidity indicators, the ratio and coverage rate of the maturing mortgage bonds. The analysis made on a monthly basis is extended to watching of coverage limits at maturity and mismatches at maturity in different maturity bands.

The Bank can ensure its liquidity by matching the maturity of its account receivables and payables agreed. In addition to ensuring its solvency at all times, in the interest of profitability of the Bank, FHB will apply a maturity transformation of an extent regulated by specific limits.

6 FHB Land Credit and Mortgage Bank Company's business policy envisioned for 2004

When developing its business policy plan for 2004 FHB Rt. started out from the Bank's medium-term strategic plan.

In consideration for this year's macroeconomic forecasts, FHB Rt. expects that by the end of 2004 its mortgage portfolio will increase by approximately 30%, which will push up its balance sheet total by one third. The Bank anticipates that in 2004 it will retain its market share both in terms of mortgage loan provision and issuing mortgage bonds.

In accordance with the Bank's strategic plan, the increase in the loan portfolio as well as of the balance sheet footing is primarily expected from the refinancing business. The ratio of refinancing to the Bank's own lending is expected to further increase in 2004. The Bank envisions to launch its foreign exchange denominated loan facility as well as refinancing of non-subsidised forint and foreign currency mortgage loans, in accordance with market demands.

Issuance of mortgage bonds aimed at financing mortgage loans is expected to take place outside Hungary until domestic yields drop to a competitive level. International issues will take place in the context of the Bank's existing EMTN programme – no new international programme is expected for 2004. The portfolio of mortgage bonds involved in financing is expected to increase by 40% in 2004.

Along with the expansion of the Bank's scope of business operating costs are expected to grow not more than 3%, which is below the inflation rate, resulting in additional improvement of cost effectiveness.

Own equity is expected to increase 1.5 times.

By the end of 2004 the Bank will envision 5.7 billion forints after-tax profits, which will result in over 40% increase in profit per share.

Major consolidated financial indicators	31.12.2003 Actual	31.12.2004 Budgeted	2004 Budgeted / 2003 Actual
Balance sheet total (million HUF)	310,149	415,200	133.9%
Mortgage loan portfolio (million HUF)	297,741	387,596	130.2%
Mortgage bonds outstanding (million HUF)	277,906	387,206	139.3%
Own equity (million HUF)	11,529	17,732	153.8%
Adjusted capital (million HUF)	11,248	12,341	109.7%
Capital adequacy ratio	10.8%	13.2%	122.2%
After tax profit (million HUF)	4,026	5,700	141.6%
CIR (operating costs / gross operating income)	51.7%	45.0%	87.0%
ROAA (return on average assets)	1.9%	1.6%	84.2%
ROAE (return on average equity)	47.2%	37.5%	79.4%

7 Consolidated report of FHB Land Credit and Mortgage Bank Co. prepared in accordance with the Hungarian accounting rules

7.1 Auditor's report



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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of
FHB Földhitel- és Jelzálogbank Rt.

We have audited the accompanying balance sheet of FHB Földhitel- és Jelzálogbank Rt. as at 31 December 2003, which shows a consolidated balance sheet total of HUF 310,149,456 thousand and a profit for the year of HUF 2,962,725 thousand, the related consolidated profit and loss account for the year then ended and the notes included in the Bank's 2003 consolidated annual financial statements. The consolidated annual financial statements are the responsibility of the Bank's management. The auditor's responsibility is to express an opinion on the consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with that presented in the consolidated financial statements.

We issued an unqualified opinion on the Bank's 2002 consolidated annual financial statements as at 31 March 2003.

We conducted our audit in accordance with Hungarian National Audit Standards and with applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of FHB Földhitel- és Jelzálogbank Rt. in accordance with national audit standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion, the consolidated annual financial statements give a true and fair view of the equity and financial position of FHB Földhitel- és Jelzálogbank Rt. as at 31 December 2003 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, 12 March 2004

Except for the effect of the resolution of the shareholders relating to the year ended 31 December 2003, which is dated
7 April 2004.

Ernst & Young Kft.
Registration No. 001165

Dr. Csemniczky Jánosné
Registered Auditor
Chamber membership No.: 003093

7.2 Consolidated balance sheet

Consolidated audited Balance Sheets of FHB Land Credit and Mortgage Bank Co. for 2002 and 2003 prepared according to the Hungarian accounting rules

Assets

Data in '000 HUF

No.	Description of the item	31 December 2002	31 December 2003	Change (%)
1.	1. Liquid assets	17 201	25,021	145.46%
2.	2. Government securities	2,096,405	3,447,149	164.43%
3.	a) for trading	2,096,405	3,447,149	164.43%
4.	b) for investment			
5.	3. Receivables from credit institutions	45,129,661	195,590,602	433.40%
6.	a) sight		12,202	
7.	b) other receivables from financial services	45,129,661	195,578,400	433.37%
8.	ba) short term	6,351,220	13,619,243	214.44%
9.	Including: - from associated enterprises			
10.	- from enterprises with participating interest			
11.	- from NBH	2,000,000		
12.	bb) long term	38,778,441	181,959,157	469.23%
13.	Including: - from associated enterprises			
14.	- from enterprises with participating interest			
15.	- from NBH			
16.	c) from investment services			
17.	Including: - from associated enterprises			
18.	- from enterprises with participating interest			
19.	4. Receivables from customers	64,615,022	105,202,193	162.81%
20.	a) from financial services	64,615,022	105,202,193	162.81%
21.	aa) short term	5,794,017	6,960,679	120.14%
22.	Including: - from associated enterprises			
23.	- from enterprises with participating interest			
24.	ab) long term	58,821,005	98,241,514	167.02%
25.	Including: - from associated enterprises			
26.	- from enterprises with participating interest			
27.	b) from investment services			
28.	Including: - from associated enterprises			
29.	- from enterprises with participating interest			
30.	ba) receivables from stock market investment services			
31.	bb) receivables from OTC investment services			
32.	bc) receivables from customers deriving from investment services			
33.	bd) receivables from clearing houses			
34.	be) receivables from other investment services			
35.	5. Debt securities, including fixed interest securities			
36.	a) securities issued by local governments and other agencies of state administration (excluding state securities)			
37.	aa) for trading			
38.	ab) for investment			
39.	b) securities issued by other issuer			
40.	ba) for trading			
41.	Including: - from associated enterprises			
42.	- from enterprises with participating interest			
43.	- own- issue repurchased			
44.	bb) held for investment			
45.	Including: - from associated enterprises			
46.	- from enterprises with participating interest			
47.				
48.	6. Shares and other securities with variable yield			
49.	a) shares and participations for trading			
50.	Including: - from associated enterprises			
51.	- from enterprises with participating interest			
52.	b) securities with variable yield			
53.	ba) for trading			
54.	bb) for investment	26	3	11.54%

Assets**Data in '000 HUF**

No.	Description of the item	31 December 2002	31 December 2003	Change (%)
55.	a) shares and participations for investment	26	3	11.54%
56.	Including: - participation in credit institutions	26	3	11.54%
57.	b) value adjustment of shares and participations for investment			
58.	Including: - participation in credit institutions			
59.	8. Shares and participations in associated enterprises			
60.	a) shares and participations for investment			
61.	Including: - participation in credit institutions			
62.	b) value adjustment of shares and participations for investment			
63.	Including: - participation in credit institutions			
64.	c) capital consolidation difference			
65.	- from subsidiary, jointly managed enterprise			
66.	- from associated with enterprises			
67.	9. Intangible assets	434,336	298,693	68.77%
68.	a) intangible assets	434,336	298,693	68.77%
69.	b) value adjustment of intangible assets			
70.	10. Tangible assets	505,009	464,313	91.94%
71.	a) tangible assets for financial and investment services	505,009	464,313	91.94%
72.	aa) real estate	134,620	136,857	101.66%
73.	ab) technological equipment, machines, appliances and vehicles	306,585	322,378	105.15%
74.	ac) investments	61,598	5,078	8.24%
75.	ad) advances given to investments	2,206		
76.	b) tangible assets not directly held for financial and investment services			
77.	ba) real estate			
78.	bb) technological equipment, machines, appliances and vehicles			
79.	bc) investments			
80.	bd) advances given to investments			
81.	c) value adjustment of tangible assets			
82.	11. Own shares	350,000		
83.	12. Other assets	1,153,357	3,623,834	314.20%
84.	a) inventories	104,623	23,176	22.15%
85.	b) other receivables	1,048,734	3,600,658	343.33%
86.	of which: - from affiliated enterprises			
87.	- from enterprises with participating interest			
88.	c) receivables for corporate tax (calculated) from consolidation			
89.	13. Accrued income and deferred expenditures	1,256,150	1,497,648	119.23%
90.	a) accrued income	348,003	587,219	168.74%
91.	b) deferred costs and expenditures	908,147	910,429	100.25%
92.	c) deferred expenditures			
93.	TOTAL ASSETS	115,557,167	310,149,456	268.39%
	of which: CURRENT ASSETS (1+2a+3a+3ba+3c+4aa+4b+5aa+5ba+6a+6ba+11+12)	15,762,200	27,688,128	175.66%
	INVESTED ASSETS (2b+3bb+4ab+5ab+5bb+6bb+7+8+9+10)	98,538,817	280,963,680	285.13%

Liabilities

Data in '000 HUF

No.	Description of the item	31 December 2002	31 December 2003	Change (%)
94.	1. Liabilities to credit institutions	2,000,000	6,000,000	300.00%
95.	a) at sight			
96.	b) accounts payable for a definite term, deriving from financial services	2,000,000	6,000,000	300.00%
97.	ba) short term	2,000,000	6,000,000	300.00%
98.	Including: - to associated enterprises			
99.	- to enterprises with participating interest			
100.	- to NHB			
101.	bb) long term			
102.	Including: - to associated enterprises			
103.	- to enterprises with participating interest			
104.	- to NHB			
105.	c) from investment services			
106.	Including: - to associated enterprises			
107.	- to enterprises with participating interest			
108.	2. Liabilities to customers	180,731	201,549	111.52%
109.	a) savings deposits			
110.	aa) sight			
111.	ab) short term			
112.	ac) long term			
113.	b) other liabilities from financial services	180,731	201,549	111.52%
114.	ba) sight	180,731	201,549	111.52%
115.	Including: - to associated enterprises			
116.	- to enterprises with participating interest			
117.	bb) sort term			
118.	Including: - to associated enterprises			
119.	- to enterprises with participating interest			
120.	bc) maturity beyond one year			
121.	Including: - to associated enterprises			
122.	- to enterprises with participating interest			
123.	c) from investment services			
124.	Including: - to associated enterprises			
125.	- to enterprises with participating interest			
126.	ca) liabilities from stock market investment services			
127.	cb) liabilities from OTC market investment services			
128.	cc) liabilities deriving from investment services			
129.	cd) liabilities to clearing houses			
130.	ce) liabilities from other investment services			
131.	3. Liabilities from securities issued	101,643,850	277,906,290	273.41%
132.	a) bonds issued	101,643,850	277,906,290	273.41%
133.	aa) short term		200,000	
134.	Including: - to associated enterprises			
135.	- to enterprises with participating interest			
136.	ab) long term	101,643,850	277,706,290	273.22%
137.	Including: - to associated enterprises			
138.	- to enterprises with participating interest			
139.	b) other debt securities issued			
140.	ba) short term			
141.	Including: - to associated enterprises			
142.	- to enterprises with participating interest			
143.	bb) long term			
144.	Including: - to associated enterprises			
145.	- to enterprises with participating interest			
146.	c) debt instruments treated as securities from an accounting aspect but not classified as securities under the Securities Act			
147.	ca) short term			
148.	Including: - to associated enterprises			
149.	- to enterprises with participating interest			
150.	cb) long term			
151.	Including: - to associated enterprises			
152.	- to enterprises with participating interest			
153.	4. Other liabilities	503,507	1,186,959	235.74%

Liabilities**Data in '000 HUF**

No.	Description of the item	31 December 2002	31 December 2003	Change (%)
154.	a) short term	503,507	1,186,959	235.74%
155.	Including: - to associated enterprises			
156.	- to enterprises with participating interest			
157.	- for credit institutions operating as cooperatives, other contribution of members			
158.	b) long term			
159.	Including: - to associated enterprises			
160.	- to enterprises with participating interest			
161.	c) tax liabilities originating from consolidation			
162.	5. Accrued expenditures and deferred income	4,064,847	13,324,027	327.79%
163.	a) passive accrual of income	476,040	1,830,416	384.51%
164.	b) accrued costs and expenditures	3,588,807	11,493,611	320.26%
165.	c) deferred income			
166.	6. Provisions	1,935	2,034	105.12%
167.	a) provision for pension and severance payment			
168.	b) risk reserve for pending and certain future liabilities	1,935	2,034	105.12%
169.	c) general risk reserve			
170.	d) other reserves			
171.	7. Subordinated obligations	1,500,000		
172.	a) subordinated loan capital	1,500,000		
173.	Including: - to associated enterprises			
174.	- to enterprises with participating interest			
175.	aa) capital consolidation difference			
176.	- from subsidiary, jointly managed enterprise			
177.	b) for credit institutions operating as cooperatives, other property contribution of members			
178.	c) other subordinated liabilities			
179.	Including: - to associated enterprises			
180.	- to enterprises with participating interest			
181.	8. Subscribed capital	4,100,000	6,600,001	160.98%
182.	Including: - repurchased ownership share at face value	350,000		
183.	9. Subscribed and not yet paid-up capital (-)			
184.	10. Capital reserve	1,145,590	1,145,594	100.00%
185.	a) the outstanding balance between the face value of the participation and its placement value (premium)	1,145,590	1,145,594	100.00%
186.	b) other			
187.	11. General reserve	42,539	446,109	1048.71%
188.	12. Profit reserve (±)	-490,376	382,853	
189.	13. Fixed reserve	490,376		
190.	14. Valuation reserve			
191.	15. Profit as per balance sheet (±)*	348,748	2,962,725	849.53%
192.	16. Changes of equity of subsidiaries and enterprises under joint management (±)	25,420	-8,685	
193.	17. Changes through consolidation (±)			
194.	- from debt consolidation difference			
195.	- from interim profit difference			
196.	18. Participation of external members (other owners)			
197.	TOTAL LIABILITIES	115,557,167	310,149,456	268.39%
198.	Including: - SHORT TERM LIABILITIES (1.a.+1.ba+1.c.+2.aa+2.ab+2.ba+2.bb+2.c+3.aa+3.ba+3.ca+4.a+4.c)	2,684,238	7,588,508	282.71%
199.	- LONG TERM LIABILITIES (1.bb+2.ac+2.bc+3.ab+3.bb+3.cb+4.b+7)	103,143,850	277,706,290	269.24%
200.	- SHAREHOLDER'S EQUITY (8.9+10+11±12+13+14±15±16±17±18)	5,662,297	11,528,597	203.60%

Consolidated audited Profit and Loss Statements of FHB Land Credit and Mortgage Bank Co. for 2002 and 2003 prepared according to the Hungarian accounting rules

Data in '000 HUF

No.	Description of the item	31 December 2002	31 December 2003	Change (%)
1.	1. Interest and interest type revenues received	9,459,605	26,006,866	274.93%
2.	a) interest received due on fixed interest debenture securities	154,605	215,371	139.30%
3.	of which: - to associated enterprises			
4.	- to enterprises with participating interest			
5.	b) other interest and interest type revenues received	9,305,000	25,791,495	277.18%
6.	Within that: - from affiliated enterprise			
7.	- from enterprises with other relationship of participation			
8.	2. Interest paid and interest type payments:	5,334,570	16,313,362	305.80%
9.	of which: - to associated enterprises			
10.	- to enterprises with participating interest			
11.	INTEREST DIFFERENCE (1-2)	4,125,035	9,693,504	234.99%
12.	3. Revenues from securities	2	1	50.00%
13.	a) revenues from shares and participations for trading (dividend, participation)			
14.	b) revenues from participations in associated enterprises (dividend, profit sharing)			
15.	c) revenues from other participations (dividend, profit sharing)	2	1	50.00%
16.	4. Commission and fee revenues received (due)	1,356,368	2,170,982	160.06%
17.	a) revenues from other financial services	1,356,368	2,170,982	160.06%
18.	Including: - to associated enterprises			
19.	- to enterprises with participating interest			
20.	b) from revenues of investment services (with the exception of revenues from trading activity)			
21.	Including: - to associated enterprises			
22.	- to enterprises with participating interest			
23.	5. Commission and fees paid payable	393,327	1,471,921	374.22%
24.	a) from expenditures of other financial services	77,679	799,898	1029.75%
25.	Including: - to associated enterprises			
26.	- to enterprises with participating interest			
27.	b) from expenditures of investment services (with the exception of expenditures of trading activity)	315,648	672,023	212.90%
28.	Including: - to associated enterprises			
29.	- to enterprises with participating interest			
30.	6. Profit on financial transactions (6.a - 6.b + 6.c - 6.d)	-39,471	674,790	
31.	a) from revenues of other financial services	32,895	813,508	2473.04%
32.	Including: - to associated enterprises			
33.	- to enterprises with participating interest			
34.	b) from expenditures of other financial services	48,183	124,336	258.05%
35.	Including: - to associated enterprises			
36.	- to enterprises with participating interest			
37.	c) from the revenues of investment service (revenue of trading activity)	1,406		
38.	Including: - to associated enterprises			
39.	- to enterprises with participating interest			
40.	- reversal of impairment on securities for trading			
41.	d) from the expenditures of investment services (expenditure of commercial activity)	25,589	14,382	56.20%
42.	Including: - to associated enterprises			
43.	- to enterprises with participating interest			
44.	- impairment on securities for trading			
45.	7. Other revenues from business activities	121,857	205,217	168.41%
46.	a) revenues from non-financial and investment services	3,167	8,821	278.53%
47.	of which: - to associated enterprises			
48.	- to enterprises with participating interest			
49.	b) other revenues	118,690	196,396	165.47%
50.	Including: - to associated enterprises			
51.	- to enterprises with participating interest			

Data in '000 HUF

No.	Description of the item	31 December 2002	31 December 2003	Change (%)
52.	- reversal of impairment on inventories			
53.	ba) Consolidation difference resulting from debt consolidation, increasing the profit			
54.	8. General administrative costs	4,038,113	5,332,321	132.05%
55.	a) personnel expenses	1,940,451	2,392,922	123.32%
56.	aa) wage cost	1,165,910	1,352,096	115.97%
57.	ab) other personal type disbursements	315,354	329,630	104.53%
58.	Including: - social security costs	87,705	98,310	112.09%
59.	- costs associated with pension	82,516	89,286	108.20%
60.	ac) contribution after wages	459,187	711,196	154.88%
61.	Including: - social security costs	400,636	628,513	156.88%
62.	- costs associated with pension	239,351	378,483	158.13%
63.	b) other administrative costs (material type costs)	2,097,662	2,939,399	140.13%
64.	9. Depreciation and amortization	342,844	388,199	113.23%
65.	10. Other expenditures from business activities	288,962	573,717	198.54%
66.	a) expenditures on non-financial and investment services	18,442		
67.	Including: - to associated enterprises			
68.	- to enterprises with participating interest			
69.	b) other expenditures	270,520	573,717	212.08%
70.	Including: - to associated enterprises			
71.	- to enterprises with participating interest			
72.	- impairment on inventories			
73.	ba) consolidation difference from debt consolidation, decreasing the profit			
74.	11. Value loss on receivables and risk provision from pending and certain (future) liabilities	183,786	185,943	101.17%
75.	a) value loss on receivables	182,071	184,190	101.16%
76.	b) risk reserve for pending and certain (future) liabilities	1,715	1,753	102.22%
77.	12. Reversal of value loss on receivables and risk provision	173,841	160,200	92.15%
78.	a) reversal of value loss on receivables	173,841	158,546	91.20%
79.	b) utilization of risk reserve for pending and certain (future) liabilities		1,654	
80.	13. Value loss on debt securities held as investments, shares and participations in affiliated and other associated enterprises			
81.	14. Reversal of value loss on debt securities held as investments, shares and participations in affiliated and other associated enterprises	5	7	140.00%
82.	15. OPERATING (BUSINESS) PROFIT	490,605	4,952,600	1009.49%
83.	Including: - PROFIT FROM FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5±6+7.b-8-9-10.b-11+12-13+14)	505,880	4,943,779	977.26%
84.	- PROFIT FROM NON-FINANCIAL AND INVESTMENT SERVICES (7.a-10.a)	-15,275	8,821	
85.	16. Extraordinary revenues			
86.	17. Extraordinary expenditures	2,070	6,075	293.48%
87.	18. Extraordinary profit (16 - 17)	-2,070	-6,075	293.48%
88.	19. Pre-tax profit (± 15± 18)	488,535	4,946,525	1012.52%
89.	20. Tax liability	97,248	920,230	946.27%
90.	a) outstanding balance of corporation tax deriving (calculated) from consolidation			
91.	21. Profit after taxes (± 19 -20)	391,287	4,026,295	1028.99%
92.	22. General reserve and its involvement	42,539	403,570	948.71%
93.	23. Approved dividend and profit sharing		660,000	
94.	24. Profit on balance sheet (± 21 ± 22 - 23)	348,748	2,962,725	849.53%

Audited Cash-flow Statements of FHB Land Credit and Mortgage Bank Co. for 2002 and 2003 prepared according to the Hungarian accounting rules

Data in '000 HUF			
No.	Description	31.12.2002	31.12.2003
01.	Interest received	9,459,605	26,006,866
02.	+ Income from other financial services	1,389,263	2,984,490
03.	+ Other incomes (without use of provision and writing back of surplus provision)	118,690	196,396
04.	+ Income from investment services	1,406	
05.	+ Income from services other than financial or investment ones	3,167	8,821
06.	+ Dividend received	2	1
07.	+ Extraordinary income		
08.	- Interest paid	-5,334,570	-16,313,362
09.	- Expense on other financial services	-125,862	-924,234
10.	- Other expenses (without creation of provision)	-309,249	-606,927
11.	- Expenses on investment services	-341,237	-686,405
12.	- Expenses on services other than financial and investment ones	-18,442	
13.	- Costs on financial and investment services	-4,038,113	-5,332,321
14.	- Extraordinary expenses (without tax payable in the subject year)	-2,070	-6,075
15.	- Tax payable in the subject year	-97,248	-920,230
16.	- Dividend paid		-660,6000
17.	Operating cash flow (lines 01-16)	705,342	3,747,020
18.	± Changes in portfolio of accounts payable	76,861,227	179,466,710
19.	± Changes in portfolio of accounts receivable	-78,448,925	-193,625,680
20.	± Changes in portfolio of inventories	17,117	81,447
21.	± Changes in portfolio of securities indicated as current assets	-938,120	-1,000,744
22.	± Changes in portfolio of financial investments	31	30
23.	± Changes in portfolio of investments (including advances)	-63,241	58,726
24.	± Changes in portfolio of intangible assets	-73,288	-76,737
25.	± Changes in portfolio of tangible assets (without investments)	-166,866	-160,638
26.	± Changes in portfolio of accruals	-1,033,335	-241,498
27.	± Changes in portfolio of deferrals	3,048,997	9,259,180
28.	+ Issue of shares at selling price		2,500,004
29.	+ Funds received without return according to relevant rules of law		
30.	+ Funds handed over without compensation according to relevant rules of law		
31.	- Nominal value of withdrawn own shares or property bonds		
32.	NET CASH FLOW (lines 17-29)	-91,061	7,820
	Out of which: - changes in cash (both HUF and foreign exchange)	-931	928
	- changes in bank money (accounting and other sight deposits with National Bank of Hungary)	-90,130	6,892

7.3 Notes on the financial accounts

GENERAL PART

Brief presentation of FHB Land Credit and Mortgage Bank Group

FHB Land Credit and Mortgage Bank Company (FHB Rt. or the Bank) was established on 21 October 1997. It has been operating as a specialized credit institution.

On 15 December 1997, FHB Ltd. purchased 100% of Jelzálog-hitelintézet Előkészítő Részvénytársaság (current firm name: FHB Szolgáltató Részvénytársaság, FHB Service Company) and thereby established FHB Land Credit and Mortgage Bank Group.

In terms of the 2003 results of the Bank Group, the performance of the Bank continues to be dominant, with special regard to outstanding accounts receivable from credit institutions, significant size of accounts receivable from and payable to customers as well as a significant increase therein and thereof versus the previous period. From late 2003, Bank's scope of activities has been extended and completed by bank agent's services provided by FHB Service Company, the Bank's subsidiary.

After filtering out the accumulated items, the consolidated report provides a combined picture of the financial standing of both the Bank and its subsidiary.

Brief summary of the Bank Group's accounting policy

The purpose of the accounting policy of FHB Land Credit and Mortgage Bank Group is to establish the system of accounting procedures, methods and assessments allowing to prepare a consolidated annual report.

The consolidated report will be made, first of all, for the owners and managers of the Bank Group to present a true picture of financial standing of the Group after having filtered out the internal business relations between the members of the Bank Group.

The consolidated annual report shall consist of

- consolidated balance-sheet,
- consolidated profit and loss statement,
- consolidated notes to accounts and
- consolidated business report.

The accounting policy of the Bank Group shall establish the method of valuation of assets and liabilities, rules of classification of assets and the components of the Profit and Loss Statement.

The statement date of the balance sheet will be 31 December of the year of reporting.

According to the accounting policy, the balance sheet shall be prepared by 15 February of the year following the year of reporting.

Valuation of assets and liabilities

The rules and methods of valuation are in full compliance with the relevant statutory provisions. As to valuation of assets, in the consolidated balance sheet the assets will be entered at their purchase prices.

The valuation of liabilities is based on their book value, and such valuation is made in the same way in both specific and consolidated reports.

Off-balance sheet items

In account class '0', the Bank Group will indicate conditional and future liabilities, which may affect the future trading of the Bank.

Method and principles of consolidation

Compared to the Bank's share capital of HUF 6.6 billion, FHB Service Company's share capital of HUF 65 million is not significant.

The first capital consolidation resulted in an active consolidation difference of HUF 6,829,000, which will be accounted by the holding company as depreciation in business value or goodwill in the course of consolidations to follow in a sum of HUF 1,366,000 per annum according to provisions of paragraph (9) of Section 124 of the Accounting Act. The accounting of capital consolidation was completed on 31 December 2002 when it was fully written off.

The members of the Bank Group use double entry book keeping system for keeping their books. As far as the specific reports are concerned, the parent company (the Bank) will prepare its annual report as set forth in Government Decree No. 250/2000 on Particularities of Obligations of Credit Institutions and Financial Enterprises relating to preparation of annual report and accounting, while FHB Service Company will prepare an annual report as required in case of enterprises, containing a type 'A' profit and loss statement.

For preparing consolidated annual report, in the preparatory phase, the Bank will agree FHB Service Company's balance-sheet and profit & loss statement and corresponding lines in the Bank's report to provide that they are of same content.

The requirement of uniform appraisal is met by the Bank Group in a manner that the members of the Group have made the same decisions on processes and methods which are to be decided by them according to Accounting Act C of 2000, and they will apply such processes and methods in similar manner.

For preparing the consolidated report, the Bank combines the individual reports of the Bank and its subsidiary in a preliminary balance-sheet and profit and loss statement.

When making capital consolidation, the value of the parent company's share in its subsidiary's equity is taken into account proportionately to the ownership ratio. The applied method is the full-scale consolidation by which the own equity of the enterprise involved in the consolidation will be filtered out against the Bank's investments. The first consolidation was made by the Bank under

application of the book value method. Between the Bank and FHB Service Ltd. there is a one level connection.

FHB Service Ltd. does not hold any shares in the Bank or redeemed own shares, and therefore its entire own equity may be taken into account for consolidation.

When consolidating debts, the debts due to and from parent company and subsidiary to or from each other will be removed from the preliminary balance sheet.

When consolidating expenses and incomes, the costs incurred in connection with performances rendered to each other and incomes received from each other will be filtered out of the preliminary balance-sheet.

Informative data

Major financial indicators of the Bank Group

◆ Major figures of the holding company

1. Information relating to Investor Protection Fund

Until 31 December 2003, the Bank had paid a membership fee of HUF 500,000 to the Investor Protection Fund.

2. Information on owners having significant and majority participations

ÁPV Rt. of 1133 Budapest, Pozsonyi út 56. has a 53.2% majority control in the Bank according to Companies Act CXLIV of 1997.

3. Information on the Bank's assumption of high risk

Section 79 of Act CXII of 1996 on Credit Institutions and Financial Enterprises provides that any assumption of risk shall be considered assumption of high risk where the bank assumes a total risk in favour of a customer or group of customers exceeding ten percent of the adjusted capital of the concerned credit institution. As of December 31 2003, the Bank had no client, which should be qualified client of high risk according to Section 79 of Act CXII of 1996.

4. Compliance of the Bank with mortgage credit rules

- When entering into loan contracts, in the Bank's whole credit portfolio, the **mortgage loans of a term not shorter than five years had a 99.89% share** versus 80% required as a minimum in paragraph (1) of Section 5 of Act XXX of 1997.
- All principal accounts receivable by the Bank from mortgage loans does not exceed seventy percent of the added value of real estates used as collateral and taken as a basis for credit granting as required in paragraph (3) of Section 5 of Act XXX of 1997. As of 31 December 2003, in case of the Bank this ratio was **41.34%**.

5. The Bank's compliance with rules relating to issuing mortgage bonds

- In addition to collaterals required by paragraph (1) of Section 14 of Act XXX of 1997, the Bank has a (regular) collateral exceeding the added sum of nominal value of outstanding mortgage bonds in circulation and interest thereon amounting to a total of **466,177,146 thousand HUF as of 31 December 2003**. At the end of the subject period, the net value of (regular) collaterals – i.e. the value of such collaterals reduced by value loss – made out **541,735,024 thousand HUF**.
- The joint and several guarantee undertaken by the state and taken into account as a **substitute collateral** according to paragraph (8) of Section 14 of Act XXX of 1997 covers a total of **3,429,819 thousand HUF** (consisting of **principal and interest** thereon calculated for a period ending on day of maturity).

6. Information on issued mortgage bonds

- The **total lending value of real properties** used as regular collateral by the Bank amounted to **HUF 710,911,169 thousand HUF as of December 31, 2003**.
- Out of outstanding accounts payable by the Bank arising from the issue of mortgage bonds, the value of **mortgage bonds with residual time to maturity of more than five years** issued by the Bank amounted to **155,302,015 thousand HUF as of December 31 2003**.
- As of 31 December 2003, the value of the outstanding mortgage bonds of the Bank amounted to 277,906,290 thousand HUF, while the net principal accounts receivable to be considered as regular collateral amounted to 293,896,088 thousand HUF.

7. Information on classification associated with credit institution activity, accounting of impairment and creation of provisions

The Bank has completed the classification of the accounts receivable and payable. As of 31 December 2003, the value of the portfolio of lending and commitments to be classified inclusive of accounts receivable from customers, off-balance-sheet pendant obligations, accounts receivable from credit institutions and financial investments amounted to a total of 309,477,382 thousand HUF. The results of the classification made according to Decree of Minister of Finance and Internal Regulations of the Bank based thereon show that the ratio of problem-free accounts receivable is 99.11%, while 0.61% of the portfolio shall be watched, 0.10% of the portfolio is classified as sub-standard, 0.16% of the portfolio is doubtful and 0.01% of the portfolio is bad.

As of December 31 2003, the Bank accounted an impairment of a total of 248,082 thousand HUF on accounts receivable and created a risk provision of 2,034 thousand HUF for pendant obligations.

8. Information on provision for general risks

The Bank has not created a provision for such risks.

9. Loss in value associated with other accounts receivable

As of 31 December 2003, no such value loss is indicated in the Bank's books.

10. Other information

- The value of variable rate of interests according to Government Decree relating to the Bank – constituting 1.17% of interests on 2003 accounts receivable from customers – amounted to **61,223 thousand HUF** on December 31 2003, while the value of interest type commissions of floating rate amounted to 3,646 thousand HUF as of December 31 2003. Out of floating interests of the period preceding the subject year **39,397 thousand HUF** have been received in the subject year out of which 25,827 thousand HUF were indicated as accruals in the 2002 annual report.
- At the end of the year, the **guarantees received for accounts receivable from customers** registered by the Bank amounted to a total of **33,369,310 thousand HUF** out of which **1,859,231 thousand HUF** are covered by **state guarantee**.
- As of 31 December 2003 one concluded **futures hedge transaction** is registered in connection with which Bank's futures accounts receivable amount to 2,885,000 thousand HUF , while Bank's futures accounts payable amount to 2,885,000 thousand HUF. The registered account receivable is reduced by a valuation difference of 328,831 thousand HUF.
- The portfolio of credit transactions financed with the partner banks under a **consortial** agreement amounting to 6,935,241 thousand HUF as of 31 December 2003 is covered by **a simple guarantee** as set out in the cooperation agreements, assumed by the credit institution acquiring the transaction, **in favour of the Bank**. When enforcing such simple guarantee the partner bank assumes guarantee to a specified extent of non-collectable accounts receivable of the Bank written off as a credit loss. In addition thereto, the portfolio of credits granted under joint and several **guarantee provided by the partner banks** amounted to **8,917 thousand HUF** as of December 31.
- Among inventories, as of 31 December 2003, the Bank indicates inventories purchased at a price of 23,176 thousand HUF, out of which inventory of materials amounts to 23,060 thousand HUF and inventory of empties amounts to 116 thousand HUF.
- As of December 31 2003, on the Bank's request, **40 execution procedures** are in progress out of which the **number of executions by auction is 16**. In the subject period, **40 execution procedures have been completed**, out of which **5** were realized as successful auction procedures, **33** were realized as execution procedures without auction while **2** accounts receivable were sold. The difference between the result of completed auction procedures and mortgage credit accounts receivable from clients taking part in the auction procedure amounts to -6,387 thousand HUF.
- Until 31 December 2003 the **repaid principal of mortgage loans** in the subject year amounted to **17,700,429 thousand HUF**, out of which the mortgage loan

principal repaid by clients amounted to 8,950,976 thousand HUF , while out of credit institutions refinancing credit 8,749,453 thousand HUF were re-paid.

- According to the relevant provisions of Government Decree relating to the Bank, when preparing the balance sheet, the value of accounts receivable and payable becoming **due in the year following the subject year** shall be removed and transferred to short term **accounts receivable** and payable. To meet the above requirements, the Bank re-arranged **6,960,679 thousand HUF** and **10,579,249 thousand HUF** out of long term accounts receivable from customers and accounts receivable from credit institutions, respectively. Out of long term **accounts payable** in connection with the issued mortgage bonds, **200,000 thousand HUF** were transferred to short term accounts payable.
- The line items **'Expenses on investment services'** of the Bank's profit and loss statement contain expenses of **672,023** thousand HUF associated with sale of the issued mortgage bonds and price loss of **14,382 thousand HUF** accounted on own shares when cancelling them.
- Persons entitled to represent FHB Land Credit and Mortgage Bank Ltd. as enterprise and empowered to sign the report shall be:

Mr. Dániel GYURIS, CEO resident of 6795 Bordány, Dudás u. 89.

Mr. Jenő SIKLÓS, Deputy CEO resident of 3100 Salgótarján, Móricz Zs. u. 6.

◆ **Most important information on the business activity of the Bank's subsidiary**

In the interest of reducing / eliminating losses associated with mortgage credit activity, as a result of execution, FHB Service Co. belonging to the Bank Group took over an account receivable secured by a residential house the title to which was acquired by FHB Service Co. in 2001. In 2002 FHB Service Co. made significant efforts to utilize and / or sell the real estate. In 2002, in respect of this real estate a value loss of 18,352 thousand HUF was established. The real estate was sold in the first half of 2003 at a selling price dictated by the actual market conditions. After June 2003, the Bank set new objective for its subsidiary according to which FHB Service Co. should be prepared in the long run to become capable of carrying on agent's activities for the Bank. As a first step of doing so, parties have entered into an acquiring agent's agreement with each other. In order to perform its responsibilities, in the second half of 2003, FHB Service employed a number of officers necessary for carrying on the intended activities. As from the third quarter of 2003, FHB Service Co. has undertaken acquiring agent's activities in a businesslike manner. When doing so, the employees of FHB Service Co. supply customers information on loan products, render assistance to customers in compiling their applications and receive the applications of the customers.

**Changes in own equity
31 December 2003**

Date in '000 HUF

	Subscribed capital	Capital reserve	General reserve	Accumulated profit reserve	Fixed reserve	Balance sheet profit	Change in own equity of affiliated or jointly managed company	Total own equity
As of 31 December 2002	4,100,000	1,145,590	42,539	-490,376	490,376	348,748	25,420	5,662,297
Capital increase	2,500,001							2,500,001
Premium on issue of shares		4						4
Creation of general provision			403,570					403,570
Accounted depreciation of formation value				140,376	-140,376			
2002 profit				348,748		-348,748		
Writing back of provisions due to sale of own shares				350,000	-350,000			
2003 profit				34,105			-34,105	
As of 31 December 2003						2,962,725		2,962,725
	6,600,001	1,145,594	446,109	382,853	0	2,962,725	-8,685	11,528,597

SPECIFIC PART

Changes in the gross value of tangible and intangible assets

Data in '000 HUF

Description	Line item	Changes in gross value					
		Opening 01.01.2003	Transfer from opening	Mid-year increase	Internal sales	Mid-year decrease	Closing 31.12.2003
I. Intangible assets:							
a/ Valuable rights		7,856		17			7,873
b/ Intellectual products		518,674		106,588		29,868	595,394
c/ Value of formation / reorganization		703,809					703,809
Total intangible assets	9.	1,230,339		106,605		29,868	1,307,076
II. Tangible assets of financial services							
a/ Land and buildings	10. aa)	160,454		11,540		60	171,934
b/ Plant, machinery, vehicles	10. ab)	557,366		163,790		24,148	697,008
c/ Investments	10. ac)	61,598		118,810		175,330	5,078
d/ Advances on investments	10. ad)	2,206				2,206	0
Total tangible assets of financial services	10. a)	781,624		294,140		201,744	874,020
III. Tangible assets of non-direct financial services							
a/ Land and buildings	10. ba)						
b/ Plant, machinery, vehicles	10. bb)						
c/ Investment	10. bc)						
d/ Advances on investment	10. bd)						
Total tangible assets of non-direct financial services	10. b)						

Cumulative depreciation of tangible and intangible assets

Data in '000 HUF

Description	Line item	Changes in depreciation					
		Opening 01.01.2003	Transfer from opening	Mid-year increase	Internal sales	Mid-year decrease	Closing 31.12.2003
I. Intangible assets:							
a/ Valuable rights		4,224		1,304			5,528
b/ Intellectual products		228,346		96,146		25,446	299,046
c/ Value of formation / reorganization		563,433		140,376			703,809
Total intangible assets	9.	796,003		237,826		25,446	1,008,383
II. Tangible assets of financial services							
a/ Land and buildings	10. aa)	25,834		9,256		13	35,077
b/ Plant, machinery, vehicles	10. ab)	250,781		141,117		17,268	374,630
c/ Investments	10. ac)						
d/ Advances on investments	10. ad)						
Total tangible assets of financial services	10. a)	276,615		150,373		17,281	409,707
III. Tangible assets of non-direct financial services							
a/ Land and buildings	10. ba)						
b/ Plant, machinery, vehicles	10. bb)						
c/ Investment	10. bc)						
d/ Advances on investment	10. bd)						
Total tangible assets of non-direct financial services	10. b)						

Net value of tangible and intangible assets

Data in '000 HUF

Description	Line item	Changes in net value	
		Opening 01.01.2003	Closing 31.12.2003
I. Intangible assets:			
a/ Valuable rights		3 632	2 345
b/ Intellectual products		290 328	296 348
c/ Value of formation / reorganization		140 376	0
Total intangible assets	9.	434 336	298 693
II. Tangible assets of financial services			
a/ Land and buildings	10. aa)	134 620	136 857
b/ Plant, machinery, vehicles	10. ab)	306 585	322 378
c/ Investments	10. ac)	61 598	5 078
d/ Advances on investments	10. ad)	2 206	0
Total tangible assets of financial services	10. a)	505 009	464 313
III. Tangible assets of non-direct financial services			
a/ Land and buildings	10. ba)		
b/ Plant, machinery, vehicles	10. bb)		
c/ Investment	10. bc)		
d/ Advances on investment	10. bd)		
Total tangible assets of non-direct financial services	10. b)		

**Depreciation of tangible and intangible assets in the year of reporting
31.12.2003**

Data in '000 HUF

Description	Projected depreciation	Depreciation exceeding projection
I. Intangible assets:		
a/ Valuable rights	1,288	
b/ Intellectual products	96,100	4,152
c/ Value of formation / reorganization	140,376	
Total intangible assets	237,764	4,152
II. 1. Tangible assets of financial services		
a/ Land and buildings	9,256	60
b/ Plant, machinery, vehicles	138,222	2,086
c/ Investments		
Total tangible assets of financial services	147,478	2,146
II. 2. Tangible assets of non-direct financial services		
a/ Land and buildings		
b/ Plant, machinery, vehicles		
Total tangible assets of non-direct financial services		
III. Depreciation of tangible assets of non-direct financial services under 50 thousand HUF	2,957	
TOTAL	388,199	6,298

**Accounts receivable from credit institutions and customers broken down by residual time to maturity (excl. sight securities)
31.12.2003**

Data in '000 HUF

Description	Line item	Portfolio as of 31.12.2003	Breakdown of portfolio excl. loss in value as of 31.12.2003 by maturity					
			Within 3 months	3 months - 1 year	1 year - 5 years	5 - 19 years	10 - 15 years	Over 15 years
		1 = 2+...+7	2	3	4	5	6	7
Accounts receivable from credit institutions:								
- Other, within 1 year	3. ba)	13,619,243	5,650,089	7,969,154				
- Over 1 year	3.bb)	181,959,157			46,542,040	60 781 452	44,520,745	30,114,920
Accounts receivable from customers:								
- within 1 year	4. aa)	6,960,679	1,897,312	5,063,367				
- Over 1 year	4. ab)	98,489,579			27,962,907	36 124 941	21,939,711	12,462,020
- Loss in value entered	4. ab)-b6l	-248,065						
Total:		300,780,593	7,547,401	13,032,521	74,504,947	96 906 393	66,460,456	42,576,940

**Portfolio of accounts payable to credit institutions and customers broken down by residual time to maturity (excl. sight securities)
31. 12.2003**

Data in '000 HUF

Description	Line item	Portfolio as of 31.12.2003	Breakdown of portfolio excl. loss in value as of 31.12.2003 by maturity					
			Within 3 months	3 months - 1 year	1 year - 5 years	5 - 19 years	10 - 15 years	Over 15 years
		1 = 2+...+7	2	3	4	5	6	7
Accounts payable to credit institutions:								
- Within 1 year	1. ba)	6,000,000	6,000,000					
- Over 1 year	1.bb)							
Accounts payable to customers:								
- Within 1 year	2. ab) + 2. bb)							
- Over 1 year	2. ac) + 2. bc)							
Accounts payable on securities issued:								
- Within 1 year	3. aa)	200,000		200,000				
- Over 1 year	3. ab)	277,706,290			122,404,275	155,302,015		
Deferred accounts payable:	7.							
Total:		283,906,290	6,000,000	200,000	122,404,275	155,302,015		

Changes in provisions

Data in '000 HUF

	Description	Opening balance	Credit loss write-off	Loss in value of receivables	Creation of provision	Releasing provision	Closing balance
1.	Provision for securities						
2.	Provisions for accounts receivable						
3.	Provisions for inventories						
4.	Provisions for invested financial assets						
5.	Provisions for off-balance sheet items	1,935			1,753	1,654	2,034
6.	General risk provision						
7.	Other provisions						
	Provisions total: (1 - 7)	1,935			1,753	1,654	2,034

Changes in loss in value

Data in '000 HUF

	Description	Opening balance	Writing back of value losses of previous year	Writing back of value losses in target year	Value losses accounted in target year	Closing balance
1.	Value loss of accounts receivable from credit institutions					
2.	Value loss of accounts receivable from customers	222,421	158,546	302,570	486,760	248,065
3.	Value loss of invested shares	24	7			17
4.	Value loss of receivables	39,705	39,705			
5.	Value loss of inventories	18,352	18,352			
	Value loss total: (1 - 5)	280,502	216,610	302,570	486,760	248,082

**Maturity of main active accrued interest and passive accruals receivable and payable
31.12.2003**

Data in '000 HUF

Description	Line item	Breakdown of portfolio by maturities at 31.12.2003				Portfolio as at 31.12.2003
		Within 3 months	3 months - 1 year	1 year - 2 years	Over 2 years	
		1	2	3	4	= 1+2+3+4
Active accrued interest:	13. a)-ből					
- on securities purchased and possessed		21,863	61,969			83,832
- on receivables from customers		347,331				347,331
- on receivables from refinancing from credit institutions		103,213				103,213
- on deposits placed with credit institutions		11,554				11,554
- on handling fees from state subsidy		38,530				38,530
Passive accruals:	5. b)-ből					
- accrued interest payable on mortgage bonds issued		5,924,099	5,345,548			11,269,647
- accrued interest on inter-bank loans		30,145				30,145

INFORMATIVE PART

Specifics of consolidated businesses 31.12.2003

Data in '000 HUF

Description	Business		Ownership share	The business's				Book value of investment
	Name	Seat		Own capital	Registered capital	Reserves	Profit for 2003	
1. Share in consolidated company	FHB Szolgáltató Rt.	Budapest, 1132. Váci u. 20.	100%	46,912	65,000	-8,685	-9,403	65,000

**Emoluments of the members of the Board of Directors and the Supervisory Board per business year, consolidated
31.12.2003**

Description	At holding company		At subsidiary	
	Number of eligible persons	Emoluments ('000 HUF)	Number of eligible persons	Emoluments ('000 HUF)
Board of Directors	9	11,465		
Supervisory Board	5	6,385		
Total:	14	17,850		

Total consolidated emoluments of the Management

Description	At holding company		At subsidiary	
	Number of eligible persons	Emoluments ('000 HUF)	Number of eligible persons	Emoluments ('000 HUF)
Management	3	126,729	1	600

**Loans extended to members of the Bank's Board, Management and Supervisory Board
31.12.2003**

Data in '000 HUF

Description	Disbursed	Repaid	Outstanding loan capital	Main terms and interest
Internal loans				
- Board of Directors	26,200	1,988	24,212	As per announcement
- Management	18,500	7,334	11,166	Half of basic interest
	30,000	67	29,933	As per announcement with preferential terms
- Supervisory Board	5,015	263	4,752	As per announcement with preferential terms
	19,000	382	18,618	As per announcement
Total:	98,715	10,034	88,681	

**Average head count per staff group (in consolidated businesses)
31.12.2003**

Period	General statistical head count (persons)		
	Blue collar	White collar	Total
2002	2	188	190
2003		216	216

**Book value and face value of securities owned by the Bank
31.12.2003**

Data in '000 HUF

Type of security	Book value	Face value
I. Current assets		
a) government bonds	214,486	214,720
b) treasury bills	3,230,103	3,436,600
c) NBH bonds	2,560	2,560
d) repurchased own stock (repurchased by Bank)		
Current assets total:	3,447,149	3,653,880
II. Invested financial assets and shares in other companies	3	20
Invested financial assets total:	3	20

Breakdown of income from sales by major activities

Data in '000 HUF

Activity	31.12.2003
Interest received	26,006,866
Income from financial services	2,984,490
Income from other non-priority activities	205,218
Total:	29,196,574

Off-balance sheet items

Data in '000 HUF

Descriptions	31.12.2002	31.12.2003
Pending commitments		
- loans extended not yet disbursed	14,700	139,040
- loans contracted not yet disbursed	5,223,407	7,065,901
- credit approvals		
- loans purchased from partner bank	345,593	461,390
Future commitments		2,885,000
Total:	5,583,700	10,551,331

Name: FHB Földhitel- és Jelzálogbank Rt.
Address: 1132 Budapest, Váci út 20.
Sector code: 6522
Period of reporting: 01.01.2003 – 31.12.2003

Phone: (1) 452 - 9100
Telefax: (1) 320 - 4152
E-mail: patakis@fhb.hu
Investor relations: Pataki Sándor

8 Annexes

8.1 Data forms relating to the financial reports

8.1.1 PK1. General information on the financial figures

	Yes	No		
Audited	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Accounting principles	Hungarian <input checked="" type="checkbox"/>	IFRS <input type="checkbox"/>	Other	<input type="checkbox"/>
Other:				

8.1.2 PK2. Business enterprises subject to consolidation

Name	Equity / Share capital (thousand HUF)	Ownership ratio (%)	Voting ratio (%)	Classification ¹
FHB Service Ltd.	65,000	100,00	100,00	L

¹ Full (L); Joint management (K); Affiliated (T)

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 Telefax: (1) 320 - 4152
 E-mail: patakis@fhb.hu
 Investor relations: Pataki Sándor

8.2 Data forms relating to ownership share structure and owners

8.2.1 RS1. Ownership structure, ownership share and votes

Owner group	Full owners' equity						Series listed ¹					
	Beginning of reporting period (01.01.2003)			End of reporting period (31.12.2003)			Beginning of reporting period (01.01.2003)			End of reporting period (31.12.2003)		
	% ²	% ³	pcs	% ²	% ³	pcs	% ²	% ³	pcs	% ²	% ³	pcs
Resident institutional/corporate	0.00	0.00	0	22.61		1,491,944	0.00		0	15.58	13.70	903,374
Non-resident institutional/corporate	0.00	0.00	0	12.33		814,031	0.00		0	14.04	12.33	814,031
Resident private person	0.00	0.00	0	7.67		506,204	0.00		0	8.72	7.67	506,204
Non-resident private person	0.00	0.00	0	0.01		347	0.00		0	0.01	0.01	347
Employees and officers	0.00	0.00	0	4.17		275,943	0.00		0	4.75	4.17	275,943
Own property	8.54	0.00	350,000	0.00		0	0.00		0	0.00		0
Budgetary entity owner ⁴	91.46	100.00	3,750,000	53.21		3,511,531	0.00		0	56.90	50.00	3,300,101
International Development Institutions ⁵	0.00	0.00	0	0.00		0	0.00		0	0.00	0.00	0
Other	0.00	0.00	0	0.00		0	0.00		0	0.00	0.00	0
TOTAL	100.00	100.00	4,100,000	100.00		6,600,000	0.00		0	100.00	87.88	5,800,000

¹ No need to specifically fill in case the series listed is equivalent to the full amount of owners' equity provided the fact is indicated. If several series are listed on the Stock Exchange the ownership structure should be specified for each series.

² Ownership share

³ Right to vote enabling the owner to participate in the decision making process at the Issue's General Meeting. If the ownership share coincides with the voting right, only the ownership share column should be filled and submitted/announced provided the fact is indicated.

⁴ Pl.: ÁPV Rt., Social Security, Local Authority, companies fully owned by the State, etc.

⁵ Pl.: EBRD, EIB, etc.

8.2.2 RS2. Number of shares owned by the Bank in the period of reporting

	1 January	31 March	30 June	30 September	31 December
FHB Rt.	350,000	350,000	350,000	349,900	0

8.2.3 RS3/1. List and presentation of Owners holding a share exceeding 5% (at the end of the period) regarding the listed series

Name	Nationality ¹	Activity ²	Quantity (pcs)	Share (%) ³	Voting rights (%) ^{3,4}	Notes ⁵
ÁPV Rt.	B	Á	3,300,001	56.90	50.00	

¹ Resident (B), Non-resident (K)

² Custodian (L), State Budget (Á), International Development Institute (F), Institutional (I), Business Enterprise (T) Private (M), Employee, officer (D)

³ The voting right assuring participation in decision making in the General Shareholder's Meeting of Issuer.

⁴ E. g.: strategic investor, financial investor, etc.

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8.2.4 RS3/2. List and presentation of Owners holding a share exceeding 5% (at the end of the period) regarding the owners' entire equity

Name	Nationality ¹	Activity ²	Quantity (pcs)	Share (%) ³	Voting rights (%) ^{3,4}	Notes ⁵
ÁPV Rt.	B.	Á	3,511,431	53.20	53.20	

¹ Resident (B), Non-resident (K)

² Custodian (L), State Budget (Á), International Development Institute (F), Institutional (I), Business Enterprise (T) Private (M), Employee, officer (D)

³ The voting right assuring participation in decision making in the General Shareholder's Meeting of Issuer.

⁴ E. g.: strategic investor, financial investor, etc.

8.2.5 RS4. The Bank's security structure

1.

Registered capital at issue	HUF 3,100,000,000.00
Name of security:	FHB Mortgage Bond FJ06ZF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ06ZF01 001-080 (80 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 800,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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2.

Registered capital at issue	HUF 3,100,000,000.00
Name of security:	FHB Mortgage Bond FJ06ZV01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ06ZV01 001-124 (124 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,240,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

3.

Registered capital at issue	HUF 3,100,000,000.00
Name of security:	FHB Mortgage Bond 07ZF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ07ZF01 001-100 (100 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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4.

Registered capital at issue	HUF 3,600,000,000.00
Name of security:	FHB Mortgage Bond FJ07ZV01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ07ZV01 001-050 (50 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 500,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

5.

Registered capital at issue	HUF 3,600,000,000.00
Name of security:	FHB Mortgage Bond FJ08ZV01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ08ZV01 001-100 (100 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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6.

Registered capital at issue	HUF 3,600,000,000.00
Name of security:	FHB Mortgage Bond FJ05ZF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ05ZF01 001-151 (151 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,510,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

7.

Registered capital at issue	HUF 3,600,000,000.00
Name of security:	FHB Mortgage Bond FJ07ZV02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ07ZV02 001-142 (142 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,420,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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8.

Registered capital at issue	HUF 3,600,000,000.00
Name of security:	FHB Mortgage Bond FJ06ZF02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ06ZF02 001-115 (115 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,150,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

9.

Registered capital at issue	HUF 3,600,000,000.00
Name of security:	FHB Mortgage Bond FJ07ZV03
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ07ZV03 001-010 (10 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 100,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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10.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ06ZF03
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ06ZF03 001-075 (75 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 750,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

11.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08ZV02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ08ZV02 001-026 (26 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 260,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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12.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ07NF01
Kind of security ¹	Mortgage Bond
Type of security ²	Bearer's
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2001.04.03.
Series and number	FJ07NF01 000001-630468 (630468 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 6,304,680,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

13.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ11ZV01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Immobilized
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ11ZV01 001-108 (108 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 1,080,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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14.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ09NV01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2001.09.12.
Series and number	FJ09NV01 000001-473929 (473929 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 4,739,290,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

15.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ07NF02
Kind of security ¹	Mortgage Bond
Type of security ²	Bearer's
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2001.10.10.
Series and number	FJ07NF02 000001-800000 (800000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 8,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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16.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08NF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.02.13.
Series and number	FJ08NF01 000001-940000 (940000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 9,400,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

17.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ12NV01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.03.13.
Series and number	FJ12NV01 000001-1160989 (1160989db)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 11,609,890,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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18.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ09NF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.08.14.
Series and number	FJ09NF01 000001-1000000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 10,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

19.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ13NF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.09.11.
Series and number	FJ13NF01 000001-499999 (499999 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 4,999,990,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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20.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08NF02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.10.16.
Series and number	FJ08NF02 000001-950000 (950000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 9,500,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

21.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08NF03
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.11.13.
Series and number	FJ08NF03 000001-1000000 (1000000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 10,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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22.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ07ZF02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ07ZF02 000001-650000 (650000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 6,500,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

23.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08NF04
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2002.12.11.
Series and number	FJ08NF04 000001-1000000 (1000000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 10,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc

² Bearer's or registered

³ Physical, Immobilized, Dematerialised

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24.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08NF05
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.01.15
Series and number	FJ08NF05 000001-1399995 (1399995 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 13,999,950,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

25.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ10NF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.02.12.
Series and number	FJ10NF01 000001-1500000 (1500000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 15,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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26.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ10NF02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.03.12.
Series and number	FJ10NF02 000001-1599999 (1599999 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 15,999,990,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

27.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08NF06
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.04.16.
Series and number	FJ08NF06 000001-1400000 (1400000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 14,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

Name: FHB Földhitel- és Jelzálogbank Rt.
 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Period of reporting: 01.01.2003 - 31.12.2003

Phone: (1) 452 - 9100
 Telefax: (1) 320 - 4152
 E-mail: patakis@fhb.hu
 Investor relations: Pataki Sándor

28.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ13NF02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.05.14.
Series and number	FJ13NF02 000001-2500000 (2500000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 25,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

29.

Registered capital at issue	HUF 6,600,000,000.00
Name of security:	FHB Mortgage Bond FJ13ZF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	
Series and number	FJ13ZF01 000001-2004 (2004 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 20,040,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Period of reporting: 01.01.2003 - 31.12.2003

Phone: (1) 452 - 9100
 Telefax: (1) 320 - 4152
 E-mail: patakis@fhb.hu
 Investor relations: Pataki Sándor

30.

Registered capital at issue	HUF 6,600,000,000.00
Name of security:	FHB Mortgage Bond FJ13NF03
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.09.10.
Series and number	FJ13NF03 000001-1600000 (1 600000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 16,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

31.

Registered capital at issue	HUF 6,600,000,000.00
Name of security:	FHB Mortgage Bond FJ06NF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	Yes
Year of listing (if St.Exch. security)	2003.10.15.
Series and number	FJ06NF01 000001-1000000 (1 000000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 10,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

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 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Period of reporting: 01.01.2003 - 31.12.2003

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 Telefax: (1) 320 - 4152
 E-mail: patakis@fhb.hu
 Investor relations: Pataki Sándor

32.

Registered capital at issue	HUF 4,100,000,000.00
Name of security:	FHB Mortgage Bond FJ08ZF01
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	HUF 10,000,000.00
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ08NF04 000001-1300000 (1300000 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 13,000,000,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

33.

Registered capital at issue	HUF 6,600,000,000.00
Name of security:	FHB Mortgage Bond FJ13ZF02
Kind of security ¹	Mortgage Bond
Type of security ²	Registered
Method of production ³	Dematerialised
Nominal value	10.000,- Ft
Stock Exchange security (Y/N)	No
Year of listing (if St.Exch. security)	-
Series and number	FJ13ZF02 000001-3320250 (3320250 pcs)
Rights attached to the security	Owner of the Mortgage Bond are entitled to the interest earned by the Mortgage Bond at the time of interest payment, and to a specific amount from the nominal value of the Mortgage Bond at the time of capital repayment.
Check line (total nominal value of security series)	HUF 33,202,500,000.00

¹ Ordinary share, share with voting preference, share with dividend payment preference, bond, etc.

² Bearer's or registered

³ Physical, immobilized, dematerialised

Name: FHB Földhitel- és Jelzálogbank Rt.
 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Period of reporting: 01.01.2003 – 31.12.2003

Phone: (1) 452 - 9100
 Telefax: (1) 320 - 4152
 E-mail: patakis@fhb.hu
 Investor relations: Pataki Sándor

8.3 Data sheets related to the Issuer's organisation and operation

8.3.1 TSZ1. General Company data

Date of Statutes in force	14.11.2003
Place of last registration by Court of Registration	Budapest Metropolitan Court as Court of Registration
Date of last registration by Court of Registration	04.12.2003
Number of last registration by Court of Registration	Cg.01-10-043638
Own equity at closing date of financial year	HUF 6,600,001,000.00
Duration of Issuer	Indefinite
Financial year of Issue	Coincides with calendar year
Name of Issuer's auditor	Ernst & Young Kft.
Address of Issuer's auditor	1132 Bp., Váci út 20.
Announcements published in	Magyar Hírlap, Népszabadság
Scope of business (based on TEÁOR codes) ¹	65.22'03 65.23'03 67.13'13

¹ Issuer's most typical activity should be ranked first.

8.3.2 TSZ2. Full-time staff (persons)

	Beginning of financial year (01.01.2003)	End of Q1 (31.03.2003)	End of Q2 (30.06.2003)	End of Q3 (30.09.2003)	End of financial year (31.12.2003)
Bank	197	198	199	198	197
Consolidated	197	198	199	233	236

8.3.3 TSZ3. Officers and (key) employees influencing the Issuer's operation

Type	Name	Position	Commencement	Termination/cessation	Shares owned (pcs)
IT	Dr. Márton Vági	Chairman	26.07.2002	07.26.2007	0
IT	Zsuzsanna Ács	Member	06.09.2002	06.09.2007	0
IT	Zoltán Egressy	Member	26.07.2002	26.07.2007	0
IT	Dániel Gyuris	Member, CEO	11.01.1999	14.03.2007	15,080
IT	László Harmati	Member, Deputy CEO	26.07.2002	26.07.2007	15,080
IT	Dr. Lajos Oláh	Member	23.05.2003	23.05.2008	0
IT	Dr. Zoltán Szedlacskó	Member	23.05.2003	23.05.2008	0
FB	Róbert Somfai	Chairman	23.05.2002	23.05.2007	943
FB	Ágnes Koltai Nádházi	Member	06.09.2002	06.09.2007	0
FB	Nagy Huszein Tibor	Member	23.05.2003	23.05.2008	0
FB	Dr. Miklós Szóke	Member	06.09.2002	06.09.2007	0
FB	Ágnes Winkler	Member	26.07.2002	26.07.2007	0
SP	Jenő Siklós	Deputy CEO	21.10.1997	indefinite	15,081
TOTAL number of shares owned (pcs):					46,184

¹ Key employee (SP), Member of the Board of Directors (IT), Member of the Supervisory Board (FB)

Statement

The FHB Land Credit and Mortgage Bank Rt. hereby declares that the data and representations contained in this Annual Report are true and no fact or information has been withheld which might be significant for the assessment of the Issuer's position.

The FHB Land Credit and Mortgage Bank Rt. as Issuer assumes full and exclusive responsibility for the contents of this Annual Report.

Budapest, 29 April 2004

Dániel Gyuris
CEO

Jenő Siklós
Deputy CEO