



**Stock Market Preliminary Report of  
FHB Land Credit and Mortgage  
Bank Ltd. for the 2<sup>nd</sup> quarter of  
2004**

**Budapest, 10 August, 2004**

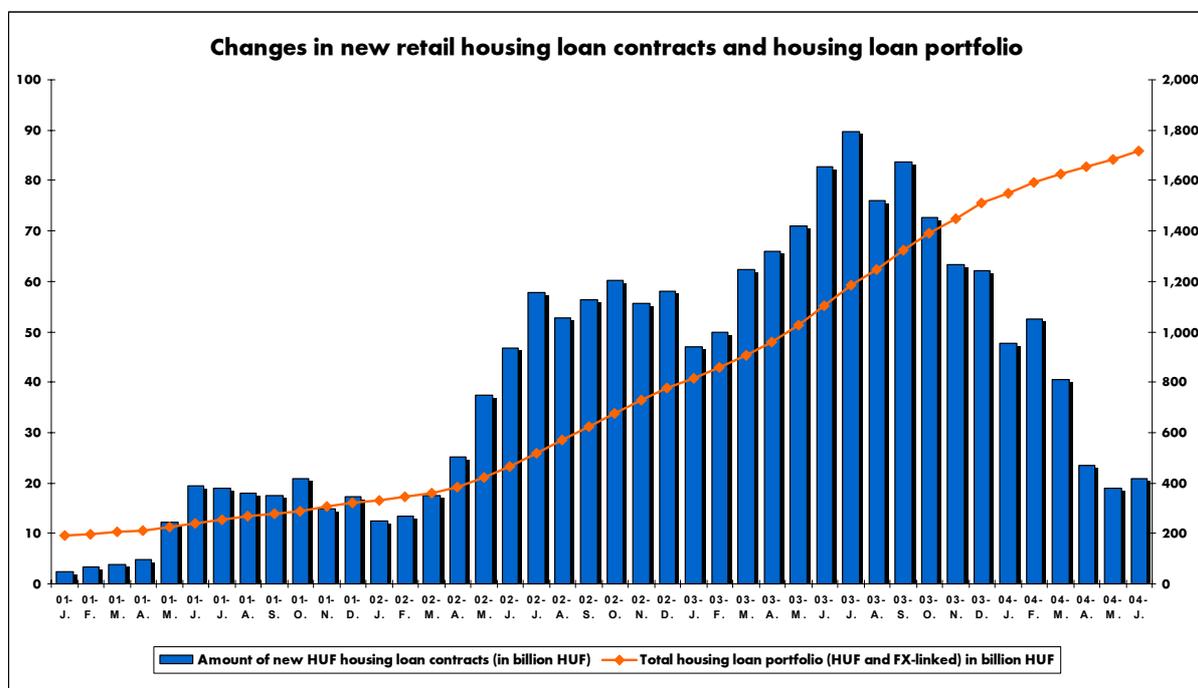
## The preliminary report of FHB Land Credit and Mortgage Bank Ltd. for the second quarter of 2004 on the activities and results of the Company

The preliminary report of FHB Land Credit and Mortgage Bank Ltd. for the second quarter of 2004 is based on non-audited, consolidated balance sheet and profit and loss account prepared according to Hungarian Accounting Standards (MSZSZ) and IFRS. The consolidation applies only to FHB Szolgáltató Rt. (FHB Services Ltd.), 100% owned subsidiary of FHB, which operates as an acquiring agent. As the balance sheet and the profit and loss account of FHB Services Ltd. have no significant impact on the Bank’s data, the preliminary report contains consolidated figures all along. The narratives compare the data as of 30 June 2004, 31 March 2004 and 30 June 2003.

### Summary of activities and events of the recent period

#### *Housing loan market*

In respect of the increase of the portfolio (disbursement-repayment) in the first half of 2004, the domestic housing loan sector showed a significantly lower activity than in the same period of 2003. In April, which is generally considered as a stronger month in the housing loan sector, the increase of the portfolio was 55% lower than in April 2003.



Source: National Bank of Hungary

The deceleration in the growth of the housing loan sector is reflected by the fact that the average portfolio increase of about HUF 65 billion per month in the second half of 2003 dropped to an average of HUF 35 billion per month by May 2004. It happened despite the fact that the

disbursement of loan applications accepted prior to the change in government decree on the state subsidy (December, 2003) were made already in 2004. Within such decrease there was a significant drop in HUF housing loans, while the FX-linked loan portfolio showed an increase, thus the FX-linked housing loan became a substitution product.

The portfolio of the FX-linked loans started growing significantly in the second quarter of 2004 to reach HUF 45 billion at the end of June 2004, however this still amounts only to 2.6% of all retail housing loans.

As of June 30, 2004, the Bank's share in retail housing loan market – calculated on the basis of Bank's own originated loan portfolio – amounted to 6.9% (20.5% together with re-financing). In the portfolio of retail mortgage loans secured by real estates the Bank had a share of 10.4% at the end of the first half of the year. In contractual amount of new HUF housing loans of 2004 registered by National Bank of Hungary, FHB had a share of 6.6% in the first quarter which increased to 10.7% in the second quarter. In the first six months of the year the Bank had a 7.8% total share in new contracts. In 2004, FHB has an aggregate share of 25.7% in total increase in retail housing loan portfolio including refinancing.

### *Own lending*

By 30 June, 2004 the portfolio of origination (without refinancing) showed an increase of HUF 37,465 million (46.3%) on a year-on-year basis. In the first half of 2004, the Bank disbursed loans of HUF 17,723 million, 96.9% of which were the retail housing loans. The loans disbursed for homes purchase/building continue to be the leading products of the Bank. Out of all loans disbursed in the first half of 2004, 58.4% were for purchasing and 27.7% were for building homes. The proportion of the leading loan products was subject to a significant change versus the same period of 2003. The proportion of home purchase loans showed a decrease (versus 71.5% in the first half of 2003), while the proportion of home building loans showed an increase (18.9%). The above two products accounted for 90.4% of all loan disbursements in the first half of 2003 versus 86.1% in the first six months of 2004.

As of 1 June, 2004, the Bank appeared in the market of FX-linked loans for housing purposes. The first FX-linked contracts of such type were signed at the end of the second quarter, the disbursement of the same will take place in the second half of 2004.

### *Refinancing*

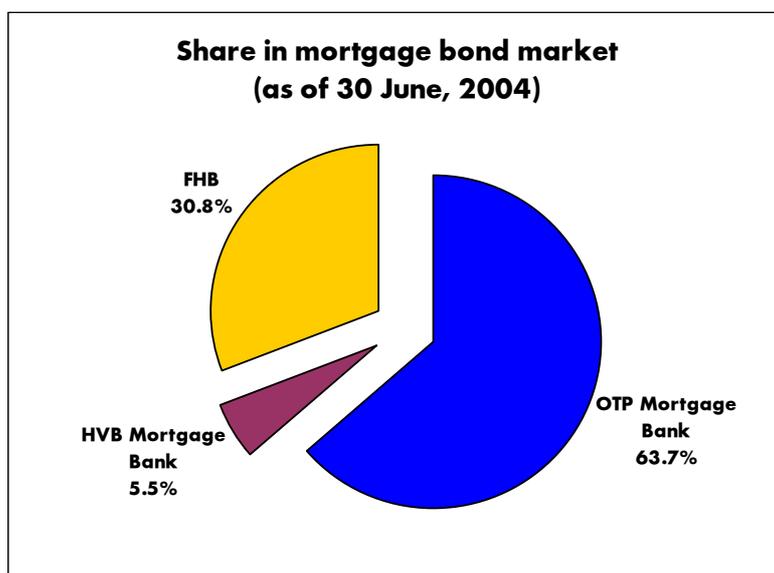
In the second quarter of 2004, the refinanced new disbursements amounted to HUF 22,718 million, representing 89.2% of the volume disbursed in the first quarter, thus the general trend of decreasing demand for housing loans has impacted refinancing as well. The existing refinanced portfolio showed 8.7% increase from HUF 214,553 million to HUF 233,249 million in the past three months. The portfolio as of 30 June 2003 was HUF 105,030 million, the year-on year growth is HUF 128,219 million which is 122.1% .

In the second quarter of 2004 the Bank established a cooperation agreement for refinancing with a new partner, Első Lakáshitel Országos Takarékszövetkezet (which is authorized to act as a

commercial bank, ELLA Bank Rt.). The number of refinanced partner banks changed to eight due to the merger of Postabank and Erste Bank and Konzumbank and Hungarian Foreign Trade Bank, respectively).

#### *Issue of mortgage bonds*

The Bank's share in the mortgage bond market – calculated on the basis of the existing mortgage bond portfolio – is equal to that of the same period of 2003, and shows an increase of about one percent versus the first quarter of 2004, amounting to 30.8% as of June 30, 2004. The aggregate existing mortgage bond portfolio of the three Hungarian mortgage banks exceeds HUF 1,120 billion.



In the second quarter of 2004, the Bank issued mortgage bonds of total nominal value of HUF 37,280 million in four series, continuing the practice of the first quarter mostly in the international market, by private placement. In the second quarter, the Bank did not organize any public domestic auction, only a private placement of bonds with nominal value of HUF 500 million was made.

#### *Changes in the legal framework*

The main changes of the relevant legislation are the amendments of Act XXX of 1997 on mortgage credit institutions and mortgage bonds (Mortgage Credit Act) that came into force on June 14, 2004 generated by Act XLVIII of 2004 on amendment of certain acts related to financial services. Such amendment allows the mortgage credit institutions to purchase the mortgage loan or the independent lien from other financial institutions or insurance companies also in case the given institution is not entitled to stipulate any alienation or encumbrance prohibition. In such a case the creditor has to inform its client in the mortgage loan agreement about the fact that in case of purchase of the mortgage loan (or independent lien) the mortgage credit institution shall be entitled to prohibit any alienation and encumbrance.

This amendment enabled FHB to offer to its partner banks the refinancing of non-subsidized mortgage loans (including FX-linked ones). Additionally, the relevant act provides that the total value of principal claims considered as collateral reduced by loss in value shall exceed the nominal value of outstanding mortgage bonds not yet paid, and the same shall apply to the interests. By such amendment, the safety of the coverage pool of mortgage bonds has been further improved in line with international regulatory expectations.

#### *Changes in the organizational structure*

On 10 May, 2004, the members of Board of Directors and Supervisory Board of the Bank (Mr. Ádám Terták, dr. Gábor Borsányi, dr. Károly Salamon, Mr. Pablo Arnoldo Fritz Sepulverda and Mr. Attila Kéri) newly elected on the General Annual Meeting obtained the approval from Hungarian Financial Supervisory Authority (PSZÁF).

As of 21 June, 2004 the Treasury Back Office Department within the Financial and Operating Directorate was established to manage the treasury and securities transactions of the Bank. The new organizational unit was established by internal re-grouping of the staff without hiring additional employees. The Treasury Back Office Department will start operating in the second half of 2004.

As of June 30, 2004, the number of personnel staff was 202, 1.5% up versus 2003 (199). At the end of the first half of 2003, the consolidated number of personnel staff was 199 persons which increased to 239 in one year. All the above increase was due to the extension of operation of Szolgáltató Rt. acting as acquiring agent of the Bank starting from the second half of 2003.

## Changes in financial indicators in the recent period

### Hungarian Accounting Standards

The major consolidated financial indicators of the first half of 2004 exceeded the pro-rata values foreseen by FHB for 2004: the balance sheet total exceeded by 3.0% and the after-tax profit exceeded by 29.3% the values planned by the Bank. The **consolidated balance sheet total** increased from HUF 205,792 million to HUF 377,735 million from 30 June, 2003 to 30 June, 2004 which shall mean a 83.6% increase on a year-on-year basis. The most important factor accounting for increasing in balance sheet total was the expansion of accounts receivable from clients and credit institutions (including refinancing), the total volume of which showed an increase of HUF 165,684 million (89.1%) in the past 12 months. On 30 June, 2004, the **consolidated after-tax profit** amounted to HUF 3,362 million, two and a half times that of the same date in 2003. Such increase in profit is particularly remarkable considering the fierce competition in the market and decrease in average net interest margin resulting from statutory rules of law. The realization of such outstanding profit was achieved by the effective use of internal sources of the Bank and a significant additional improvement in cost efficiency.

Major financial indicators	Consolidated figures according to HAS		
	30 June, 2003	30 June, 2004	June 2004 / June 2003
Balance sheet total (million HUF)	205,792	377,735	183.6%
Mortgage loan portfolio (million HUF)	186,023	351,707	189.1%
Mortgage bonds outstanding (million HUF)	186,644	345,393	185.1%
Mortgage loans/mortgage bonds ratio	99.7%	101.8%	102.1%
Own equity (million HUF)	6,962	14,891	213.9%
Adjusted capital (million HUF) <sup>1</sup>	7,537	11,220	148.9%
Capital adequacy ratio <sup>1</sup>	10.4%	9.3%	89.3%
After-tax profit (million HUF)	1,300	3,362	258.7%
Net interest margin (NIM)	4.8%	3.8%	80.0%
CIR (operating costs / gross operating income)	58.8%	39.8%	67.7%
EPS (HUF)	317	509	160.7%
ROAA (return on average assets)	1.6%	1.9%	122.9%
ROAE (return on average equity)	40.9%	48.8%	119.5%

<sup>1</sup> Not including profit for 2004.

## IFRS

According to International Financial Reporting Standards (IFRS) the balance sheet total increased from HUF 204,655 million to HUF 376,927 million (84.2%) in a year, which increase was generated by the increase in the mortgage loan portfolio. After pay out of 2003 dividend, shareholders' equity increased by 64.4% to HUF 14,428 million. As of 30 June, 2004 the profit according to IFRS amounts to HUF 3,314 million, more than two and a half times that of the first half of 2003, and almost as high as that of end of 2003 (HUF 3,424 million).

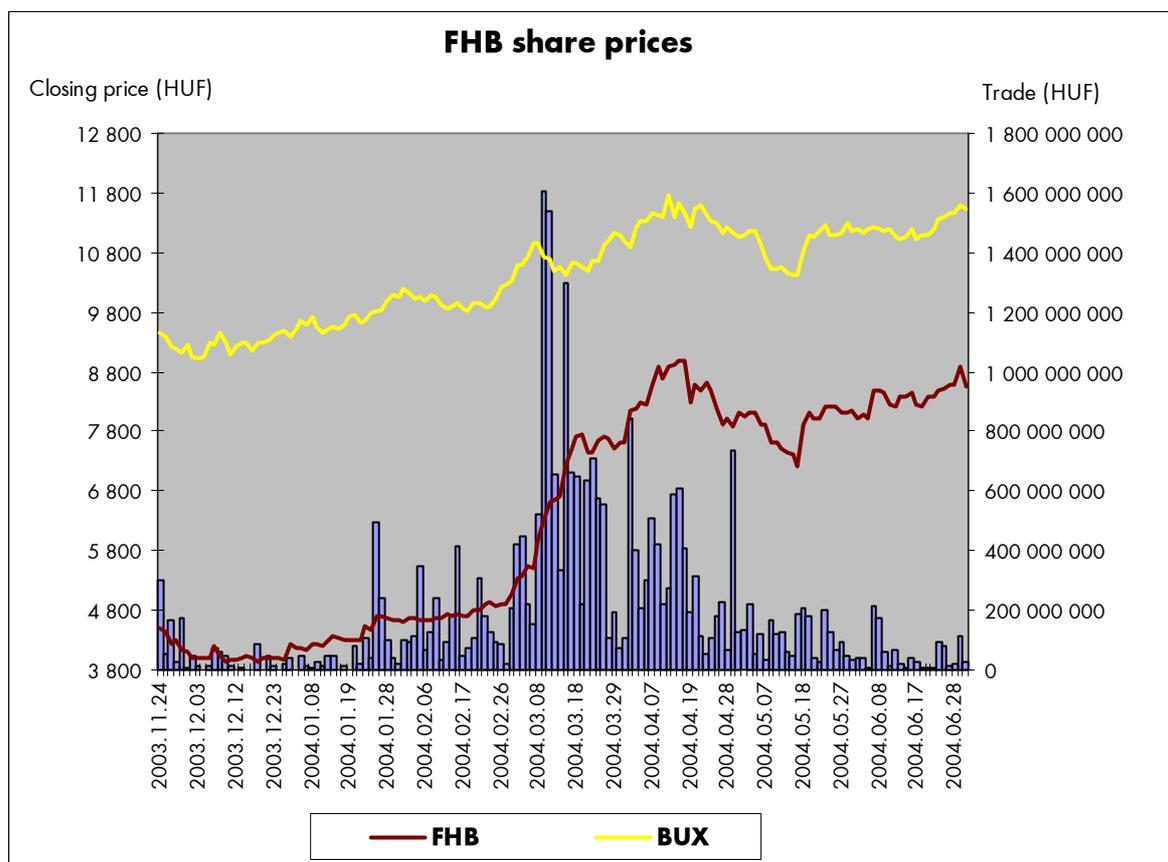
Major financial indicators	Consolidated figures according to HAS		
	30 June, 2003	30 June, 2004	June 2004 / June 2003
Balance sheet total (million HUF)	204,655	376,927	184.2%
Mortgage loan portfolio (million HUF)	186,811	352,590	188.7%
Mortgage bonds outstanding (million HUF)	187,761	346,326	184.5%
Mortgage loans/mortgage bonds ratio	99.5%	101.8%	102.3%
Shareholder's equity (million HUF)	8,778	14,428	164.4%
After-tax profit (million HUF)	1,342	3,314	246.9%
Net interest margin (NIM)	4.9%	3.8%	78.3%
CIR (operating costs / gross operating income)	71.3%	44.2%	62.0%
EPS (HUF)	327	502	153.5%
ROAA (return on average assets)	1.7%	1.9%	115.5%
ROAE (return on average equity)	39.1%	51.2%	130.8%

## Changes in share prices

FHB share price increased from HUF 7,600 of 31 March, 2004 to HUF 8,555 of 30 June, 2004, which means an increase of 12.6%. The share price showed an increase of more than twice versus the beginning of the year. Though the increase in the price in the second quarter of 2004 is less than in the first quarter, it still exceeded the increase in BUX index (5.9%) significantly. In this quarter FHB reached its highest price of HUF 9,200 per share in the history of the FHB shares.

In terms of capitalization, FHB is ranked eighth among Hungarian listed companies. The total market value of its shares was about 1.4% of Budapest Stock Exchange's (BSE) capitalization as of 30 June, 2004. As from 1 June 2004, BSE started the calculation of a new index covering the shares of companies of small and medium capitalization (BUMIX). When introducing the new index FHB had the second largest share of 12%. The weight of the Bank in the BUX index remains about 1.2%.

In the second quarter of 2004, the stock exchange trade of FHB shares amounted to HUF 10.3 billion equaling a daily average of HUF 163 million. The volume of shares traded in second quarter of 2004 represented 1.4% of BSE's share turnover. Though the trade dropped again after increase in March, but all the same, FHB is ranked sixth in terms of volume of traded shares in the past quarter of the year.



## P/L structure

Data in million HUF

DESCRIPTION	Q2 2003 (months IV-VI)	Q1 2004	Q2 2004 (months IV-VI)	Q2 2004 / Q2 2003	Q2 2004 / Q1 2004
Net interest income	2,312	2,956	3,664	158.5%	124.0%
Net fees and commission income	378	181	122	32.3%	67.6%
Net profit from financial transactions	33	35	43	132.6%	124.1%
Gross operating income	2,723	3,172	3,830	140.6%	120.8%
Operating expenses	-1,612	-1,239	-1,548	96.0%	124.9%
Other income and expenditures	-164	-99	-25	15.4%	25.5%
Net operating income	947	1,834	2,257	238.3%	123.1%
Net provisions and loss write-off	112	-30	-50	-	165.8%
Extraordinary income / expenditures	-4	0	-7	140.4%	-
Profit before tax	1,055	1,804	2,200	208.6%	122.0%
Tax payable	-206	-287	-355	172.0%	123.7%
<b>After-tax profit</b>	<b>849</b>	<b>1,517</b>	<b>1,846</b>	<b>217.5%</b>	<b>121.7%</b>

At the end of the first half of 2004 the Bank's gross operating income amounted to HUF 7 billion up by 53.2% versus 30 June, 2003. The gross operating income in the second quarter of 2004 was up by 20.8% up versus the first quarter. The net interest income playing a dominant role in the gross operating income showed a 24.0% increase from HUF 2,956 million of the first quarter to HUF 3,664 million in the period of April-June. The cumulative interest income in the first half of 2004 showed a 24.9% increase year-on-year. The operating costs of the first half of 2004 showed only a 3.6% year-on-year increase, 24.9% up versus the first quarter.

### *Net interest income*

The net interest income as of the end of first half of 2004 amounting to HUF 6,620 million is a balance of interest income of HUF 20,944 million (103.6% up versus the end of June 2003) and interest expenditure of HUF 14,324 million (125.9% up). Interest payable was almost entirely interest payable on mortgage bonds (97.8% both in June 2003 and June 2004). In the second quarter of 2004, the interest income was up 21.9% and interest expenditure was up 20.9% up versus the first quarter, and therefore the total net interest income increased by 24.0% due partly to increase in credit portfolio, partly to re-pricing of loans and mortgage bonds funding such loans.

The average net interest margin (NIM) was 3.66% and 3.84% as of 31 March, 2004 and 30 June 2004, respectively. This shows 96 base point decrease compared to 30 June, 2003 (4.80%). The decrease can be attributed to the combined effect of a drop in the proportion of own lending compared to refinancing, and a growth of the cost of funds in 2004, as well as the effect of changes in the relevant legislation. A positive outcome is that the reduction in margin had stopped and an 18 base point increase was experienced in the second quarter.

### *Net fees and commission income*

Within the gross operating income of the Bank, the proportion of net fees and commission income has shown a decreasing trend. While as of 30 June, 2003 such income amounted to 12.9% of gross operating profit, they amounted to 6.3% at the end of 2003 and dropped to 4.3% at the end of the first half of 2004. As of 30 June, 2004, fee income was HUF 659 million (61.6% of that of first half of 2003), fee expenditure amounted to HUF 356 million (74.3% of that of 30 June, 2003), resulting in a net fee income of HUF 303 million, versus HUF 591 million of 2003 base period and HUF 181 million of Q1 of 2004.

### *Net profit from financial transactions*

The net profit of HUF 43 million from financial transactions in the second quarter results from gains on mortgage bonds issued, the share of which in the gross operating profit is not significant at present.

### *Operating expenses*

Data in million HUF

<b>DESCRIPTION</b>	<b>Q2 2003 (months IV-VI)</b>	<b>Q1 2004</b>	<b>Q2 2004 (months IV-VI)</b>	<b>Q2 2004 / Q2 2003</b>	<b>Q2 2004 / Q1 2004</b>
General administrative costs	1,447	1,175	1,477	102.0%	125.6%
Personnel expenses	640	408	717	111.9%	175.7%
- wages	423	272	479	113.2%	175.9%
- other personnel expenses	62	37	61	97.6%	162.5%
- social security expenses	155	99	177	114.3%	180.0%
Other administrative costs	807	767	760	94.1%	99.1%
- incl. special mortgage bank costs	524	300	267	51.0%	89.1%
Depreciation	165	64	71	43.2%	111.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>1,612</b>	<b>1,239</b>	<b>1,548</b>	<b>96.0%</b>	<b>124.9%</b>

A significant improvement in cost efficiency is shown by operating costs/gross operating income ratio (cost/income ratio) which by 30 June, 2004 showed a year-on-year improvement from 58.8% to 39.8%, remaining at a similar level as in the first quarter (39.1%).

The Bank's operating costs in Q2 amounted to HUF 1,548 million, down 4.0% versus the same period in 2003. The reduction in costs is also a result of lower amortization in this year: in 2004 depreciation accounted on establishment/reorganization appeared no longer, and therefore the proportion of depreciation and amortization within the total costs was reduced from 10.2% to 4.6%. Administrative costs were lower as well. The proportion of mortgage bank specific costs within the administrative costs decreased from 64.8% to 35.1% on a year-on-year basis, and the majority of such expenses (subcontractor's fees for valuation, expenses in connection with mortgage bonds, agent's fees) were characterized with significantly lower expenses in the past period which has not been offset by an increase in sums paid for credit coverage life insurance. Personnel expenses show 11.9% year-on-year increase, this is mainly due to the increase in the number of staff in FHB Services Ltd.

Costs of April-June show an almost 25% increase versus Q1 of 2004, mostly due to increase in personnel expenses in the period. The size of administrative costs is practically equal that of the

preceding period, while the proportion of special costs within administrative costs showed a 4 basis points decrease from 39.1% in the quarter.

*Portfolio quality, loss in value and provisions*

Data in million HUF

<b>Breakdown of classified portfolio, loss in value and provisions</b>									
<b>CLASSIFICATION</b>	<b>30 June, 2003</b>			<b>31 March, 2004</b>			<b>30 June, 2004</b>		
	Total accounts receivable	Loss in value and provision	Ratio	Total accounts receivable	Loss in value and provision	Ratio	Total accounts receivable	Loss in value and provision	Ratio
Standard	193,565	0	0.0%	336,169	0	0.0%	369,234	0	0.0%
Watch	1,719	9	0.5%	2,083	0	0.0%	2,046	0	0.0%
Substandard	334	37	11.1%	314	34	10.8%	359	40	11.1%
Doubtful	562	208	37.0%	597	212	35.5%	736	259	35.2%
Bad	19	19	100.0%	35	34	97.1%	28	28	100.0%
<b>TOTAL</b>	<b>196,199</b>	<b>273</b>	<b>0.1%</b>	<b>339,198</b>	<b>280</b>	<b>0.1%</b>	<b>372,403</b>	<b>327</b>	<b>0.1%</b>

Over the past period the Bank's portfolio continued to retain its high quality. Owing to the special features of collateral for mortgage loans, the solvency of the clients continues exceeding the average in the banking sector: within the portfolio the rate of problem-free (standard) account receivables amounted to 98.7%, at the end of the second quarter of 2003 while at the end of each of the first and second quarters of 2004 it amounted to 99.1%. Loss and provisions to cover classified loans were up HUF 57 million versus the previous quarter. The change was due mostly to the increase of the portfolio, since the ratio of classified categories was not subject to a significant change within the portfolio.

## Balance sheet structure

As of 30 June, 2004 the consolidated balance sheet total of the Bank amounted to 377,735 million, up 83.6% versus the same period of 2003. 96.4 % of the annual increase in balance sheet total was generated by increase in loan portfolio. At the end of this June the balance sheet total showed a 12.0% quarterly increase, to two fifth (40.8%) of which resulted from increase in interbank deposits, while the increase of HUF 23,644 million in loan portfolio contributed 58.4% to the increase of the balance sheet total.

Data in million HUF

DESCRIPTION	30 June, 2003	31 March, 2004	30 June, 2004	30 June, 2004 / 30 June, 2003	30 June, 2004 / 31 March, 2004
Interest earning assets (at net value)	202,243	333,428	374,090	185.0%	112.2%
- Retail loans	80,575	113,322	118,290	146.8%	104.4%
- Other loans	418	188	168	40.2%	89.4%
- Refinanced loans	105,030	214,553	233,249	222.1%	108.7%
- Securities	2,999	2,961	3,435	114.5%	116.0%
- Interbank	13,221	2,405	18,949	143.3%	788.0%
Own assets and investments	1,095	801	803	73.3%	100.3%
Other assets	2,454	2,990	2,842	115.8%	95.1%
<b>Total assets</b>	<b>205,792</b>	<b>337,219</b>	<b>377,735</b>	<b>183.6%</b>	<b>112.0%</b>
Interest-bearing liabilities	188,644	310,113	345,393	183.1%	111.4%
- Mortgage bonds	186,644	308,113	345,393	185.1%	112.1%
- Interbank loan	2,000	2,000	0	-	-
Other liabilities	10,184	14,058	17,449	171.3%	124.1%
Own equity and provisions	6,964	13,048	14,893	213.8%	114.1%
<b>Total liabilities</b>	<b>205,792</b>	<b>337,219</b>	<b>377,735</b>	<b>183.6%</b>	<b>112.0%</b>

### Interest earning assets

By 30 June, 2004 interest earning assets increased to HUF 374,090 million, which means a 85.0% year-on-year growth and a 12.2% increase versus the end of the preceding quarter. The growth was generated by the expansion of refinancing and own lending to retail customers, as well as the increase in interbank portfolio in the last quarter. The highest increase was realized by the Bank in the **refinancing** sector, where the portfolio showed a year-on-year increase of HUF 128,219 million, while the increase in the first half of the year amounted to HUF 40,711 million and the increase in the second quarter amounted to HUF 18,696 million. The rate of refinanced loans within the total net interest earning assets continued increasing from 51.9% of June 2003 to 62.4% of June 2004. The portfolio of **retail loans** distributed by the Bank's own branches, network of agents and consortial partners increased by 46.8% versus June of 2003 and showed an increase of 4.4% versus the first quarter of 2004 to reach HUF 118,290 million on June 30 2004. Retail lending accounted for 31.6% of net interest earning assets at the end of the second quarter of 2004.

As of 30 June, 2004 the value of the **mortgage loan portfolio** amounted to a total of HUF 351,706 million, up 89.1% versus previous year, and up 7.2% versus the end of the first quarter of 2004.

At the end of the second quarter of 2004 the principal receivable from customers of HUF 350,237 million were covered by real estate collateral of HUF 855,381 million. Thus the **average loan to value ratio** (LTV) was 40.9% as of 30 June, 2004 versus 38.9% of 30 June 2003, and remained practically the same as the ratio of the end of the previous quarter.

The portfolio of **interbank deposits** amounted to HUF 13,221 million as of 30 June, 2003 compared to HUF 18,949 million as of 30 June, 2004, it is 5.1% of the interest earning assets. In the second quarter of 2004 interbank deposits included two week deposits with the NBH and deposits with other banks with a maximum maturity of two weeks.

The value of the **securities portfolio** of the Bank as of 30 June, 2003 was HUF 2,999 million which increased to HUF 3,435 million by 30 June, 2004. The Bank keeps the securities portfolio as liquidity reserve and holds it for the purpose of risk management. The portfolio consists of government bonds, NBH bonds and treasury bills. As of 30 June, 2004 the portfolio consisted of treasury bills (99.5%), while the remaining 0.5% consisted of government bonds and NBH bonds. The ratio of securities within interest earning assets was under 1%.

#### *Own assets*

As of 30 June, 2004 **tangible and intangible assets** amounted to HUF 803 million. This means a year-on-year decrease of 26.7%, and a 0.3% increase versus the first quarter of 2004. Own assets are used only to support the operation of the Bank.

#### *Interest-bearing liabilities*

As of 30 June, 2004 the interest bearing liabilities consisted of mortgage bonds issued by the Bank exclusively, which ensures a long-time financing of the mortgage loans.

The volume of **mortgage bonds** issued by the Bank amounted to HUF 345,393 million as of June 30, 2004 showing a 85.1% year-on-year increase, and an increase of 12.1% versus 31 March, 2004. The change in portfolio versus the first quarter of 2004 was due exclusively to new mortgage bond issues in the second quarter. The **aggregate face value of mortgage bonds issued** by the Bank **amounted to HUF 37,280 million in the second quarter of 2004**. It is 81% of the issued volume of HUF 46 billion made within the same period of 2003, and is 13% up the issues of HUF 33 billion in the first quarter of 2004.

### Mortgage bonds issued in the first half of 2004

	Series	Date of issue	Total face value offered (million HUF)	Bids received (million HUF)	Bid/Offer ratio (%)	Total face value sold (million HUF)	Maturity (year)
<b>Q1</b>	FJ09ZF01	07.01.2004	5,500.00	5,500.00	private	5,500.00	5
	FJ05NF01	11.02.2004	5,000.00	7,663.39	153%	5,000.00	1
	FJ12ZF01	19.02.2004	19,706.25	19,706.25	private	19,706.25	8
	<b>Total</b>		<b>30,206.25</b>	<b>32,869.64</b>		<b>30,206.25</b>	
<b>Q2</b>	FJ12ZF02	02.04.2004	19,125.00	19,125.00	private	19,125.00	8
	FJ19ZF01	06.04.2004	12,625.00	12,625.00	private	12,625.00	15
	FJ11ZF01	07.06.2004	5,030.00	5,030.00	private	5,030.00	7
	FJ05ZF02	15.06.2004	500.00	500.00	private	500.00	1
	<b>Total</b>		<b>37,280.00</b>	<b>37,280.00</b>		<b>37,280.00</b>	
<b>H1</b>	<b>Total</b>		<b>67,486.25</b>	<b>70,149.64</b>		<b>67,486.25</b>	

All mortgage bonds issued in 2004 were fixed interest ones. 91.9% of mortgage bonds issued in the first half of 2004 were placed outside Hungary and only 8.1% were issued in Hungary.

Similarly to the first quarter, in the second quarter the Bank appeared only once in the Hungarian capital market. The increase in issues outside Hungary is explained by several factors. On the one hand, the Hungarian capital market continued being very volatile. The reference yields either stagnated (in April) or slightly grew (in May and June), which was an argument against the domestic issue. The demand of the Bank's key investors – pension funds, investment funds and insurance companies – remained moderate, due to the volatility of HUF yields and the high utilization of the limits of the above mentioned institutional investors. The market in general demanded short-term securities. The yield expectation of domestic investors exceeded that of in international capital markets, a reason why the Bank refrained from domestic issues.

In the second quarter of 2004 only one series of mortgage bonds of a total nominal value of HUF 500 million was issued by a domestic private placement. This series was a fixed interest rate mortgage bond with one year maturity representing 1% of the volume issued in the period.

In the second quarter of 2004, the Bank issued three additional securities, all of them under the EMTN Program listed in Luxembourg in November 2003. Out of the three international placements two were completed at the beginning of April, while the third was made at the beginning of June. All three international placements were private, fixed interest rate and denominated in HUF. The series were issued with maturity of 7, 8 and 15 years.

Due to the results of issues in the second quarter of 2004, the yield expectations of international investors against FHB have gradually decreased. By 30 June, 2004 the Bank had utilized EUR 465 million out of the EUR 1 billion Program.

The value of assets used as **ordinary collateral** for the mortgage bonds issued by the Bank was HUF 676.4 billion as of 30 June, 2004 (consisting of principal of HUF 351.4 billion + interest of HUF 325 billion) showing a 5.8% increase versus 31 March, 2004, and a 102.6% year-on-year increase.

FHB self-imposed to keep a mortgage bond coverage ratio stricter than required by the law in Hungary even prior to changes in relevant legislation as of 14 June, 2004, i.e. it undertook to ensure capital-to-capital adequacy at all times. Accordingly, the aggregate amount of net ordinary collateral and supplementary collateral exceeded the aggregate face value of the outstanding mortgage bonds in circulation on every day of the first half of 2004. The same applied to interest-to-interest adequacy.

*The value of the group of assets involved as collateral as of 30 June, 2004*

Outstanding mortgage bonds in circulation	HUF
face value:	345,392,540,000.-
interest:	219,379,730,373.-
total:	564,772,270,373.-

Value of the regular collateral	
principal:	351,434,736,514.-
interest:	325,004,302,750.-
total:	676,439,039,264.-

Value of assets involved as supplementary collateral	0.-
--	-----

At the end of the second quarter, the Bank had no interbank deposits. In the second quarter of 2004, the Bank entered into a new **revolving credit facility contract** to replace the existing one. The new revolving credit facility contract is made in multi-currency to allow the Bank to draw down funds not only in HUF but also in EUR or CHF. The Bank continues applying revolving credits as supplementary facilities to supply funds supporting and increasing the safety of the liquidity of the Bank at all times. The limit of the new multi-currency credit facility contract is EUR 16 million. In connection with commencement of its foreign exchange lending transactions, the Bank selected its EUR and CHF nostro account managing banks, signed the account contracts and opened the necessary accounts.

*Own equity*

The value of the Bank's **own equity** was HUF 14,891 million as of 30 June, 2004, showing a 113.9% year-on-year increase versus HUF 6,962 million of 2003 and a 14.1% increase versus the end of Q1 of 2004 (HUF 13,045 million).

By 30 June, 2004, the value of risk weighted assets and off-balance sheet assets increased to HUF 121,194 million. The **adjusted capital** of the Bank was HUF 11,220 million on 30 June, 2004, while it was HUF 7,537 million as of 30 June, 2003.

The **capital adequacy ratio** was 9.3% as of 30 June, 2004 without taking into consideration the first half profit of 2004. Once the results are audited, this indicator will increase to 12.0%.

### *Off-balance sheet items*

As off-balance sheet items, the Bank keeps on record typically the amount of loans contracted but not yet disbursed. The amount from derivative transactions (interest rate swap) continues being the most important item of future liabilities.

### **Important events after the quarter under consideration**

In July 2004, the Bank arranged its **first repurchase transaction of mortgage bonds**. On 5 July the Bank re-purchased mortgage bonds of total nominal value of HUF 8 billion from 5 series (FJ08NF01, FJ08NF02, FJ08NF04, FJ08NF05, FJ08NF06) on the Stock Exchange. The primary purpose of such a re-purchase was the improvement of the asset liability maturity structure.

Simultaneously with the re-purchase transaction, on 8 July, 2004 took place the first public placement of mortgage bonds issued directly in EUR. The public transaction of nominal value of EUR 100 million was made under the EMTN Program and was listed also in the Luxembourg Stock Exchange. This transaction was the **first East European** mortgage bond issue denominated in EUR, the **first international** issue in EUR by a domestic entity since Hungary's accession to EU, and the realized **yield margin** is the **lowest** since the establishment of FHB. This issue exceeding HUF 25 billion has been the **greatest public** transaction of the Bank till now. The commission paid is significantly below the domestic level.

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 E-mail: patakis@fhb.hu  
 Investor relations: Sándor Pataki

## Financial Statements of FHB Land Credit and Mortgage Bank Ltd. prepared in accordance with International Financial Reporting Standards (IFRS)

### Profit and Loss Statement

(consolidated, non-audited, according to IFRS, for the period of 1 January, 2004 to 30 June, 2004, data in thousand HUF)

	<b>As of 30 June, 2004</b>	<b>As of 30 June, 2003</b>	<b>Change (%)</b>
Interest income	20,846,315	10,238,445	203.6%
Interest expense	-14,321,460	-6,337,751	226.0%
Net interest income	6,524,855	3,900,694	167.3%
Fee and commission income	364,002	288,098	126.3%
Fee and commission expense	-271,918	-482,092	56.4%
Gain less losses from securities	164,650	58,787	280.1%
Other operating income	264,154	765,986	34.5%
Other operating expense	-17,204	-60,592	28.4%
Operating income	7,028,539	4,470,881	157.2%
Losses/provisions on loans and advances	-81,697	-158,058	51.7%
General and administrative costs	-2,999,830	-2,685,782	111.7%
Profit before tax	3,947,012	1,627,041	242.6%
Taxation expense	-633,027	-284,740	222.3%
Profit for the period	<u>3,313,985</u>	<u>1,342,301</u>	<u>246.9%</u>
<i>Earnings per share (HUF 1,000 nominal amount)</i>			
<i>ordinary shares (in HUF)</i>	451.16	284.86	158.4%
<i>diluted shares (in HUF)</i>	451.16	28.86	158.4%

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## Balance Sheet

(consolidated, non-audited, according to IFRS, at 30 June, 2004, data in thousand HUF)

	<b>2004 Q2</b>	<b>2003 Q2</b>	<b>Change (%)</b>
<b>Assets</b>			
Cash	1,907	2,869	66.5%
Due from National Bank of Hungary	6,724,393	12,040,426	55.8%
Placements with other banks	12,458,858	1,279,441	973.8%
Available for sale securities	3,503,942	3,025,887	115.8%
Refinancing of mortgage loans	233,248,630	105,030,011	222.1%
Loans	119,341,011	81,780,557	145.9%
Property and equipment	800,345	745,245	107.4%
Other assets	848,130	750,643	113.0%
<b>Total Assets</b>	<b>376,927,216</b>	<b>204,655,079</b>	<b>184.2%</b>
<b>Liabilities</b>			
Deposits from banks	0	2,000,000	0.0%
Mortgage bond liabilities	346,325,946	187,760,579	184.5%
Other liabilities	16,173,422	6,116,001	264.4%
<b>Total Liabilities</b>	<b>362,499,368</b>	<b>195,876,580</b>	<b>185.1%</b>
<b>Shareholders' Equity</b>			
Share capital	6,600,001	6,600,000	100.0%
Treasury shares	0	-350,000	0.0%
Share premium	1,709,014	1,145,590	149.2%
General reserve	782,434	171,780	455.5%
Retained earnings/(deficit)	5,336,399	1,211,129	440.6%
<b>Total Shareholders' Equity</b>	<b>14,427,848</b>	<b>8,778,499</b>	<b>164.4%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>376,927,216</b>	<b>204,655,079</b>	<b>184.2%</b>

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## Cash Flow

(consolidated, non-audited, according to IFRS, data in thousand HUF)

	<b>30 June 2004</b>	<b>30 June 2003</b>
<b>Cash flows from operating activities</b>		
Net profit	3,313,985	1,342,301
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	135,067	123,741
Provision for losses	76,815	48,214
Loss/(profit) on sale of fixed assets	2,857	2,745
	<u>3,528,724</u>	<u>1,517,001</u>
<b>Operating profit / (loss) before changes in operating assets</b>		
(Increase) decrease in operating assets:		
Refinancing of mortgage loans		-868,828
Loans	-40,710,229	-63,853,427
Accrued interest receivable	-13,371,194	-16,611,840
Other assets	-79,354	-55,073
Increase (decrease) in operating liabilities:	2,625,695	236,700
Due to other banks		
Accrued interest payable	-6,000,000	-
Other liabilities	1,956,803	991,445
Net cash used in operating activities	32,274	564,021
	<u>-52,016,831</u>	<u>-78,080,001</u>
<b>Cash flows from investing activities</b>		
Increase in available for sale investments	-13,686	
Proceeds from sale of property and equipment		6,912
Purchase of property and equipment	-175,263	-79,673
Net cash used in investing activities	<u>-188,949</u>	<u>-72,761</u>
<b>Cash flows from financing activities</b>		
Capital increase		2,500,000
Share premium received		-
Repayment of subordinated debt		-1,500,000
Sale/(purchase) of own shares		-
Installment from mortgage bonds		-
Proceeds from issue of mortgage bonds	68,313,714	86,505,219
Net cash from financing activities	<u>68,313,714</u>	<u>87,505,219</u>
Net increase in cash and cash equivalents	16,107,934	9,352,457
Cash and cash equivalents at beginning of year	<u>3,077,224</u>	<u>3,970,279</u>
Cash and cash equivalents at end of period	<u>19,185,158</u>	<u>13,322,736</u>
<b>Cash and cash equivalents comprises of:</b>		
Cash	1,907	2,869
Due from Central Bank	6,724,393	1,279,441
Placements with other banks, with a maturity of less than 90 days	12,458,858	12,040,426
Cash and cash equivalents at end of period	<u>19,185,158</u>	<u>13,322,736</u>
<i>Supplemental information:</i>		
Interest received	20,794,802	10,267,373
Interest paid	-12,364,657	-5,346,306
Tax paid	-48,624	-11,339

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 Investor relations: Pataki Sándor

## Statement of Shareholders' Equity

(consolidated, non-audited, according to IFRS, data in thousand HUF)

	Share Capital	Treasury Shares	Share Premium	General reserve	Retained earnings (deficit)	Shareholders' Equity
<b>31 December 2002</b>	<b>4,100,000</b>	<b>-350,000</b>	<b>1,145,590</b>	<b>42,539</b>	<b>-1,931</b>	<b>4,936,198</b>
Share capital increase	2,500,001		4			2,500,005
Sale of treasury shares		350,000	563,420			913,420
Transfer to general reserve				403,570	-403,570	
Profit for the period					3,424,240	3,424,240
<b>31 December 2003</b>	<b>6,600,001</b>		<b>1,709,014</b>	<b>446,109</b>	<b>3,018,739</b>	<b>11,773,863</b>
Dividend for 2003					-660,000	-660,000
Transfer to general reserve				336,325	-336,325	
Profit for the period					3,313,985	3,313,985
<b>30 June 2004</b>	<b>6,600,001</b>		<b>1,709,014</b>	<b>782,434</b>	<b>5,336,399</b>	<b>14,427,848</b>

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Reporting period:	01.01.2004 - 06.30.2004	Investor relations:	Sándor Pataki

## Loans

(consolidated, non-audited, according to IFRS, data in thousand HUF)

	<b>30 June 2004</b>	<b>30 June 2003</b>
Real estate purchase	73,024,253	49,903,378
Real estate construction	28,224,433	17,275,159
Real estate reconstruction	1,451,682	1,345,123
Real estate extension	11,349,485	7,765,212
Other loans secured by real estate	4,732,884	4,974,527
Employee loans	883,170	787,687
	<hr/>	<hr/>
Loans, gross	119,665,907	82,051,086
from this: retail loans	119,482,054	81,577,806
other	183,853	473,280
Loan loss provision	-324,896	-270,529
Loans, net	119,341,011	81,780,557

## Mortgage bonds

(consolidated, non-audited, according to IFRS, data in thousand HUF)

	<b>30 June 2004</b>		<b>30 June 2003</b>	
	Carrying amount	Nominal value	Carrying amount	Nominal value
Non-listed mortgage bonds				
Fixed	140,841,670	140,238,750	12,490,000	12,490,000
Floating	5,600,000	5,600,000	5,600,000	5,600,000
Listed mortgage bonds				
Fixed	183,818,952	183,204,610	153,644,943	152,204,610
Floating	16,065,324	16,349,180	16,025,636	16,349,180
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>346,325,946</u></b>	<b><u>345,392,540</u></b>	<b><u>187,760,579</u></b>	<b><u>186,643,790</u></b>

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## RECONCILIATION OF THE NET ASSETS AND RESULT UNDER HUNGARIAN ACCOUNTING STANDARDS TO THOSE UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

	<b>30 June 2004</b>	<b>30 June 2003</b>
<b>Total Shareholders' Equity per Hungarian Statutory Financial Statements</b>	14,890,896	6,962,146
Share capital increase		2,500,000
Accounting of establishment costs as costs according to NSZSZ 38	-703,809	-703,809
Release of depreciation of establishment costs	703,809	703,809
Treasury shares redeemed		-350,000
Loan origination fee	-485,102	-373,999
Deferred tax asset	87,200	73,240
Mark to market of available for sale investments	-65,145	-32,888
<b>Total Shareholders' Equity per IFRS Financial Statements</b>	<u>14,427,849</u>	<u>8,778,499</u>
	<b>30 June 2004</b>	<b>30 June 2003</b>
<b>Profit per Hungarian Statutory Financial Statements</b>	3,362,301	1,299,849
Release of depreciation of establishment costs		140,376
Loan origination fee	-27,842	-84,002
Deferred tax benefit	8,845	21,496
Mark to market of available for sale investments	-29,318	-35,418
<b>Profit per IFRS financial statements</b>	<u>3,313,986</u>	<u>1,342,301</u>

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## DATA FORMS RELATED TO THE FINANCIAL REPORTS

### PK1. General information on the financial figures

	Yes	No	
Audited	<input type="checkbox"/>	<input checked="" 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: .....			

### PK2. Business enterprises subject to consolidation

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

<sup>1</sup> Full (L); Joint management (K); Affiliated (T)

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### PK3. Balance sheet

#### Consolidated non-audited balance sheet of FHB Land Credit and Mortgage Bank Ltd. for the second quarter of 2003 and 2004, prepared according to the Hungarian Accounting Standards

#### Assets Data in thousand HUF

No.	Description of the item	30 June 2003	30 June 2004	Change (%)
1.	<b>1. Liquid assets</b>	<b>101,321</b>	<b>236,634</b>	<b>233.55%</b>
2.	<b>2. Government securities</b>	<b>2,998,657</b>	<b>3,434,554</b>	114.54%
3.	a) for trading	2,998,657	3,434,554	114.54%
4.	b) for investment			
5.	<b>3. Receivables from credit institutions</b>	<b>118,251,426</b>	<b>252,197,152</b>	<b>213.27%</b>
6.	a) sight	19,038	53,523	281.14%
7.	b) other receivables from financial services	118,232,388	252,143,629	213.26%
8.	ba) short term	19,158,656	31,845,679	166.22%
9.	of which: - from associated enterprises			
10.	- from enterprises with participating interest			
11.	- from NBH	12,000,000	6,500,000	54.17%
12.	bb) long term	99,073,732	220,297,950	222.36%
13.	of which: - from associated enterprises			
14.	- from enterprises with participating interest			
15.	- from NBH			
16.	c) from investment services			
17.	of which: - from associated enterprises			
18.	- from enterprises with participating interest			
19.	<b>4. Receivables from customers</b>	<b>80,992,870</b>	<b>118,457,841</b>	<b>146.26%</b>
20.	a) from financial services	80,992,870	118,457,841	146.26%
21.	aa) short term	6,114,012	7,626,019	124.73%
22.	of which: - from associated enterprises			
23.	- from enterprises with participating interest			
24.	ab) long term	74,878,858	110,831,822	148.01%
25.	of which: - from associated enterprises			
26.	- from enterprises with participating interest			
27.	b) from investment services			
28.	of which: - 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.	<b>5. Debt securities, including fixed interest securities</b>			
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.	of which: - from associated enterprises			
42.	- from enterprises with participating interest			
43.	- own- issue repurchased			
44.	bb) held for investment			
45.	of which: - from associated enterprises			
46.	- from enterprises with participating interest			
47.	<b>6. Shares and other securities with variable yield</b>			
48.	a) shares and participations for trading			
49.	of which: - from associated enterprises			
50.	- from enterprises with participating interest			
51.	b) securities with variable yield			
52.	ba) for trading			
53.	bb) for investment			

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## Assets

Data in thousand HUF

No.	Description of the item	30 June 2003	30 June 2004	Change (%)
54.	<b>7. Shares and participations for investment</b>	<b>26</b>		
55.	a) shares and participations for investment	26		
56.	of which: - participation in credit institutions	26		
57.	b) value adjustment of shares and participations for investment			
58.	of which: - participation in credit institutions			
59.	<b>8. Shares and participations in associated enterprises</b>			
60.	a) shares and participations for investment			
61.	of which: - participation in credit institutions			
62.	b) value adjustment of shares and participations for investment			
63.	of which: - participation in credit institutions			
64.	c) capital consolidation difference			
65.	- from subsidiary, jointly managed enterprise			
66.	- from associated with enterprises			
67.	<b>9. Intangible assets</b>	<b>285,476</b>	<b>327,075</b>	<b>114.57%</b>
68.	a) intangible assets	285,476	327,075	114.57%
69.	b) value adjustment of intangible assets			
70.	<b>10. Tangible assets</b>	<b>459,769</b>	<b>476,127</b>	<b>103.56%</b>
71.	a) tangible assets for financial and investment services	459,769	476,127	103.56%
72.	aa) real estate	131,908	134,168	101.71%
73.	ab) technological equipment, machines, appliances and vehicles	324,289	286,871	88.46%
74.	ac) investments	3,572	52,231	1462.23%
75.	ad) advances given to investments		2,857	
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.	<b>11. Own shares</b>	<b>350,000</b>		
83.	<b>12. Other assets</b>	<b>1,108,965</b>	<b>1,042,165</b>	<b>93.98%</b>
84.	a) inventories	12,865	14,607	113.54%
85.	b) other receivables	1,096,100	1,027,558	93.75%
86.	of which: - from affiliated enterprises			
87.	- from enterprises with participating interest			
88.	c) receivables for corporate tax (calculated) from consolidation			
89.	<b>13. Accrued income and deferred expenditures</b>	<b>1,243,450</b>	<b>1,563,358</b>	<b>125.73%</b>
90.	a) accrued income	407,666	728,235	178.64%
91.	b) deferred costs and expenditures	835,784	835,123	99.92%
92.	c) deferred expenditures			
93.	<b>TOTAL ASSETS</b>	<b>205,791,960</b>	<b>377,734,906</b>	<b>183.55%</b>
	of which: CURRENT ASSETS (1+2a+3a+3ba+3c+4aa+4b+5aa+5ba+6a+6ba+11+12)	29,850,649	44,238,574	148.20%
	INVESTED ASSETS (2b+3bb+4ab+5ab+5bb+6bb+7+8+9+10)	174,697,861	331,932,974	190.00%

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## Liabilities

Data in thousand HUF

No.	Description of the item	30 June 2003	30 June 2004	Change (%)
94.	<b>1. Liabilities to credit institutions</b>	<b>2,000,000</b>		
95.	a) sight			
96.	b) accounts payable for a definite term, deriving from financial services	2,000,000		
97.	ba) short term	2,000,000		
98.	of which: - from associated enterprises			
99.	- from enterprises with participating interest			
100.	- from NBH			
101.	bb) long term			
102.	of which: - from associated enterprises			
103.	- from enterprises with participating interest			
104.	- from NBH			
105.	c) from investment services			
106.	of which: - from associated enterprises			
107.	- from enterprises with participating interest			
108.	<b>2. Liabilities to customers</b>	<b>151,457</b>	<b>245,157</b>	<b>161.87%</b>
109.	a) savings deposits			
110.	aa) sight			
111.	ab) short term			
112.	ac) long term			
113.	b) other liabilities from financial services	151,457	245,157	161.87%
114.	ba) sight	151,457	245,157	161.87%
115.	of which: - from associated enterprises			
116.	- from enterprises with participating interest			
117.	bb) short term			
118.	of which: - from associated enterprises			
119.	- from enterprises with participating interest			
120.	bc) long term			
121.	of which: - from associated enterprises			
122.	- from enterprises with participating interest			
123.	c) from investment services			
124.	of which: - from associated enterprises			
125.	- from 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.	<b>3. Liabilities from securities issued</b>	<b>186,643,790</b>	<b>345,392,540</b>	<b>185.05%</b>
132.	a) bonds issued	186,643,790	345,392,540	185.05%
133.	aa) short term	980,000	5,900,000	602.04%
134.	of which: - from associated enterprises			
135.	- from enterprises with participating interest			
136.	ab) long term	185,663,790	339,492,540	182.85%
137.	of which: - from associated enterprises			
138.	- from enterprises with participating interest			
139.	b) other debt securities issued			
140.	ba) short term			
141.	of which: - from associated enterprises			
142.	- from enterprises with participating interest			
143.	bb) long term			
144.	of which: - from associated enterprises			
145.	- from 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.	of which: - from associated enterprises			
149.	- from enterprises with participating interest			
150.	cb) long term			
151.	of which: - from associated enterprises			

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## Liabilities

Data in thousand HUF

No.	Description of the item	30 June 2003	30 June 2004	Change (%)
152.	- from enterprises with participating interest			
153.	<b>4. Other liabilities</b>	<b>3,233,130</b>	<b>1,150,004</b>	<b>35.57%</b>
154.	a) short term	3,233,130	1,150,004	35.57%
155.	of which: - from associated enterprises	2,500,000		
156.	- from enterprises with participating interest			
157.	- for credit institutions operating as cooperatives, other contribution of members			
158.	b) long term			
159.	of which: - from associated enterprises			
160.	- from enterprises with participating interest			
161.	c) tax liabilities originating from consolidation			
162.	<b>5. Accrued expenditures and deferred income</b>	<b>6,799,396</b>	<b>16,054,292</b>	<b>236.11%</b>
163.	a) passive accrual of income	1,932,579	2,276,815	117.81%
164.	b) accrued costs and expenditures	4,866,817	13,777,477	283.09%
165.	c) deferred income			
166.	<b>6. Provisions</b>	<b>2,041</b>	<b>2,018</b>	<b>98.87%</b>
167.	a) provision for pension and severance payment			
168.	b) risk reserve for pending and certain future liabilities	2,041	2,018	98.87%
169.	c) general risk reserve			
170.	d) other reserves			
171.	<b>7. Subordinated obligations</b>			
172.	a) subordinated loan capital			
173.	of which: - from associated enterprises			
174.	- from 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.	of which: - from associated enterprises			
180.	- from enterprises with participating interest			
181.	<b>8. Subscribed capital</b>	<b>4,100,000</b>	<b>6,600,001</b>	<b>160.98%</b>
182.	of which: - repurchased ownership share at face value	350,000		
183.	<b>9. Subscribed and not yet paid-up capital (-)</b>			
184.	<b>10. Capital reserve</b>	<b>1,145,590</b>	<b>1,145,594</b>	<b>100.00%</b>
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.	<b>11. General reserve</b>	<b>171,780</b>	<b>782,434</b>	<b>455.49%</b>
188.	<b>12. Profit reserve (±)</b>	<b>32,853</b>	<b>3,354,981</b>	
189.	<b>13. Fixed reserve</b>	<b>350,000</b>		
190.	<b>14. Valuation reserve</b>			
191.	<b>15. Profit as per balance sheet (±)</b>	<b>1,170,608</b>	<b>3,025,974</b>	<b>258.50%</b>
192.	<b>16. Changes of equity of subsidiaries and enterprises under joint management (±)</b>	<b>-8,685</b>	<b>-18,089</b>	<b>208.28%</b>
193.	<b>17. Changes through consolidation (±)</b>			
194.	- from debt consolidation difference			
195.	- from interim profit difference			
196.	<b>18. Participation of external members (other owners)</b>			
197.	<b>TOTAL LIABILITIES</b>	<b>205,791,960</b>	<b>377,734,906</b>	<b>183.55%</b>
198.	of which: - 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)	6,364,587	7,295,161	114.62%
199.	- LONG TERM LIABILITIES (1.bb+2.ac+2.bc+3.ab+3.bb+3.cb+4.b+7)	185,663,790	339,492,540	182.85%
200.	- SHAREHOLDER'S EQUITY (8-9+10+11±12+13+14±15±16±17±18)	6,962,146	14,890,895	213.88%

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#### PK4. Profit and Loss Statement

### The consolidated non-audited Profit and Loss Statement of FHB Land Credit and Mortgage Bank Ltd. for the second quarter of 2003 and 2004, prepared according to the Hungarian Accounting Standards

Data in thousand HUF

No.	Description of the item	30 June 2003	30 June 2004	Change (%)
1.	<b>1. Interest and interest type revenues received</b>	<b>10,287,488</b>	<b>20,944,389</b>	<b>203.59%</b>
2.	a) interest received due on fixed interest debenture securities	93,588	167,936	179.44%
3.	of which: - from associated enterprises			
4.	- from enterprises with participating interest			
5.	b) other interest and interest type revenues received	10,193,900	20,776,453	203.81%
6.	of which: - from associated enterprises			
7.	- from enterprises with participating interest			
8.	<b>2. Interest paid and interest type payments:</b>	<b>6,340,892</b>	<b>14,324,339</b>	<b>225.90%</b>
9.	of which: - from associated enterprises			
10.	- from enterprises with participating interest			
11.	<b>INTEREST DIFFERENCE (1-2)</b>	<b>3,946,596</b>	<b>6,620,050</b>	<b>167.74%</b>
12.	<b>3. Revenues from securities</b>			
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)			
16.	<b>4. Commission and fee revenues received (due)</b>	<b>1,069,546</b>	<b>659,237</b>	<b>61.64%</b>
17.	a) revenues from other financial services	1,069,546	659,237	61.64%
18.	of which: - from associated enterprises			
19.	- from enterprises with participating interest			
20.	b) from revenues of investment services (with the exception of revenues from trading activity)			
21.	of which: - from associated enterprises			
22.	- from enterprises with participating interest			
23.	<b>5. Commission and fees paid payable</b>	<b>478,950</b>	<b>355,938</b>	<b>74.32%</b>
24.	a) from expenditures of other financial services	194,127	280,094	144.28%
25.	of which: - from associated enterprises			
26.	- from enterprises with participating interest			
27.	b) from expenditures of investment services (with the exception of expenditures of trading activity)	284,823	75,844	26.63%
28.	of which: - from associated enterprises			
29.	- from enterprises with participating interest			
30.	<b>6. Profit on financial transactions (6.a - 6.b + 6.c - 6.d)</b>	<b>34,113</b>	<b>78,432</b>	<b>229.92%</b>
31.	a) from revenues of other financial services	93,992	168,127	178.87%
32.	of which: - from associated enterprises			
33.	- from enterprises with participating interest			
34.	b) from expenditures of other financial services	57,677	89,929	155.92%
35.	of which: - from associated enterprises			
36.	- from enterprises with participating interest			
37.	c) from the revenues of investment service (revenue of trading activity))		234	
38.	of which: - from associated enterprises			
39.	- from enterprises with participating interest			
40.	- reversal of impairment on securities for trading			
41.	d) from the expenditures of investment services (expenditure of commercial activity)	2,202		
42.	of which: - from associated enterprises			
43.	- from enterprises with participating interest			
44.	- impairment on securities for trading			
45.	<b>7. Other revenues from business activities</b>	<b>89,371</b>	<b>49,718</b>	<b>55.63%</b>
46.	a) revenues from non-financial and investment services	2,825	7,201	254.90%
47.	of which: - from associated enterprises			

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**Data in thousand HUF**

No.	Description of the item	30 June 2003	30 June 2004	Change (%)
48.	- from enterprises with participating interest			
49.	b) other revenues	86,546	42,517	49.13%
50.	of which: - from associated enterprises			
51.	- from enterprises with participating interest			
52.	- reversal of impairment on inventories			
53.	ba) Consolidation difference resulting from debt consolidation, increasing the profit			
54.	<b>8. General administrative costs</b>	<b>2,429,059</b>	<b>2,651,505</b>	<b>109.16%</b>
55.	a) personnel expenses	981,402	1,124,108	114.54%
56.	aa) wage cost	638,024	750,806	117.68%
57.	ab) other personal type disbursements	106,650	97,629	91.54%
58.	Including: - social security costs	47,857	51,179	106.94%
59.	- costs associated with pension	42,151	46,632	110.63%
60.	ac) contribution after wages	236,728	275,673	116.45%
61.	Including: - social security costs	206,788	232,115	112.25%
62.	- costs associated with pension	124,696	140,047	112.31%
63.	b) other administrative costs (material type costs)	1,447,657	1,527,397	105.51%
64.	<b>9. Depreciation and amortization</b>	<b>259,965</b>	<b>135,067</b>	<b>51.96%</b>
65.	<b>10. Other expenditures from business activities</b>	<b>312,278</b>	<b>173,882</b>	<b>55.68%</b>
66.	a) expenditures on non-financial and investment services			
67.	of which: - from associated enterprises			
68.	- from enterprises with participating interest			
69.	b) other expenditures	312,278	173,882	55.68%
70.	of which: - from associated enterprises			
71.	- from enterprises with participating interest			
72.	- impairment on inventories			
73.	ba) consolidation difference from debt consolidation, decreasing the profit			
74.	<b>11. Value loss on receivables and risk provision from pending and certain (future) liabilities</b>	<b>160,102</b>	<b>166,621</b>	<b>104.07%</b>
75.	a) value loss on receivables	159,996	164,928	103.08%
76.	b) risk reserve for pending and certain (future) liabilities	106	1,693	1597.17%
77.	<b>12. Reversal of value loss on receivables and risk provision</b>	<b>111,888</b>	<b>86,340</b>	<b>77.17%</b>
78.	a) reversal of value loss on receivables	111,888	84,631	75.64%
79.	b) utilization of risk reserve for pending and certain (future) liabilities		1,709	
80.	<b>13. Value loss on debt securities held as investments, shares and participations in affiliated and other associated enterprises</b>			
81.	<b>14. Reversal of value loss on debt securities held as investments, shares and participations in affiliated and other associated enterprises</b>		7	
82.	<b>15. OPERATING (BUSINESS) PROFIT</b>	<b>1,611,160</b>	<b>4,010,771</b>	<b>248.94%</b>
83.	Including: - PROFIT FROM FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5±6+7.b-8-9-10.b-11+12-13+14)	1,608,335	4,003,570	248.93%
84.	- PROFIT FROM NON-FINANCIAL AND INVESTMENT SERVICES (7.a-10.a)	2,825	7,201	254.90%
85.	16. Extraordinary revenues			
86.	17. Extraordinary expenditures	5,075	6,600	130.05%
87.	<b>18. Extraordinary profit ( 16 - 17 )</b>	<b>-5,075</b>	<b>-6,600</b>	<b>130.05%</b>
88.	<b>19. Pre-tax profit ( ± 15± 18 )</b>	<b>1,606,085</b>	<b>4,004,171</b>	<b>249.31%</b>
89.	20. Tax liability	306,236	641,872	209.60%
90.	a) outstanding balance of corporation tax deriving (calculated) from consolidation			
91.	<b>21. Profit after taxes ( ± 19 -20 )</b>	<b>1,299,849</b>	<b>3,362,299</b>	<b>258.67%</b>

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## PK6. Major off-balance sheet items

Description	30 June, 2004 (million HUF)
Pending obligations	7,140
- available credit facility on credits extended	171
- loans committed in contract but not yet extended	6,891
- credit to be purchased from partner bank	78
Future obligations	2,885
<b>Total</b>	<b>10,025</b>

## DATA FORMS RELATING TO THE STRUCTURE OF SHARES AND THE GROUP OF OWNERS

### RS1. Ownership structure, participation and voting rates

The ownership share is equal to the voting rates for entire share capital.

Description of group of owners	Entire share capital				Listed series <sup>1</sup>					
	Beginning of target year (01.01.2004)		End of period (30.06.2004)		Beginning of target year (01.01.2004)			End of period (30.06.2004)		
	% <sup>2</sup>	pcs	% <sup>2</sup>	pcs	% <sup>2</sup>	% <sup>3</sup>	pcs	% <sup>2</sup>	% <sup>3</sup>	pcs
Domestic institutional / company	22.61	1,491,944	11.69%	771,703	15.58	13.70	903,374	3.16%	2.77%	183,133
Foreign institutional / company	12.33	814,031	31.96%	2,109,302	14.04	12.33	814,031	36.36%	31.97%	2,109,302
Domestic private individual	7.67	506,204	2.51%	165,824	8.72	7.67	506,204	2.86%	2.51%	165,824
Foreign private individual	0.01	347	0.00%	0	0.01	0.01	347	0.00%	0.00%	0
Employees, office holders	4.17	275,943	0.63%	41,640	4.75	4.17	275,943	0.72%	0.63%	41,640
Treasury bond	0.00	0	0.00%	0	0.00		0	0.00%	0.00%	0
Owner part of state budget <sup>4</sup>	53.21	3,511,531	53.21%	3,511,532	56.90	50.00	3,300,101	56.90%	50.00%	3,300,102
International Development Institutes <sup>5</sup>	0.00	0	0.00%	0	0.00	0.00	0	0.00%	0.00%	0
Other	0.00	0	0.00%	0	0.00	0.00	0	0.00%	0.00%	0
<b>TOTAL</b>	<b>100.00</b>	<b>6,600,000</b>	<b>100.00%</b>	<b>6,600,001</b>	<b>100.00</b>	<b>87,88</b>	<b>5,800,000</b>	<b>100.00%</b>	<b>87.88%</b>	<b>5,800,001</b>

<sup>1</sup> If the listed series is the same as the entire share capital, this must be indicated and no completion is required. If there are several series on the Stock Market, the ownership structure must be given for every series.

<sup>2</sup> Ownership share.

<sup>3</sup> The voting rights ensuring participation in decision making at the General Shareholder's Meeting of Issuer. If the ownership share and the voting rights are identical, only the ownership share column must be completed and submitted / disclosed, while the fact must be indicated.

<sup>4</sup> E.g.: ÁPV Rt., TB, local authorities, companies with 100% state ownership, etc.

<sup>5</sup> E.g.: EBRD, EIB, etc.

### RS2. Changes in the number of treasury shares (pcs) in the year concerned

	1 January	31 March	30 June	30 September	31 December
FHB Rt.	0	0	0		

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

Name	Nationalit y <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Share (%) <sup>3</sup>	Voting rights (%) <sup>3,4</sup>	Notes <sup>5</sup>
ÁPV Rt.	B	Á	3,300,001	56.90	50.00	

<sup>1</sup> Resident (B), Non-resident (K)

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

<sup>3</sup> To be given rounded up to two decimals

<sup>4</sup> The voting right assuring participation in decision making in the General Shareholder's Meeting of Issuer.

<sup>5</sup> E.g.: strategic investor, financial investor, etc.

**RS3/2. List and presentation of Owners holding a share exceeding 5% (at the end of the period) regarding the entire share capital**

Name	Nationalit y <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Share (%) <sup>3</sup>	Voting rights (%) <sup>3,4</sup>	Notes <sup>5</sup>
ÁPV Rt.	B	Á	3,511,431	53.20	53.20	

<sup>1</sup> Domestic (B), Foreign (K)

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

<sup>3</sup> To be given rounded up to two decimals

<sup>4</sup> The voting right assuring participation in decision making in the General Shareholder's Meeting of Issuer.

<sup>5</sup> E.g.: strategic investor, financial investor, etc.

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## DATA FORMS RELATED TO THE ORGANISATION AND OPERATION OF THE ISSUER

### TSZ2. Changes in the headcount of full-time staff (persons)

	End of base period (30.06.2003)	Beginning of target year (01.01.2004)	End of target period (30.06.2004)
Bank	199	199	202
Consolidated	199	238	239

### TSZ3. Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer

Type <sup>1</sup>	Name	Position	Beginning of mandate	End / termination of mandate	Shares held (pcs)
IT	Dr. Márton Vági	chairman	26.07.2002	26.07.2007	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	0
IT	László Harmati	member, Deputy CEO	26.07.2002	26.07.2007	0
IT	Dr. Lajos Oláh	member	23.05.2003	23.05.2008	0
IT	Dr. Zoltán Szedlacskó	member	23.05.2003	23.05.2008	0
IT	Ádám Terták	member	07.06.2004	07.06.2009	0
FB	Róbert Somfai	president	26.07.2002	26.07.2007	943
FB	Ágnes Koltai Nádházi	member	06.09.2002	06.09.2007	0
FB	Tibor Nagy Huszein	member	23.05.2003	23.05.2008	0
FB	Dr. Miklós Szőke	member	06.09.2002	06.09.2007	0
FB	Ágnes Winkler	member	26.07.2002	26.07.2007	0
FB	dr. Gábor Borsányi	member	07.04.2004	07.04.2009	0
FB	dr. Károly Salamon	member	07.04.2004	07.04.2009	0
FB	Pablo Arnoldo Fritz Sepulverda	member	07.04.2004	07.04.2009	0
FB	Attila Kéri	member	07.04.2004	07.04.2009	0
SP	Jenő Siklós	Deputy CEO	21.10.1997	indefinite	5,081
<b>Shares held (pcs) TOTAL:</b>					<b>6,024</b>

<sup>1</sup> Employee in a strategic position (SP), Member of the Board of Directors (IT), member of the Supervisory Board (FB)

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## DATA FORMS RELATED TO PRIORITY NOTIFICATION

### ST1. Priority notifications published in the period

Date	Published in	Subject, brief content
12.01.2004	Magyar Tőkepiac Magyar Hírlap	FHB's announcement on private placement of mortgage bond (FJ09ZF01)
04.02.2004	Magyar Tőkepiac Magyar Hírlap BSE home page <sup>2</sup>	Public tender bid and offering Notes associated with issue of FHB's mortgage bonds (FJ09NF01SR1 and FJ09NF02SR1)
05.02.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	FHB's correction to public tender bid
06.02.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	Interests and interest payment dates of mortgage bonds issued by FHB Rt. (FJ09NF01SR1 and FJ09NF02SR1)
06.02.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	Result of auction of FHB's mortgage bond
11.02.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Invitation to the General Shareholders' Meeting of FHB Land Credit and Mortgage Bank Ltd.
11.02.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	Stock Exchange listing of FHB's mortgage bond (FJ05NF01SR1)
12.02.2004	Magyar Tőkepiac	Stock market preliminary report of FHB Rt for 4th quarter of 2003
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<sup>2</sup> www.bet.hu

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Date	Published in	Subject, brief content
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29.04.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Excerpts from FHB's 2003 Annual Report according to Capital Market Act
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08.07.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	Issue of first direct Euro mortgage bond
29.07.2004	BSE home page	Voluntary statement in connection with Corporate Governance Recommendations published by the Budapest Stock Exchange