



**Stock Market Preliminary Report of
FHB Land Credit and Mortgage
Bank Ltd. for the 4th quarter of
2004**

Budapest, 11 February, 2005

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

The preliminary report of FHB Land Credit and Mortgage Bank for the fourth quarter of 2004 contains the consolidated balance sheet and profit and loss account prepared according to Hungarian Accounting Standards (MSZSZ by its Hungarian acronym) and the International Financial Reporting Standards (IFRS). The consolidation applies also to FHB Szolgáltató Rt. (FHB Service Ltd.), a 100%-owned subsidiary of FHB, which operates as an acquiring agent. As the balance sheet and the profit and loss statement of FHB Service Ltd. have no significant bearing on the Bank's data, the preliminary report contains consolidated figures throughout the report. The narratives compare the non-audited figures as of 31 December 2004 and 30 September 2004 and the audited figures as of 31 December 2003.

I. Summary of the activities and events of the latest period

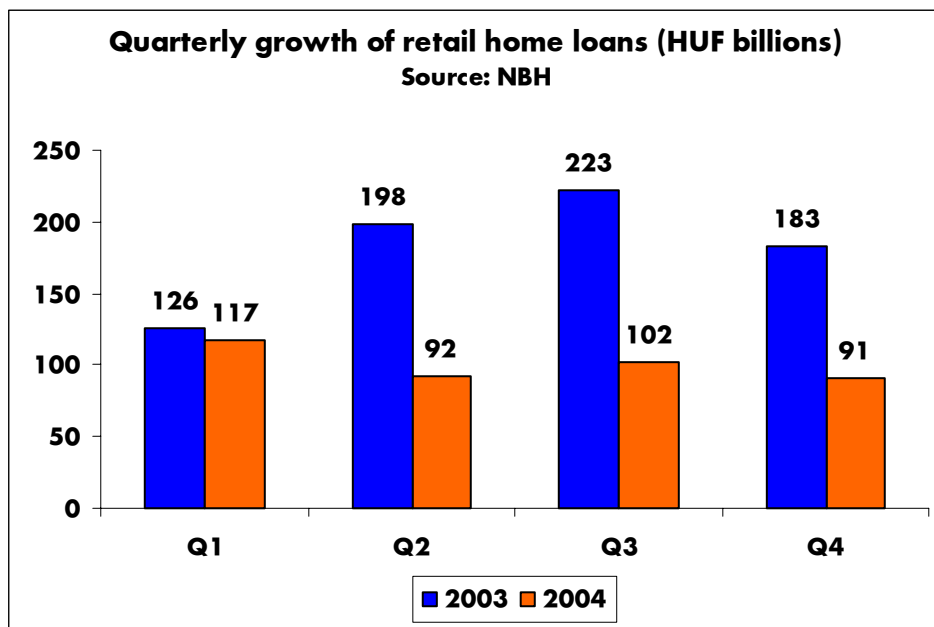
FHB closed its most profitable year since its inception: the after-tax profit by HAS was 7,044 million forints in 2004, 3,018 million forints higher than in 2003 and 1,248 million forints more than in the third quarter of 2004. IFRS net profit for 2004 reached 7,428 million forints, the year-on-year growth is 117%. Both the after-tax profit and balance sheet total exceeded that envisioned in the 2004 financial plans.

Housing loan market

Due to a decrease in government subsidies on home loans, an increase in the forint's interest rate and the end of the transpiring effect of the demand from 2003 the growth of retail housing loans returned to a normal rate, which lagged far behind of the dynamic growth of the previous years. The volume of such loans grew 141% in 2002 over the 2001 figure, and the 2003 year-on-year growth was 94% as a result of the state subsidy scheme. Due to the modification of the state subsidies in December 2003 and the changes in the financial markets retail housing loans in 2004 were only 27% higher than at the end of 2003. The total amount of these retail home loans as of 31st December 2004 was over 1,910 billion forints.

The significant slowdown is also conspicuous in terms of the monthly growth rate of forint-based home loans: the expansion of loans dropped to a quarter from July 2003 to April 2004, and the 2003 average monthly growth of 59 billion forints lapsed to 23 billion forints in 2004. Although the slowing in the growth of forint-based loans stopped, then slightly picked up after bottoming out in April along with a simultaneous boost in loans denominated in foreign exchange, the steepness of the growth again started to decline in August 2004 resulting in a growth far short of the figure in the same period of the previous year.

The unequivocal sign of foreign exchange-denominated loans gaining ground is that in the second half of 2004 the contribution of FX-based loans to the overall growth of home loans exceeded that of forint home loans. In this period the growth amounted to 100 billion forints. Though it must be added, that in 2004 the effect of the instalments on the growth of the amount of forint home loans was significant, while in case of FX-based loans starting from virtually zero this effect stayed at a minimum (due to the nature of the annuity loans).



The growth of FX-based loans also resulted in a restructuring in 2004 of the retail loans based on mortgage lien on property. Housing loans grew by 25.2%, while *other non-housing mortgage loans increased by 82 billion forints or 70.8%*. Within the latter, forint loans (typically non-subsidized loans) decreased by 25 billion forints, while the amount of FX-based loans increased by 107 billion.

Own lending

The amount of loans sold by the Bank grew by 25,849 million forints, or 24.6%, in a year up to 31 December 2004. Over the past year the Bank disbursed loans directly to clients to the amount of **35,523 million forints**, of which 8.6% were FX-based loans.

In the fourth quarter of 2004 a total of 9,662 million forints own loans were disbursed, 18.7% more than in the third quarter. New loans between October and December 2004 amounted to 65.8% of the 14,675 million forints disbursed in the fourth quarter of 2003; however, this can be imputed to the loan applications in record amounts brought forward due to the changes in relevant legal regulations in December 2003.

While home purchase and building loans continue to be the Bank's leading products, **general mortgage loans also had a significant share of the Bank's products in the second**

half of 2004. There was a rather significant restructuring within the product structure in the fourth quarter of 2004: whereas in the base quarter building loans contributed 27.7% to total disbursements against 60.1% purchase loans and a mere 3.2% general mortgage loans, in the last quarter of 2004 the share of building loans remained unchanged (28.3%), the share of purchase loans dropped to 44.8% and general mortgage loans (94% of which were denominated in FX) jumped to 16.6%.

Loans denominated in foreign exchange, a product launched in the second half of 2004 increasingly gained ground month by month: non-forint disbursements, which contributed 8.7% of total disbursements in the third quarter grew to reach almost one-fourth in the period between October and December.

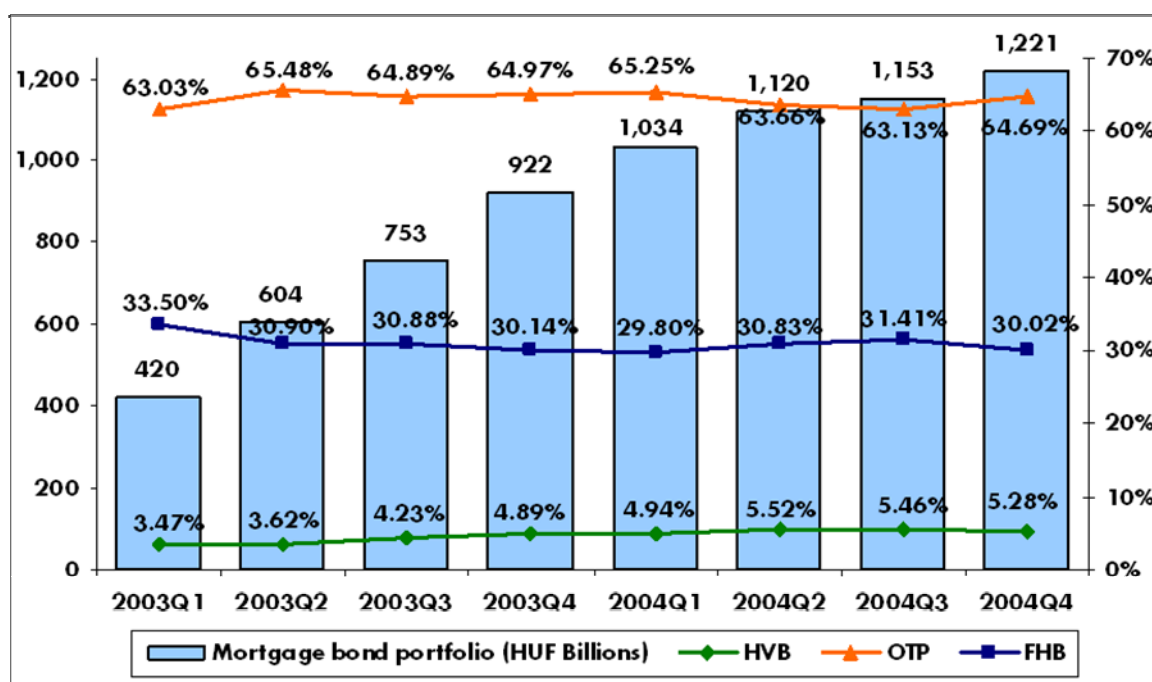
Refinancing

Declining demand for home loans were most keenly felt in the Bank's refinancing business over the past year. In 2004 almost three-quarters (73.5%) of refinancing took place in the first half, then gradually decreased on a quarterly basis, at a rate which varied by banks. Of the annual refinanced amount of 65,575 million forints 7,653 million appeared in the fourth quarter, which reached almost 80% of the third quarter's figure of 9,728 million forints. The exceptionally high figure of 47,981 million forints in the fourth quarter of 2003, also achieved as a one-time result of loan transactions brought forward cannot be compared with the same period of 2004.

A promising move in this area is that in the fourth quarter the Bank started refinancing loan transactions denominated in foreign exchange, thereby preceding all of its competitors in this particular market. The first transactions took place in December 2004.

Issue of mortgage bonds

Calculated on the basis of the current mortgage bond portfolios, the Bank's mortgage bonds market share is the same as that of the fourth quarter of 2003, and fell 139 basis points compared to the third quarter of last year due to the repurchase of mortgage bonds in the last months of the year, thus reaching 30.0% as of 31st December 2004. At the end of 2004 the aggregate mortgage bond portfolios of the three Hungarian mortgage banks exceeded 1,220 billion forints.



The Bank undertook two international mortgage bond issues and three repurchase transactions in the fourth quarter of 2004. Renewal of the bank's international bonds programme was finished in November; 422.5 million of the total of one billion euros are still to be utilized.

In 2004, for the fourth time in succession, the Bank was recognised as "BSE's Best Debt Security Issuer of the Year". Euromoney awarded FHB the title of "Best Structured Borrower of 2004".

Changes in the legislative environment

In the fourth quarter of 2004 there was no change in the legislative environment, which would have had a significant impact on the Bank's operation. In the last months of the year the Bank worked on upgrading its internal regulations and Rules of Business in order to adapt to the demands of a shrinking market and consequent keener competition. This effort resulted in changes favourable for clients. Expansion of FX-based products continued. In keeping with the relevant statutory provisions an instruction was issued on the mandatory application of the annual percentage rate (APR) and related obligation to provide the necessary information to customers.

Restructuring and staff figures

The bank had 199 staff as of 31st December 2004, one percent more than a year earlier (197), and five staff, or 2.6% more than in the third quarter. At the end of 2004 the consolidated head count was 228, which is 3.4% less than the 2003 year-end figure and 0.9% higher than the head count of the third quarter of 2004.

In the fourth quarter of 2004 restructuring measures were deployed in order to enhance the efficiency of operation, in particular, of the Bank's distribution channels, product development activities, and own network. As a result of the changes a Department of Lending was set up within the Business Directorate (as a successor of the Retail Lending Department). Business marketing related duties have also been delegated to the Business Directorate.

There were two changes in the Bank's senior officers in the fourth quarter: Dr. Lajos Oláh and Ágnes Koltai Nádházi resigned from their respective posts as member of the Board of Directors and member of the Supervisory Board, with effect from 1st November 2004 and 11 November 2004 respectively.

II. Summary figures of the latest period

Hungarian Accounting Standards

The major consolidated financial indicators for the past year surpassed the Bank's plans for 2004: the balance sheet total was 0.2% higher and the after-tax profit was 23.6% higher than envisioned.

The **consolidated balance sheet total** grew from 310,149 million to 416,004 million forints in the period between 31st December 2003 and 31st December 2004, which is a 34.1% increase in twelve months. The increase is mainly attributed to the expansion in receivables from clients and credit institutions (banks involved in refinancing): the total volume of such receivables increased by 74,390 million forints (25.0%) within a one-year period.

The **consolidated pre-tax profit** increased by 67.2%, at the end of 2004 it reached 8,270 million forints against the 4,947 million forints of the previous year. The **consolidated profit after taxation** was **7,044 million forints** as of 31st December 2004, more than three-quarters higher than the 4,026 million forint figure at the end of 2003. Against a background of keen competition and an average net interest margin narrowing as a result of the legislative environment, the growth in profits is remarkable. Appropriate exploitation of the Bank's internal resources and consequent further improvement of cost effectiveness have also contributed to this outstanding performance.

The Bank's **own equity grew** from 11,529 million forints to **18,573 million**, which constitutes a 61.1% growth within a year

Major financial indicators	Consolidated figures according to HAS		
	31 December, 2003	31 December, 2004	December 2004 / December 2003
Balance sheet total (million HUF)	310,149	416,004	134.1%
Mortgage loan portfolio (million HUF)	297,740	372,131	125.0%
Mortgage bonds outstanding (million HUF)	277,906	366,332	131.8%
Own equity (million HUF)	11,529	18,573	161.1%
Adjusted capital (million HUF) ¹	11,248	14,691	130.6%
Adjusted capital including profit for 2004 (million HUF)	11,248	18,350	163.1%
Capital adequacy ratio ¹	10.82%	11.20%	103.5%
Capital adequacy ratio including profit for 2004	10.82%	13.99%	129.3%
Pre-tax profit (million HUF)	4,947	8,270	167.2%
After-tax profit (million HUF) ²	4,026	7,044	175.0%
Net interest margin (NIM)	5.0%	4.0%	79.3%
CIR (operating costs / gross operating income)	51.7%	35.7%	69.1%
EPS (HUF)	610	1,067	175.0%
ROAA (return on average assets)	1.9%	1.9%	100.0%
ROAE (return on average equity)	46.5%	45.1%	96.9%

¹ Including profit as of 30 June, 2004.

² General reserve will be deducted from after-tax profit.

IFRS

Based on the International Financial Reporting Standards the **balance sheet total increased** from 309,310 million forints to 415,464 million forints, or **by 34.3% within a year**. The growth was mainly generated by the increase in the mortgage loan portfolio. **Owners' equity** increased by 58.1%, to **18,615 million forints**.

After-tax profit by IFRS was 7,428 million forints as of 31st December 2004, more than 116.9% the figure in the same period of the previous year and increasing 28.5% in the past quarter.

Major financial indicators	Consolidated figures according to IFRS		
	31 December, 2003	31 December, 2004	December 2004 / December 2003
Balance sheet total (million HUF)	309,310	415,464	134.3%
Mortgage loan portfolio (million HUF)	298,585	373,109	125.0%
Mortgage bonds outstanding (million HUF)	278,526	367,279	131.9%
Shareholder's equity (million HUF)	11,774	18,615	158.1%
Pre-tax profit (million HUF)	4,318	8,621	199.7%
After-tax profit (million HUF)	3,424	7,428	216.9%
Net interest margin (NIM)	4.4%	4.0%	92.3%
CIR (operating costs / gross operating income)	65.8%	40.3%	61.3%
EPS (HUF)	577	1,019	176.6%
ROAA (return on average assets)	1.6%	2.0%	129.4%
ROAE (return on average equity)	38.5%	47.5%	123.6%

III. Analysis of FHB's financial statements prepared according to Hungarian Accounting Standards

P/L structure³

Data in HUF million

DESCRIPTION	Q4 2003 (Oct-Dec)	Q3 2004 (June-Sep)	Q4 2004 (Oct-Dec)	Q4 2004 / Q4 2003	Q4 2004 / Q3 2004
Net interest income	2,921	4,112	4,219	144.4%	102.6%
Net fees and commission income	-50	280	196	-	70.0%
Net profit from financial transactions	605	-64	-1,051	-	1.654.9%
Gross operating income	3,476	4,329	3,364	96.8%	77.7%
Operating expenses	-1,757	-1,165	-1,288	73.3%	110.5%
Other income and expenditures	-38	-230	-261	684.1%	113.5%
Net operating income	1,680	2,934	1,815	108.0%	61.9%
Net provisions and loss write-off	-8	-49	-9	114.5%	17.9%
Creation of risk reserve	0	-1	-328	-	-
Extraordinary income / expenditures	-1	0	-96	9.638.2%	-
Profit before tax	1,672	2,884	1,382	82.7%	47.9%
Income tax	314	450	134	42.7%	29.8%
After-tax profit	1,358	2,435	1,248	91.9%	51.2%

At the end of 2004 the Bank's gross operating profit amounted to 14,695 million forints, which shows a 32.8% year-on-year increase. Gross operating profit for the fourth quarter of 2004 was 77.7% of the third quarter's figure. Net interest income, a dominant item in the gross operating profit, showed a 2.6% increase over the third quarter's figure, reaching 4,219 million forints compared to 4,112 million forints. Cumulative net interest income for 2004 grew 52.4% compared to 2003. Operating expenses amounted to **5,240 million forints, only 91.6% of the 2003 figure.**

Net interest income

The **14,951 million forints net interest income** for 2004 emerged as the balance of 46,878 million forints interest income (80.3% year-on-year increase) and 31,927 million forints interest expense (95.7% increase). Interest payable was almost entirely contributed by interest payable on mortgage bonds (96.6% in December 2003, 96.4% in September 2004, and 93.8% in December 2004). Compared to the second quarter, interest income went up by 5.9% while interest expenditure grew by 7.5%, resulting in a 2.6% growth of net interest income, due partly to the expansion of the loan portfolio.

The **average net interest margin (NIM)** was 3.94% as of 30 September 2004 and **3.99%** as of 31st December, 104 basis points lower than at the end of December 2003. The margin started to increase slowly but steadily in each quarter from its 3.66% bottom in March, due partly to the expansion of own loans and partly to the favourable cost of the mortgage bonds funding the loans.

³ Consolidated data by HAS

Net fees and commission income

The share of **net fees and commission income** within the Bank's gross operating profit has become increasingly marginal: while this item contributed 6.3% to gross operating profit as of 31st December 2003, at the end of September 2004 it was 5.2%, and stayed at **5.3%** at the end of the fourth quarter of 2004. The Bank's income from fees and commissions amounted to 360 million forints in the fourth quarter of 2004 (two-thirds of the figure of the fourth quarter of 2003). Expenditure on fees amounted to 163 million forints (27.8% of the figure of the fourth quarter of 2003), and the resulting net fees and commission income was 196 million forints as against 50 million forints net expenditure in the base period and 280 million forints net income in the third quarter of 2004.

The decrease in both income from fees and fees paid compared to the base period is explained by the lower level of reception and contracts. On the income side, valuation fees have been lagging, and the same applies to acquiring agents' fees on the expenditures side. Fees paid declined to a larger extent than income from fees due to a reduction in fees paid on mortgage bond issues.

Net profit from financial transactions

The fourth quarter's negative net profit from financial transactions amounting to 1,051 million forints resulted from the loss on mortgage bonds issued as well as from mortgage bond repurchases aimed at improving the maturity structure of the Bank's liabilities. However, the loss that appeared in the fourth quarter of 2004 was a one-off expenditure and established the basis of the future growth of profits by enhancing the cost of funds and the maturity structure. In the fourth quarter of 2004 24.35 billion forints, while in the entire year 32.35 billion forints of mortgage bonds were repurchased by the Bank.

Operating expenses

Data in million HUF

DESCRIPTION	Q4 2003 (Oct-Dec)	Q3 2004 (July-Sep)	Q4 2004 (Oct-Dec)	Q4 2004 / Q4 2003	Q4 2004 / Q3 2004
General administrative costs	1,691	1,100	1,222	72.3%	111.0%
Personnel expenses	942	495	770	81.7%	155.6%
- wages	415	319	499	120.3%	156.4%
- other personnel expenses	165	57	89	54.0%	156.0%
- social security expenses	363	119	182	50.1%	153.2%
Other administrative costs	749	606	452	60.3%	74.6%
- incl. special mortgage banking costs	348	220	143	41.0%	64.8%
Depreciation	66	65	66	99.6%	102.0%
TOTAL OPERATING EXPENSES	1,757	1,165	1,288	73.3%	110.5%

Substantial improvement in cost-effectiveness is indicated by the **cost-income ratio**, which **fell from 51.7% to 35.7%** over a year's period to 31st December 2004, almost matches the 34.9% CIR as of 30 September 2004. This level of cost effectiveness is creditable in an international comparison as well.

The Bank's operating costs in the fourth quarter of 2004 amounted to 1,288 million forints, the year-on-year figure being almost a quarter less than in 2003. Along with a more moderate growth in business activity there was a significant (297 million forints) reduction in other administrative costs. The contribution of this item to the change in operating expenses dropped from 42.6% to 35.1%. Savings on costs materialised in special mortgage banking costs in the fourth quarter of 2004 were two-thirds of the third quarter's figure and dropped almost 60% compared to the fourth quarter of 2003. Personnel expenses were 18.3% below the same figure of the previous year, while depreciation stayed at the level of the fourth quarter of 2003.

Portfolio quality, loss in value and provisions

Data in million HUF

Breakdown of classified portfolio by loss in value and provisions									
CLASSIFICATION	31 December 2003			30 September 2004			31 December 2004		
	Total accounts receivable	Loss in value and prov.	Ratio	Total accounts receivable	Loss in value and prov.	Ratio	Total accounts receivable	Loss in value and prov.	Ratio
Standard	306,736	-	0.0%	375,582	0	0.0%	393,995	-	0.0%
Watch	1,882	1	0.0%	2,276	0	0.0%	2,188	-	0.0%
Substandard	324	37	11.5%	321	35	11.0%	305	32	10.5%
Doubtful	508	185	36.3%	914	313	34.2%	1,061	329	31.0%
Bad	28	28	100.0%	28	28	100.0%	16	16	100.0%
TOTAL	309,478	250	0.1%	379,121	377	0.1%	397,565	377	0.1%

The structure of the Bank's **portfolio retained its excellent quality** in the past quarter. Owing to the specific features of collateral for mortgage loans, the solvency of the customers continues to exceed the average value in banking: **the rate of problem-free accounts receivable was 99.1%** within the portfolio at the end of the fourth quarter of 2003 as well as at the end of the third and fourth quarters of 2004. Loss in value and provisions to cover for loans classified as substandard remained unchanged compared to the fourth quarter of 2004.

The Bank has modified its Accounting Policy, according to this modification the Bank decided to create **general risk reserve** starting from 2004. The maximum level of reserve defined by the law will be reached in a 3 years period, the reserve will reach 20% of its maximum in 2004, 60% in 2005 and 100% in 2006. The creation of this reserve resulted in a 328 million forints expenditure not envisioned by the annual financial plan for 2004.

Structure of the balance sheet⁴

As of 31st December 2004 the **consolidated balance sheet total** of the Bank was **416,004 million forints**, one-third higher than at the end of 2003. Of the year-on-year increase in total assets 70.3% was generated by the expansion of loans and 24.3% by the expansion of the interbank portfolio. The growth in the balance sheet total as of 31st December was 3.0% over 30 September. The 9,492 million forints increase in loans contributed 78.6% to the growth of the balance sheet total in the fourth quarter. As regards the increase in total liabilities, 83.5% of the year-on-year increase and 36.7% increase over the preceding quarter were contributed by the expansion of outstanding mortgage bonds.

Data in million HUF

DESCRIPTION	31.12.2003	30.09.2004	31.12.2004	31.12.2004 / 31.12.2003	31.12.2004 / 30.09.2004
Interest earning assets (at net value)	304,239	396,542	404,630	133.0%	102.0%
- Retail loans	104,998	124,028	130,968	124.7%	105.6%
- Other loans	204	113	83	40.7%	73.5%
- Refinanced loans	192,538	238,498	241,080	125.2%	101.1%
- Securities	3,447	2,957	3,765	109.2%	127.3%
- Interbank	3,052	30,946	28,734	941.5%	92.8%
Own assets and investment	764	868	1,116	146.1%	128.6%
Other assets	5,146	6,515	10,258	199.3%	157.5%
Assets total	310,149	403,925	416,004	134.1%	103.0%
Interest bearing liabilities	283,906	364,455	375,321	132.2%	103.0%
- Mortgage bonds	277,906	361,898	366,332	131.8%	101.2%
- Interbank loans	6,000	2,557	8,989	149.8%	351.5%
Other liabilities	14,038	22,141	21,779	155.1%	98.4%
Own equity and provisions	12,205	17,329	18,904	154.9%	109.1%
Liabilities total	310,149	403,925	416,004	134.1%	103.0%

Interest earning assets

Interest earning assets reached 404,630 million forints by 31st December 2004, a 33.0% year-on-year growth, and a 2.0% growth over the previous quarter. **Refinancing** showed a 25.2% year-on-year increase, and a 1.1% increase over the past quarter. **The portfolio of loans to retail customers** distributed by the Bank's branches, its network of agents and consortial partners increased by 24.7% compared to the same period of 2003, and by 5.6% over the third quarter of 2004, amounting to 130,968 million forints. Loans to retail customers contributed 31.5% to net interest earning assets at the end of 2004.

The value of the **mortgage loans portfolio** was 372,131 million forints as of 31st December 2004, a year-on-year growth of 25.0% and a 2.6% growth over the third quarter of 2004.

At the end of 2004 the principal accounts receivable from customers of 373,374 million forints was covered by real estate collateral to the value of 936,351 million forints. Thus the **average loan to value ratio** (LTV) was 39.6% as of 31st December 2004 against 41.3% in the fourth

⁴ Consolidated data by HAS

quarter of 2003, and showing a decrease of 0.7 percentage points compared to the 40.3% ratio in the third quarter of 2003.

The portfolio of **interbank deposits** lent amounted to 3,052 million forints as of 31st December 2003 compared to 28,734 million forints as of 31st December 2004, which contributed barely 1.0% to interest earning assets in the base period of last year and 6.9% in December 2004. Similarly to previous periods, in the fourth quarter of 2004 interbank placements included two-week deposits with the NBH as well as deposits with other banks with a maximum maturity of two months. Interbank deposits serve primarily for the purpose of liquidity and supplementary collateral; their increase is justified by the substantial expansion in collateral and an overall increase in transactions.

The value of the **securities portfolio** of the Bank was 3,447 million forints as of 31st December 2003; the figure as of 31st December 2004 was similar (3,765 million forints). The Bank treats the securities portfolio as a liquidity reserve. The portfolio contains government bonds, NBH bonds and treasury bills. As of 31st December 2004 the portfolio contained 76.9% treasury bills while the remaining 23.1% portion included government bonds and NBH bonds. The share of securities within interest earning assets was 0.9% in the third quarter of 2004.

Own assets

Tangible and intangible assets amounted to **1,116 million forints** as of 31st December 2004. This meant a year-on-year decrease of 46.1% and a 28.6% increase over the third quarter of 2004. Own assets are used solely to support the operation of the Bank, several investments were completed in 2004 to improve the infrastructure.

Interest bearing liabilities

As of 31st December 2004 almost all (97.6%) of the interest bearing liabilities were contributed by the mortgage bonds portfolio, which serves as long-term financing of mortgage loans. The interbank portfolio amounting to 8,989 million forints played an insignificant role among interest bearing liabilities.

The portfolio of **mortgage bonds** issued by the Bank was 366,332 million forints as of 31st December, which represents an increase of 31.8% over the same period of 2003, and a 1.2% increase over the portfolio as of 30 September 2004. The relatively small change compared to the third quarter of 2004 resulted mainly from the repurchase of 24,35 billion forints of mortgage bonds. **The aggregate face value of mortgage bonds issued** by the Bank amounted to **28,837.75 million forints in the fourth quarter**, which is almost half (48.7%) of the issues amounting to 59.2 billion forints in the same period of 2003, and exceeds the issues in the previous quarter amounting to 25,005 million forints by 15.3%.

Mortgage bonds issued in 2004

	Series	Date of issue	Total face value sold (Mn HUF)*	Maturity (year)
H1	Total		67,486.25	
Q3	FJ09NF03	05.07.2004	25,005.00	5
Q4	FJ10ZF01	10.11.2004	12,236.50	6
	FJ16ZF01	29.11.2004	16,601.25	12
	Total		28,837.75	
H2	Total		53,842.75	
2004	Total		121,329.00	

* Using exchange rates at the date of issue.

Two international issues took place in the fourth quarter of 2004 to the amount of 50 million euros and 16.6 billion forints (equivalent to 67.5 million euros) respectively. In November and December mortgage bonds were repurchased in the context of two open auctions and a closed transaction respectively.

Mortgage bonds issued by the Bank in 2004 amounted to 121.33 billion forints, 10% higher than the 110 billion forints envisioned. Four repurchases took place during the same period to the aggregate amount of 32.35 billion forints, and there were principal repayments amounting to 200 million forints on one series of mortgage bonds, which means the Bank's outstanding mortgage bonds portfolio increased by 88.78 billion forints in the course of the year.

The volatility of interests and investors' higher yield expectations forced the Bank to involve predominantly external sources to cover its funding needs. This was supported by the Bank's international bonds programme and its good credit rating. In 2004 only two Hungarian mortgage bond issues took place, all other funds were involved in international markets. In the second half the Bank used active asset and liability management techniques on several occasions, and as a result, managed to enhance its maturity structure, smoothing out repayment peaks in the coming years and reducing its financing cost.

As regards the volume of mortgage bonds issued in the Hungarian market, the Bank retained its stable position, with a share of 30%. FHB continues to be a market leader in terms of mortgage bonds traded to institutional investors in the context of public offering, a fact which is reflected by the secondary market trading of the Bank's mortgage bonds. In the course of 2004 a total of 87 billion forints mortgage bonds were traded at the Stock Exchange, the majority of which (51 billion forints, or almost 60%) was contributed by FHB's securities.

Mortgage bond collaterals

The value of assets used as **ordinary collateral** for the mortgage bonds issued by the Bank was **713,112 billion forints** as of 31st December 2004, which meant a 2.2% increase over 30 September 2004 and a 31.5% year-on-year increase.

The value of the group of assets involved as collateral as of 31 December 2004 (million forints)

Outstanding mortgage bonds in circulation	
face value:	366,332
interest:	211,650
total:	577,982
Value of the regular collateral	
face value:	370,959
interest:	342,153
total:	713,112
Value of assets (government bonds) involved as supplementary collateral	
face value:	0 Ft
interest:	0 Ft
total:	0 Ft

The Bank has complied with the collateral requirements required under the Act on Mortgage Loan companies and Mortgage Bonds (Jht. by its Hungarian abbreviation) on an ongoing basis.

Interbank funds

The 8,989 million forints **portfolio of interbank deposits** as of 31st December 2004 consisted entirely of draw-downs from **revolving credit facilities**. The Bank applies revolving credits as supplementary facilities to supply funds, supporting and increasing the safety of the liquidity of the Bank at all times. Currently the Bank has access to a total of eight billion forints of funds supplied in this way, of which a portion equivalent to 16 million euros can be drawn down in HUF, EUR or CHF. As of 31 December 2004, draw-downs from the multi-currency facility amounted to 10.0 million Swiss francs, one million euros and 4.2 billion forints.

Own equity

The value of the Bank's **own equity** was 18,573 million forints as of 31st December 2004, 61.1% higher than the 11,529 million forints a year earlier and 7.2% higher than the 17,325 million forints at the end of the third quarter of 2004.

By 31st December 2004 the value of risk weighted assets and off-balance sheet items increased to reach 131,198 million forints from 103,999 million forints in the base period, which constitutes a 26.2% increase. The increase in the last three months amounted to 6,627 million forints. The **adjusted capital** of the Bank increased by 30.6% from 11,248 million forints as of 31st December 2003 to 14,691 million forints as of 31st December 2004, and by 1.3% compared to

the 14,498 million forints as of 30 September 2004. Adjusted capital would increase to 18,350 million forints including the profit for 2004.

As of 31st December 2004 the **capital adequacy ration** was 11.20%, which included the audited result of the first half. By contrast, the ratio was 10.82% in the fourth quarter of 2003 and 11.64% as of 30 September 2004. Calculating with the yearly profit for 2004 the ratio would reach 13.99%.

Off-balance sheet items

The Bank's pending liabilities among the off-balance sheet items include mainly contracted but not yet disbursed loans.

The most important item among future liabilities includes derivative transactions related primarily to mortgage bonds denominated in euro. As of 31st December 2004 the Bank had four active deals, the total future liabilities of these four transactions exceed 37 billion forints.

IV. Analysis of FHB's financial statements prepared according to IFRS

P/L structure⁵

Data in HUF million

DESCRIPTION	Q4 2003 (Oct-Dec)	Q3 2004 (June-Sep)	Q4 2004 (Oct-Dec)	Q4 2004 / Q4 2003	Q4 2004 / Q3 2004
Net interest income	2,902	4,172	4,230	145.8%	101.4%
Net fees and commission income	-355	63	53	-	84.2%
Profit from securities and FX transactions	57	-70	-1,023	-	1.455.7%
Other operating income/expense	292	110	-47	-	-
Operating income	2,893	4,276	3,214	111.0%	75.2%
Losses/provisions on loans	-41	-51	-33	-	64.1%
General and administrative costs	-1,876	-1,302	-1,429	76.2%	109.8%
Profit before tax	1,061	2,922	1,752	165.1%	59.9%
Income tax	-315	-456	-103	32.8%	22.7%
Net profit	745	2,466	1,648	221.2%	66.8%

In the fourth quarter of 2004 **the Bank's consolidated net profit by IFRS was 1,648 million forints**, more than double the figure of the same period of 2003 but one-third short of the profit earned from July to September 2004. Adjusting the net profit of the fourth quarter of 2004 with the one-time loss incurred on the repurchase transaction there is a 230 million forints increase in net profit compared to the third quarter.

In the course of the fourth quarter of 2004 the Bank generated 13,346 million forints interest income (which is 157.7% of the fourth quarter of 2003), with 9,116 million forints interest expenditure (which is 164,0% of the fourth quarter of 2003), resulting in a net interest income amounting to 4,230 million forints.

The net income from fees and commission in the fourth quarter of 2004 was 53 million forints as opposed to 355 million forints loss of the same period in 2003.

Repurchase of mortgage bonds in November and December 2004 resulted in losses in excess of one billion forints; however, this is expected to be compensated by future earnings resulting from a more favourable structure of liabilities. The net present value of the repurchase transactions was always positive.

In the fourth quarter of 2004 operating costs amounted to 1,429 million forints, which is only three-quarters of the figure achieved in the fourth quarter of 2003, and only 10% higher than in the third quarter of 2004.

The more favourable after-tax profit compared to the figure by MSZSZ is imputed to a different handling of the creation of general risk reserve.

⁵ Consolidated data by IFRS

Structure of the balance sheet⁶

Data in HUF million

Description	31.12.2003	30.09.2004	31.12.2004	31.12.2004 / 31.12.2003	31.12.2004 / 30.09.2004
Cash	5	1	2	40.3%	140.1%
Due form NBH	17	22,593	10,163	58,975.4%	45.0%
Interbank placements	3,055	8,953	18,744	613.5%	209.4%
Available for sale securities	3,490	3,000	3,852	110.4%	128.4%
Refinanced loans	192,538	238,498	241,080	125.2%	101.1%
Loans	106,047	125,069	132,029	124.5%	105.6%
Fixed assets	763	866	1,096	143.6%	126.5%
Other assets	3,394	4,212	8,499	250.4%	201.8%
Total assets	309,310	403,193	415,464	134.3%	103.0%
Liabilities	297,536	386,329	396,849	133.4%	102.7%
- Interbank deposits	6,000	2,557	8,989	149.8%	351.6%
- Mortgage bonds	278,526	362,672	367,279	131.9%	101.3%
- Other liabilities	13,010	21,101	20,581	158.2%	97.5%
Shareholder' equity	11,774	16,863	18,615	158.1%	110.4%
- Share capital	6,600	6,600	6,600	100.0%	100.0%
- Share premium	1,709	1,709	1,709	100.0%	100.0%
- General reserve	446	1,025	1,148	257.4%	112.0%
- Cash-flow hedge reserve	0	-31	72	-	-
- Retained earnings	3,019	7,560	9,085	301.0%	120.2%
Total liabilities	309,310	403,193	415,464	134.3%	103.0%

As of 31st December 2004 the consolidated balance sheet total of the Bank by IFRS was 415,464 million forints, which is 106,154 million forints, or about one-third higher than the figure at the end of 2003, and exceeds the balance sheet total as of 30 September 2004 by 12,271 million forints, or 3.0%. Of the increase over the 31st December 2003 base 70.2% was generated by the increase in the loan portfolio, while interbank and NBH placements contributed 24.3% to the increase of assets. Over three-quarters (77.7%) of the expansion in the fourth quarter were contributed by the increase in the refinanced loans portfolio.

On the liabilities side, in the past quarter 37.5% of the rise in the balance sheet total was contributed by the increase in the mortgage bonds portfolio, and 52.4% by the increase in interbank borrowings. Compared to the base period in 2003, mortgage bonds increase was 83.6%.

⁶ Consolidated data by IFRS

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 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 data for the period of 1 January, 2004 to 31 December, 2004, audited data for the period of 1 January, 2003 to 30 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	As of 31 December, 2004	As of 31 December, 2003	Change (%)
Interest income	46,848	25,955	180.50%
Interest expense	-31,921	-16,307	195.70%
Net interest income	14,927	9,648	154.70%
Fee and commission income	801	641	125.00%
Fee and commission expense	-592	-1,434	41.30%
Profit from FX transactions	34		
Gain less losses from securities	-962	152	-634.50%
Other operating income	523	1,458	35.90%
Other operating expense	-214	-116	183.60%
Operating income	14,518	10,348	140.30%
Losses/provisions on loans and advances	-166	-102	161.80%
General and administrative costs	-5,731	-5,928	96.70%
Profit before tax	8,621	4,318	199.70%
Taxation expense	-1,193	-894	133.45%
Profit for the period	7,428	3,424	216.90%

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Balance Sheet

(consolidated, non-audited data as at 31 December, 2004, audited data as at 31 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	31 December 2004	31 December 2003	Change (%)
Assets			
Cash	2	5	40.30%
Due from National Bank of Hungary	10,163	17	58.975.4%
Placements with other banks	18,744	3,055	613.50%
Available for sale securities	3,852	3,490	110.40%
Refinancing of mortgage loans	241,080	192,538	125.20%
Loans	132,029	106,047	124.50%
Property and equipment	1,096	763	143.60%
Other assets	8,499	3,394	250.40%
Total Assets	415,464	309,310	134.30%
Liabilities			
Deposits from banks	8,989	6,000	149.80%
Mortgage bond liabilities	367,279	278,526	131.90%
Other liabilities	20,581	13,010	158.20%
Kötelezettségek Összesen	396,849	297,536	133.40%
Shareholders' Equity			
Share capital	6,600	6,600	100.00%
Share premium	1,709	1,709	100.00%
General reserve	1,148	446	257.40%
Cash-flow hedge reserve	72		0.00%
Retained earnings/(deficit)	9,085	3,019	301.00%
Total Shareholders' Equity	18,615	11,774	158.10%
Total Liabilities and Shareholders' Equity	415,464	309,310	134.30%

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Cash Flow

(consolidated, non-audited data as at 31 December, 2004, audited data as at 31 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	31 December 2004	31 December 2003
Cash flows from operating activities		
Net profit	7,428	3,424
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	266	248
Provision for losses	135	26
Loss/(profit) on sale of fixed assets	19	1
Operating profit / (loss) before changes in operating assets	7,849	3,699
<i>Increase (decrease) in operating assets:</i>		
Refinancing of mortgage loans	-48,542	-151,362
Loans	-26,117	-40,855
Accrued interest receivable	-838	-201
Other assets	4,266	-2,274
<i>Increase (decrease) in operating liabilities:</i>		
Due to other banks	2,989	4,000
Accrued interest payable	7,167	7,756
Other liabilities	-173	365
Net cash used in operating activities	-61,930	-179,072
Cash flows from investing activities		
Increase in available for sale securities	-362	-1,333
Proceeds from sale of property and equipment	22	10
Purchase of property and equipment	-640	-223
Net cash used in investing activities	-980	-1,546
Cash flows from financing activities		
Capital increase		2,500
Repayment of subordinated debt		-1,500
Sale/(purchase) of own shares		913
Installment from mortgage bonds	-15,950	-13,980
Proceeds from issue of mortgage bonds	104,691	191,592
Net cash from financing activities	88,741	179,526
Net increase in cash and cash equivalents	25,831	-893
Cash and cash equivalents at beginning of year	3,077	3,970
Cash and cash equivalents at end of period	28,908	3,077
Cash and cash equivalents comprises of:		
Cash	2	5
Due from Central Bank	10,163	17
Placements with other banks, with a maturity of less than 90 days	18,744	3,055
Cash and cash equivalents at end of period	28,908	3,077
Supplemental information:		
<i>Interest received</i>	<i>46,039</i>	<i>25,921</i>
<i>Interest paid</i>	<i>-24,754</i>	<i>-8,551</i>
<i>Tax paid</i>	<i>-1,213</i>	<i>-869</i>

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Statement of Shareholders' Equity

(consolidated, non-audited data as at 31 December, 2004, audited data as at 31 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	Share Capital	Treasury Shares	Share Premium	General reserve	Cash-flow hedge reserve	Retained earnings (deficit)	Shareholders' Equity
31 December 2002	4,100	-350	1,146	43		-2	4,936
Share capital increase	2,500						2,500
Sale of treasury shares		350	563				913
Transfer to general reserve				404		-404	
Profit for the period						3,424	3,424
31 December 2003	6,600	0	1,709	446		3,019	11,774
Dividend for 2003						-660	-660
Net income from FX swap					72		72
Transfer to general reserve				702		-702	
Profit for the period						7,428	7,428
31 December 2004	6,600	0	1,709	1,148	72	9,085	18,615

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Loans

(consolidated, non-audited data as at 31 December, 2004, audited data as at 31 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	31 December 2004	31 December 2003
Real estate purchase	77,942	65,225
Real estate construction	33,086	24,078
Real estate reconstruction	1,724	1,418
Real estate extension	12,617	10,048
Other loans secured by real estate	6,064	4,681
Employee loans	979	844
Loans, gross	132,411	106,295
from this: retail loans	132,327	106,074
other	84	221
Loan loss provision	-382	-248
Loans, net	132,029	106,047

Mortgage bonds

(consolidated, non-audited data as at 31 December, 2004, audited data as at 31 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	31 December 2004		31 December 2003	
Non-listed mortgage bonds				
Fixed	152,898	152,335	77,756	77,752
Floating	5,600	5,600	5,600	5,600
Listed mortgage bonds				
Fixed	192,695	192,048	179,124	178,205
Floating	16,085	16,349	16,046	16,349
Total	367,279	366,332	278,526	277,906

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

(consolidated, non-audited data as at 31 December, 2004, audited data as at 31 December, 2003, according to IFRS, data in million HUF)

DESCRIPTION	31 December 2004	31 December 2003
Total Shareholders' Equity per Hungarian Statutory Financial Statements	18,573	12,189
Loan origination fee	-487	-457
General risk reserve	328	
Cash-flow hedge reserve	72	
Deferred tax asset	111	78
Mark to market of available for sale investments	16	-36
Total Shareholders' Equity per IFRS Financial Statements	18,615	11,774

DESCRIPTION	31 December 2004	31 December 2003
Profit per Hungarian Statutory Financial Statements	7,044	4,026
Release of depreciation of establishment costs	-	140
Loan origination fee	-29	-167
Deferred tax benefit	33	27
Gains on sale of treasury shares	-	-563
Creation of general risk reserve	328	-
Mark to market of available for sale investments	52	-38
Profit per IFRS financial statements	7,428	3,424

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DATA FORMS RELATED TO THE FINANCIAL REPORTS

PK1. General information on the financial figures

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

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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PK3. Balance sheet

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

Assets		Data in thousand HUF		
No.	Description of the item	31 December 2003	31 December 2004	Change (%)
1.	1. Liquid assets	25,021	174,393	697.0%
2.	2. Government securities	3,447,149	3,764,969	109.2%
3.	a) for trading	3,447,149	3,764,969	109.2%
4.	b) for investment			
5.	3. Receivables from credit institutions	195,590,602	269,814,195	137.9%
6.	a) sight	12,202	64,100	525.3%
7.	b) other receivables from financial services	195,578,400	269,750,095	137.9%
8.	ba) short term	13,619,243	42,494,261	312.0%
9.	of which: - from associated enterprises			
10.	- from enterprises with participating interest			
11.	- from NBH		10,000,000	
12.	bb) long term	181,959,157	227,255,834	124.9%
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.	4. Receivables from customers	105,202,193	131,050,459	124.6%
20.	a) from financial services	105,202,193	131,050,459	124.6%
21.	aa) short term	6,960,679	8,148,664	117.1%
22.	of which: - from associated enterprises			
23.	- from enterprises with participating interest			
24.	ab) long term	98,241,514	122,901,795	125.1%
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.	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.	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.	6. Shares and other securities with variable yield			
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			

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Assets

Data in thousand HUF

No.	Description of the item	31 December 2003	31 December 2004	Change (%)
53.	bb) for investment			
54.	7. Shares and participations for investment	3		0.0%
55.	a) shares and participations for investment	3		0.0%
56.	of which: - participation in credit institutions	3		0.0%
57.	b) value adjustment of shares and participations for investment			
58.	of which: - participation in credit institutions			
59.	8. Shares and participations in associated enterprises			
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.	9. Intangible assets	298,693	495,384	165.9%
68.	a) intangible assets	298,693	495,384	165.9%
69.	b) value adjustment of intangible assets			
70.	10. Tangible assets	464,313	620,543	133.6%
71.	a) tangible assets for financial and investment services	464,313	620,543	133.6%
72.	aa) real estate	136,857	133,347	97.4%
73.	ab) technological equipment, machines, appliances and vehicles	322,378	285,589	88.6%
74.	ac) investments	5,078	181,550	3,575.2%
75.	ad) advances given to investments		20,057	
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			
83.	12. Other assets	3,623,834	7,794,604	215.1%
84.	a) inventories	23,176	13,957	60.2%
85.	b) other receivables	3,600,658	7,780,647	216.1%
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	1,497,648	2,289,388	152.9%
90.	a) accrued income	587,219	1,423,534	242.4%
91.	b) deferred costs and expenditures	910,429	865,854	95.1%
92.	c) deferred expenditures			
93.	TOTAL ASSETS	310,149,456	416,003,935	134.1%
	of which: CURRENT ASSETS (1+2a+3a+3ba+3c+4aa+4b+5aa+5ba+6a+6ba+11+12)	27,688,128	62,440,991	225.5%
	INVESTED ASSETS (2b+3bb+4ab+5ab+5bb+6bb+7+8+9+10)	280,963,680	351,273,556	125.0%

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Liabilities

Data in thousand HUF

No.	Description of the item	31 December 2003	31 December 2004	Change (%)
94.	1. Liabilities to credit institutions	6,000,000	8,989,330	149.8%
95.	a) sight			
96.	b) accounts payable for a definite term, deriving from financial services	6,000,000	8,989,330	149.8%
97.	ba) short term	6,000,000	8,989,330	149.8%
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.	2. Liabilities to customers	201,549	258,015	128.0%
109.	a) savings deposits			
110.	aa) sight			
111.	ab) short term			
112.	ac) long term			
113.	b) other liabilities from financial services	201,549	258,015	128.0%
114.	ba) sight	201,549	258,015	128.0%
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.	3. Liabilities from securities issued	277,906,290	366,332,210	131.8%
132.	a) bonds issued	277,906,290	366,332,210	131.8%
133.	aa) short term	200,000	5,200,000	2,600.0%
134.	of which: - from associated enterprises			
135.	- from enterprises with participating interest			
136.	ab) long term	277,706,290	361,132,210	130.0%
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	31 December 2003	31 December 2004	Change (%)
152.	- from enterprises with participating interest			
153.	4. Other liabilities	1,186,959	474,954	40.0%
154.	a) short term	1,186,959	474,954	40.0%
155.	of which: - from associated enterprises			
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.	5. Accrued expenditures and deferred income	13,324,027	21,044,915	157.9%
163.	a) passive accrual of income	1,830,416	2,434,049	133.0%
164.	b) accrued costs and expenditures	11,493,611	18,610,866	161.9%
165.	c) deferred income			
166.	6. Provisions	2,034	331,445	16,295.2%
167.	a) provision for pension and severance payment			
168.	b) risk reserve for pending and certain future liabilities	2,034	3,450	169.6%
169.	c) general risk reserve		327,995	
170.	d) other reserves			
171.	7. Subordinated obligations			
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.	8. Subscribed capital	6,600,001	6,600,001	100.0%
182.	of which: - repurchased ownership share at face value			
183.	9. Subscribed and not yet paid-up capital (-)			
184.	10. Capital reserve	1,145,594	1,145,594	100.0%
185.	a) the outstanding balance between the face value of the participation and its placement value (premium)	1,145,594	1,145,594	100.0%
186.	b) other			
187.	11. General reserve	446,109	1,148,348	257.4%
188.	12. Profit reserve (±)	382,853	3,354,981	876.3%
189.	13. Fixed reserve			
190.	14. Valuation reserve			
191.	15. Profit as per balance sheet (±)	2,962,725	6,342,231	214.1%
192.	16. Changes of equity of subsidiaries and enterprises under joint management (±)	-8,685	-18,089	208.3%
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	310,149,456	416,003,935	134.1%
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)	7,588,508	14,922,299	196.6%
199.	- LONG TERM LIABILITIES (1.bb+2.ac+2.bc+3.ab+3.bb+3.cb+4.b+7)	277,706,290	361,132,210	130.0%
200.	- SHAREHOLDER'S EQUITY (8-9+10+11±12+13+14±15±16±17±18)	11,528,597	18,573,066	161.1%

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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 fourth quarter of 2004 and audited for 2003, prepared according to the Hungarian Accounting Standards

Data in thousand HUF

No.	Description of the item	31 December 2003	31 December 2004	Change (%)
1.	1. Interest and interest type revenues received	26,006,866	46,877,948	180.3%
2.	a) interest received due on fixed interest debenture securities	215,371	347,822	161.5%
3.	of which: - from associated enterprises			
4.	- from enterprises with participating interest			
5.	b) other interest and interest type revenues received	25,791,495	46,530,126	180.4%
6.	of which: - from associated enterprises			
7.	- from enterprises with participating interest			
8.	2. Interest paid and interest type payments:	16,313,362	31,926,520	195.7%
9.	of which: - from associated enterprises			
10.	- from enterprises with participating interest			
11.	INTEREST DIFFERENCE (1-2)	9,693,504	14,951,428	154.2%
12.	3. Revenues from securities	1		
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)	1		
16.	4. Commission and fee revenues received (due)	2,170,982	1,366,527	62.9%
17.	a) revenues from other financial services	2,170,982	1,366,527	62.9%
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.	5. Commission and fees paid payable	1,471,921	586,544	39.8%
24.	a) from expenditures of other financial services	799,898	388,109	48.5%
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)	672,023	198,435	29.5%
28.	of which: - from associated enterprises			
29.	- from enterprises with participating interest			
30.	6. Profit on financial transactions (6.a - 6.b + 6.c - 6.d)	674,790	-1,036,527	-153.6%
31.	a) from revenues of other financial services	813,508	1,091,670	134.2%
32.	of which: - from associated enterprises			
33.	- from enterprises with participating interest			
34.	b) from expenditures of other financial services	124,366	2,128,431	1,711.8%
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)	14,382		0.0%
42.	of which: - from associated enterprises			
43.	- from enterprises with participating interest			
44.	- impairment on securities for trading			
45.	7. Other revenues from business activities	205,217	132,258	64.4%
46.	a) revenues from non-financial and investment services	8,821	6,346	71.9%
47.	of which: - from associated enterprises			

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Data in thousand HUF

No.	Description of the item	31 December 2003	31 December 2004	Change (%)
48.	- from enterprises with participating interest			
49.	b) other revenues	196,396	125,912	64.1%
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.	8. General administrative costs	5,332,321	4,973,810	93.3%
55.	a) personnel expenses	2,392,922	2,388,904	99.8%
56.	aa) wage cost	1,352,096	1,569,093	116.0%
57.	ab) other personal type disbursements	329,630	243,590	73.9%
58.	Including: - social security costs	98,310	103,370	105.1%
59.	- costs associated with pension	89,286	94,573	105.9%
60.	ac) contribution after wages	711,196	576,221	81.0%
61.	Including: - social security costs	628,513	494,585	78.7%
62.	- costs associated with pension	378,483	296,371	78.3%
63.	b) other administrative costs (material type costs)	2,939,399	2,584,906	87.9%
64.	9. Depreciation and amortization	388,199	265,934	68.5%
65.	10. Other expenditures from business activities	573,717	747,549	130.3%
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	573,717	747,549	130.3%
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.	11. Value loss on receivables and risk provision from pending and certain (future) liabilities	185,943	637,118	342.6%
75.	a) value loss on receivables	184,190	303,527	164.8%
76.	b) risk reserve for pending and certain (future) liabilities	1,753	333,591	19,029.7%
77.	12. Reversal of value loss on receivables and risk provision	160,200	170,224	106.3%
78.	a) reversal of value loss on receivables	158,546	166,044	104.7%
79.	b) utilization of risk reserve for pending and certain (future) liabilities	1,654	4,180	252.7%
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	7	7	100.0%
82.	15. OPERATING (BUSINESS) PROFIT	4,952,600	8,372,962	169.1%
83.	Including: - PROFIT FROM FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5±6+7.b-8-9-10.b-11+12-13+14)	4,943,779	8,366,616	169.2%
84.	- PROFIT FROM NON-FINANCIAL AND INVESTMENT SERVICES (7.a-10.a)	8,821	6,346	71.9%
85.	16. Extraordinary revenues			
86.	17. Extraordinary expenditures	6,075	102,982	1,695.2%
87.	18. Extraordinary profit (16 - 17)	-6,075	-102,982	1,695.2%
88.	19. Pre-tax profit (± 15± 18)	4,946,525	8,269,980	167.2%
89.	20. Tax liability	920,230	1,225,510	133.2%
90.	a) outstanding balance of corporation tax deriving (calculated) from consolidation			
91.	21. Profit after taxes (± 19 -20)	4,026,295	7,044,470	175.0%

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PK6. Major off-balance sheet items

Description	31 December, 2004 (million HUF)
Pending obligations	5,438
- available credit facility on credits extended	166
- loans committed in contract but not yet extended	5,230
- credit to be purchased from partner bank	42
Future obligations	40,130
Total	45,568

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 ¹					
	Beginning of target year (01.01.2004)		End of period (31.12.2004)		Beginning of target year (01.01.2004)			End of period (31.12.2004)		
	% ²	pcs	% ²	pcs	% ²	% ³	pcs	% ²	% ³	pcs
Domestic institutional / company	22.61	1,491,944	12.20%	805,906	15.58	13.70	903,374	3.75%	3.29%	217,336
Foreign institutional / company	12.33	814,031	33.09%	2,184,092	14.04	12.33	814,031	37.66%	33.09%	2,184,092
Domestic private individual	7.67	506,204	1.34%	88,621	8.72	7.67	506,204	1.52%	1.34%	88,621
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	0.16%	9,850	4.75	4.17	275,943	0.17%	0.16%	9,850
Treasury bond	0.00	0	0.00%	0	0.00		0	0.00%	0.00%	0
Owner part of state budget ⁴	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 ⁵	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
TOTAL	100.00	6,600,000	100.00%	6,600,001	100.00	87.88	5,800,000	100.00%	87.88%	5,800,001

¹ 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.

² Ownership share.

³ 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.

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

⁵ 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	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 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 To be given rounded up to two decimals

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

⁵ 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 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 Domestic (B), Foreign (K)

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

³ To be given rounded up to two decimals

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

⁵ 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 (31.12.2003)	Beginning of target year (01.01.2004)	End of target period (31.12.2004)
Bank	197	197	199
Consolidated	236	236	228

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

Type ¹	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. 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	500
FB	Ágnes Koltai Nádházi	member	06.09.2002	14.11.2004	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	3,081
Shares held (pcs) TOTAL:					3,581

¹ 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 ⁷	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)
09.02.2004	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
01.03.2004	Magyar Tőkepiac Magyar Hírlap	FHB's announcement on private placement of its mortgage bond (FJ12ZF01)
11.03.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	FHB's announcement on re-pricing of its mortgage bond (FJ12NV01)
18.03.2004	Magyar Tőkepiac Magyar Hírlap	FHB's announcement on private placement of its bond (FJ12ZF02)
19.03.2004	Magyar Tőkepiac	Rating of FHB Rt by Moody's
22.03.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Supplement to the invitation to the General Shareholders' Meeting of FHB Rt
05.04.2004	Magyar Tőkepiac Magyar Hírlap	FHB's announcement on private placement of its mortgage bond (FJ19ZF01)
06.04.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Proposals to FHB's general shareholders' meeting of April 7, 2004
07.04.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Resolutions of FHB's General Shareholders' Meeting of April 7, 2004
22.04.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	Ownership structure of FHB Rt
21.04.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	FHB's announcement on payment of 2003 dividend

⁷ www.bet.hu

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Date	Published in	Subject, brief content
23.04.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Minutes of FHB Rt General Meeting of April 7, 2004
29.04.2004	BSE home page	Annual stock market report of FHB Rt for 2003
29.04.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Excerpts from FHB's 2003 Annual Report according to Capital Market Act
29.04.2004	BSE home page	Stock market preliminary report of FHB Rt for 2004
25.05.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	Ownership structure of FHB Rt
07.06.2004	Magyar Tőkepiac Magyar Hírlap	FHB's information on private placement of its mortgage bond (FJ11ZF01)
14.06.2004	Magyar Tőkepiac Magyar Hírlap	FHB's information on private placement of its mortgage bond (FJ05ZF02)
22.06.2004	Magyar Tőkepiac Magyar Hírlap Népszabadság	Conclusion of multicurrency revolving loan agreement exceeding 25 % of FHB's equity
30.06.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	FHB's information on secondary market re-purchase of its mortgage bonds issued by public placement
05.07.2004	Magyar Tőkepiac Magyar Hírlap BSE home page	FHB's information on results of secondary market re-purchase of its mortgage bonds prior to maturity
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
10.08.2004	BSE home page	Stock market preliminary report of FHB Rt for 2 nd quarter of 2004
07.09.2004	BSE home page Magyar Tőkepiac Magyar Hírlap	Interest rate of the mortgage bond FJ09NV01 issued by FHB
20.09.2004	BSE home page Magyar Hírlap Magyar Tőkepiac	FHB's announcement on the share option program of the Bank
28.10.2004	BSE home page	Corporate Governance Declaration in connection with the Corporate Governance Recommendations published by BSE
29.10.2004	BSE home page Magyar Hírlap Népszabadság	The member of the Board of Directors, Lajos dr. Oláh has resigned from his membership
08.11.2004	BSE home page Magyar Tőkepiac Népszabadság	FHB's information on secondary market re-purchase of its mortgage bonds issued by public placement
11.11.2004.	BSE home page	Stock market Preliminary Report of FHB Rt. for the Third Quarter of 2004
15.11.2004	BSE home page	Closed issue of euro bond
15.11.2004	BSE home page	Resignation of Ágnes Koltai Nádházi, member of the Board of Supervisors with effect from 14 November 2004
18.11.2004	BSE home page	Information on the repurchase before maturity on the secondary market of FHB Rt.'s mortgage bonds issued in the context of public offering
30.11.2004	BSE home page	Mortgage bond issue in the context of the EMTN scheme

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Date	Published in	Subject, brief content
01.12.2004	BSE home page	FHB's information on secondary market re-purchase of its mortgage bonds issued by public placement
02.12.2004	BSE home page	Disclaimer regarding interim dividend payment
09.12.2004	BSE home page	FHB's information on secondary market re-purchase of its mortgage bonds issued by public placement
14.12.2004	BSE home page, Magyar Hírlap Népszabadság	Shareholders signed syndicate agreement
26.01.2005	BSE home page	FHB's information on secondary market re-purchase of its mortgage bonds issued by public placement
03.02.2005.	BSE home page	FHB's information on the results of the secondary market re-purchase of its mortgage bonds issued by public placement
08.02.2005.	BSE home page	New euro mortgage bond issue within the EMTN programme