

HVB Jelzálogbank Rt. Flash Report

In compliance with its obligation by law, HVB Jelzálogbank Rt. (hereinafter referred to as: Mortgage Bank) would like to inform its mortgage bondholders of changes which have occurred at the Company, the asset value of their outstanding mortgage bonds and related collateral, as well as business in the first half of 2005.

Changes at the Company

- There has been no change in the ownership structure of the Mortgage Bank since 31 December 2004. The shareholders in the subscribed capital of the Company are HVB Bank Hungary Rt. and BA/CA Ingatlankezelő Kft. with respective holdings of 99.97% and 0.03%.
- In the first half of 2005 the Board of Directors at the Mortgage Bank welcomed two new members. The Hungarian Financial Supervisory Authority approved the appointment of Péter Lengyel, Deputy General Manager of the Mortgage Bank, in Resolution No. 278/2005 dated 24 March 2005, as well as Markus Winkler, Deputy General Manager of HVB Bank Hungary Rt., in Resolution No. 329/2005 dated 8 April 2005.

Following the changes, the members of the Board of Directors and the Supervisory Board are as follows:

Board of Directors

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

Supervisory Board:

Dr. Zsuzsanna Gulyás	Chair of Supervisory Board
Franz Unger	Supervisory Board member
Franz Wolfger	Supervisory Board member

Asset value

In accordance with Act CXX of 2001 on the Capital Market, information disclosed regularly on issued debt securities secured by specific assets or instruments pledged in collateral must indicate any change in the value of such assets or instruments. In conformance with this regulation, what follows is the nominal value and interest amounts of outstanding mortgage bonds of the Mortgage Bank still not repaid as of 30 June 2005, as well as the value of collateral as verified by the Property Supervisor.

Outstanding mortgage bonds denominated in forints: as yet unpaid		
➤ Nominal value (a)	66,531,530,000	HUF
➤ Interest (b)	25,503,667,700	HUF
Total (a+b)	92,035,197,700	HUF
Forint value of outstanding mortgage bonds denominated in foreign currency converted using official MNB exchange rate: as yet unpaid		
➤ Nominal value (c)	3,710,400,000	HUF
➤ Interest (d)	615,941,347	HUF
Total (c+d)	4,326,341,347	HUF
Outstanding mortgage bonds denominated both in forints and foreign currency: as yet unpaid		
➤ Nominal value (a+c)	70,241,930,000	HUF
➤ Interest (b+d)	26,119,609,047	HUF
Grand total (a+b+c+d)	96,361,539,047	HUF
Value of ordinary collateral in forints as verified by property supervisor		
➤ Capital receivable (e)	62,116,344,693	HUF
➤ Interest receivable (f)	35,615,145,015	HUF
Total (e+f)	97,731,489,708	HUF
Forint value of ordinary collateral denominated in foreign currency, converted using official MNB exchange rate on reporting date		
➤ Capital receivable (g)	9,956,006,544	HUF
➤ Interest receivable (h)	1,372,300,257	HUF
Total (g+h)	11,328,306,801	HUF
Collective value of ordinary collateral denominated in forints and foreign currency:		
➤ Capital receivable (e+g)	72,072,351,237	HUF
➤ Interest receivable (f+h)	36,987,445,272	HUF
Grand total (e+g+f+h)	109,059,796,509	HUF
Value of additional collateral:		
➤ Capital receivable (i)	6,052,613,910	HUF
➤ Interest receivable (j)	0	HUF
Total (i+j)	6,052,613,910	HUF

All of the additional collateral is kept by the Bank in government securities.

Main rows of the Mortgage Bank's balance sheet and profit and loss statement as at 30 June 2005

BALANCE SHEET	Figures in THUF		change %
	30.06.2004	30.06.2005	
I. LIQUID ASSETS	307,000	327,413	6.6%
II. GOVERNMENT SECURITIES	5,721,359	5,721,012	0.0%
a) held-for-trading	-	-	-
b) held-to-maturity	5,721,359	5,721,012	0.0%
RECEIVABLES FROM CREDIT INSTITUTIONS	56,441,200	60,766,399	7.7%
a) sight	-	5,501	-
b) other receivables from financial services	56,441,200	60,760,898	7.7%
ba) short-term	3,395,000	2,400,000	-29.3%
bb) long-term	53,046,200	58,360,898	10.0%
IV. RECEIVABLES FROM CUSTOMERS	19,375,841	22,724,592	17.3%
a) from financial services	19,375,841	22,724,592	17.3%
aa) short-term	9,000	46,490	416.6%
ab) long-term	19,366,841	22,678,102	17.1%
b) from investment services	-	-	-
V. DEBT SECURITIES, INCLUDING THOSE WITH FIXED INTEREST	-	-	-
VI. SHARES AND OTHER SECURITIES WITH VARIABLE YIELDS	-	-	-
VII. SHARES, HOLDINGS HELD TO MATURITY	-	-	-
VIII. SHARES, HOLDINGS IN RELATED COMPANIES	-	-	-
IX. INTANGIBLE ASSETS	266,383	240,333	-9.8%
a) intangible assets	266,383	240,333	-9.8%
b) upwards revaluation of intangible assets	-	-	-
X. TANGIBLE ASSETS	475	19,333	3970.1%
a) financial and investment service tangible assets	-	-	-
b) indirect financial and investment service tangible assets	475	19,333	3970.1%
XI. OWN SHARES	-	-	-
XII. OTHER ASSETS	500,105	1,091,960	118.3%
a) inventories	-	-	-
b) other receivables	500,105	1,091,960	118.3%
PREPAID EXPENSES AND ACCRUED INCOME	503,678	838,709	66.5%
a) accrued income	198,808	370,061	86.1%
b) prepaid expenses	304,870	468,648	53.7%
c) accrued payables	-	-	-
TOTAL ASSETS	83,116,041	91,729,751	10.4%
Of which			
- CURRENT ASSETS	4,211,105	3,871,364	-8.1%
- FIXED ASSETS	78,401,258	87,019,678	11.0%

	Figures in THUF		change %
	30.06.2004	30.06.2005	
I. LIABILITIES TO CREDIT INSTITUTIONS	13,106,550	10,618,725	-19.0%
a) sight	-	-	-
b) fixed-term liabilities from financial services	13,106,550	10,618,725	-19.0%
ba) short-term	735,633	1,873,932	154.7%
bb) long-term	12,370,917	8,744,793	-29.3%
c) from investment services	-	-	-
II. LIABILITIES TO CLIENTS	-	-	-
III. LIABILITIES DUE TO ISSUED SECURITIES	61,809,680	70,241,930	13.6%
a) issued bonds	-	-	-
b) other issued debt securities	61,809,680	70,241,930	13.6%
ba) short-term	372,450	5,504,700	1378.0%
bb) long-term	61,437,230	64,737,230	5.4%
IV. OTHER LIABILITIES	82,875	17,363	-79.0%
a) short-term	82,875	17,363	-79.0%
b) long-term	-	-	-
ACCRUED EXPENSES AND DEFERRED			
V. INCOME	2,566,762	3,502,353	36.5%
a) deferred income	39,101	1,782,863	4459.6%
b) accrued expenses	2,527,661	1,719,490	-32.0%
c) accrued assets	-	-	-
VI. PROVISIONS	193,000	265,000	37.3%
a) provisions for pensions and severance payments	-	-	-
b) risk provisions for commitments and contingent liabilities	-	-	-
c) general risk reserve	193,000	265,000	37.3%
d) other provisions	-	-	-
VII. SUBORDINATED LIABILITIES	-	-	-
VIII. SUBSCRIBED CAPITAL	3,000,000	3,000,000	0.0%
IX. SUBSCRIBED, BUT UNPAID CAPITAL (-)	-	-	-
X. CAPITAL RESERVE	782,918	782,918	0.0%
XI. GENERAL RESERVE	58,059	206,986	256.5%
XII. PROFIT RESERVE	744,806	2,085,147	180.0%
XIII. NON-DISTRIBUTABLE RESERVE	-	-	-
XIV. VALUATION RESERVE	-	-	-
a) valuation reserve from upwards revaluations	-	-	-
b) valuation reserve from fair valuations	-	-	-
XV. RETAINED PROFIT FOR THE YEAR	771,391	1,009,329	30.8%
TOTAL EQUITY AND LIABILITIES	83,116,041	91,729,751	10.4%
Of which			
- CURRENT LIABILITIES	1,190,958	7,395,995	521.0%
- LONG-TERM LIABILITIES	73,808,147	73,482,023	-0.4%
- EQUITY	5,357,174	7,084,380	32.2%

PROFIT AND LOSS STATEMENT

	Figures in THUF		change %
	30.06.2004	30.06.2005	
<i>1. Interest received and similar income (2+5)</i>	3,797,529	4,876,795	28.4%
a) interest income on debt securities with fixed interest	183,146	238,396	30.2%
b) other interest received and similar income	3,614,383	4,638,399	28.3%
<i>2. Interest paid and similar expenses (9+10)</i>	2,802,096	3,516,720	25.5%
Interest margin (1-2)	995,433	1,360,075	36.6%
<i>3. Income from securities</i>	-	-	-
<i>4. Commission and fee income</i>	159,160	219,160	37.7%
a) fee income of other financial services	159,160	219,160	37.7%
b) income from investment services (except trading activity income)	-	-	-
<i>5. Commissions paid (payable) and fee expenses</i>	97,562	19,963	-79.5%
a) other financial service expenses	5,550	1,310	-76.4%
b) investment service expenses (with the exception of trading activity expenses)	92,012	18,653	-79.7%
<i>6. Net profit on financial transactions 6.a)-6.b)+6.c)-6.d)</i>	141,003	68,402	-51.5%
a) income of other financial services	180,149	316,801	75.9%
b) other financial service expenses	39,146	248,399	534.5%
c) investment service income (trading activity income)	-	-	-
d) investment service expenses (trading activity expenses)	-	-	-
<i>7. Other income from business activities</i>	3,890	0	-
<i>8. General administrative expenses</i>	345,201	341,996	-0.9%
a) staff costs	207,278	216,968	4.7%
aa) wage costs	156,459	156,783	0.2%
ab) other staff benefits	5,374	6,315	17.5%
ac) wage contributions	45,445	53,870	18.5%
b) other administration costs (material-type expenses)	137,923	125,028	-9.3%
<i>9. Depreciation</i>	46,192	55,918	21.1%
<i>10. Other expenses from business activity</i>	17,803	130,484	632.9%
a) non-financial and non-investment service expenses	-	-	-
b) other expenses	17,803	130,484	632.9%
<i>11. Impairment on receivables and risk provisioning for commitments and contingent liabilities</i>	37,446	118,737	217.1%
a) impairment on receivables	35,226	118,737	237.1%
b) risk provisioning for commitments and contingent liabilities	-	-	-
<i>12. Reversal of impairment on receivables and utilisation of risk provisions for commitments and contingent liabilities</i>	16,109	28,790	78.7%
a) reversal of impairment on receivables	16,109	28,790	78.7%
b) utilisation of risk provisions for commitments and contingent liabilities	-	-	-
12/A Difference between general risk provisions allocated and used	-	-	-
Profit on ordinary activities	771,391	1,009,329	30.8%
of which:			
- PROFIT ON FINANCIAL AND INVESTMENT SERVICES	768,095	1,009,329	31.4%
- PROFIT FROM NON-FINANCIAL AND NON-INVESTMENT SERVICES	3,296	-	-
18. Extraordinary profit	-	-	-
19. Profit before tax	771,391	1,009,329	30.8%
21. Profit after tax	-	-	-
25. Retained profit for the year	-	-	-

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

The Flash Report can be viewed on the website of the Mortgage Bank (www.jelzalogbank.hu), and at its registered office (1065 Budapest, Nagymező u. 44.) from 12 August 2005.

The undersigned hereby declare that all of the data and representations in the above Flash Report are true and correct, and that it contains all of the facts and information necessary to make an informed judgement of the situation of the Mortgage Bank.

Budapest, 3 August 2005

Dr. Gyula Nagy
Chief Executive Officer

Szántó Istvánné
Chief Accountant