



**FHB Mortgage Bank Plc.
Interim management report for
the third quarter of 2009**

Budapest, 13th November, 2009

Interim management report of FHB Mortgage Bank for the third quarter of 2009

This report of FHB Mortgage Bank Public Company Limited by Shares for the third quarter of 2009 is based on the data of the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The narratives compare the consolidated, non-audited figures as of 30 September 2008, as of 30 June 2009 and as of 30 September, 2009.

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

Earnings before taxation as of 30 September 2009 were over 7.8 billion forints, 5.6% higher than the 2008 figure of 7.4 billion forints. Excluding the effect of derivatives earnings before taxation was 10.0 billion forints in 2009, 18.3% higher than in the same period of 2008.

The average net interest margin increased by 41 basis points year on year to 3.02%, from 2.61% as of 30 September 2008. Over the past quarter net interest margin decreased by 3 basis points.

The Bank's consolidated balance sheet total was up by 16.3%, from 676.6 billion forints to 786.6 billion forints year-on-year, the decrease was 3.8% in Q3 2009.

The Group's consolidated cost-income ratio improved from 53.5% in Q3 2008 to 44.1% in the current period which is practically at the same level of 44.2% in the second quarter of 2009.

Shareholders' equity was 45.7 billion forints as of 30 September 2009 as a result of a 21.6% year-on-year increase.

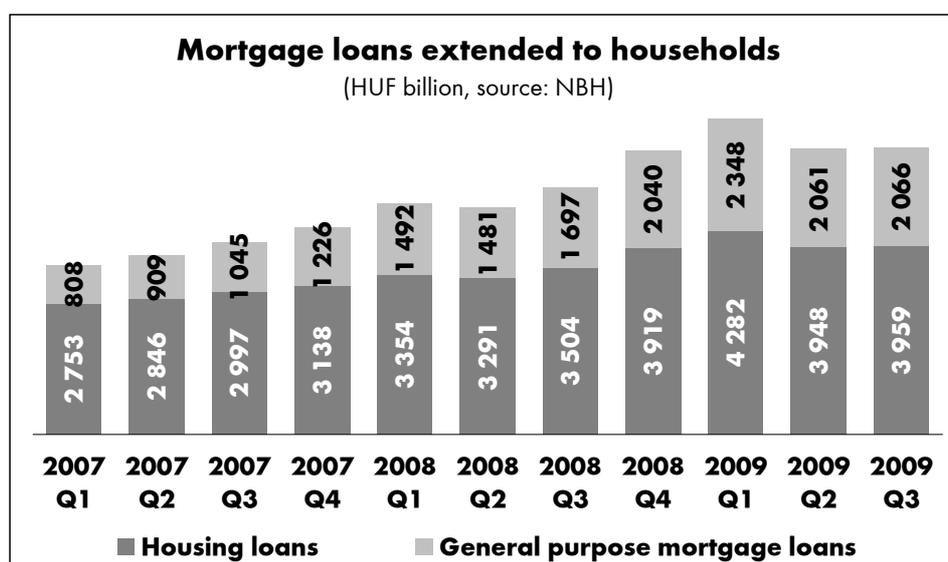
After-tax profit was 5.5 billion forints as of 30 September 2009, 8.6% up from the 2008 figure.

Retail mortgage loan market

In the wake of the financial crisis almost all banks tightened their lending policies since the fourth quarter of 2008. At the same time, the real estate market is considerably more depressed than in previous years with fewer transactions concluded, which has repercussions in the lending business in the banking sector. New loans are typically denominated in euro or forint.

According to the statistics published by the National Bank of Hungary retail loan portfolio amounted to 6,024.1 billion forints as of 30 September 2009, achieving a 15.4 billion forints (or 0.3%) increase over the previous quarter's figure with the year-on-year growth figure being 823.1 billion forints (or 15.8%). In terms of volume the year-on-year growth is smaller than the 1,159.1 billion forints growth achieved in the third quarter of 2008. Disregarding the impact of exchange rates fluctuation the year-on-year growth of the retail mortgage loan portfolio was 239.6 billion forints, or 4.1% (at 30 September 2009 rate). Decrease over the previous quarter's figure was 5.9 billion forints (or 0.1%).

The portfolio of foreign exchange-denominated loans did not change significantly during the past quarter: the growth was 12.7 billion forints. The annual growth of the FX loan portfolio was significant, amounted 869.6 billion forints (compared to 1,313.1 billion forints as of 30 September 2008). At the same time the forint-based loan portfolio shrank by 46.5 billion forints compared to the same period of the previous year and grew by 2.8 billion forints compared to the previous quarter's figure. At the end of Q3 the total amount of the FX loan portfolio of retail mortgage loans was 4,465.5 billion forints (which contributed 74.1% of the total retail mortgage loan portfolio), as opposed to the stagnating level of 1,558.6 billion forints HUF loans. The proportion of FX loans was 69.1% in the same period of the reference year.



Quarterly growth in housing loans extended to households was 0.3% or 10.6 billion forints up from Q2 2009 portfolio. The annual growth (454.3 billion forints) was 10.4% lower than the 2008 figure of 507.1 billion forints. The average monthly growth in 2009 was 4.4 billion forints and showed a substantial volatility.

The growth in the general-purpose mortgage loan portfolio, slowing in intensity, only partially fuelled the 511.9 billion forints in FX lending over the period of a year. The Q3 2008 general-purpose mortgage loans portfolio denominated in foreign currency amounted to 1,448 billion forints and contributed 46.3% to the retail mortgage loans. This contribution dropped to 45.3% by the end of the reported period.

General-purpose mortgage loans contributed 44.8% to the year-on-year growth of retail loans.

The increase in the portfolio of general-purpose loans to retail customers was 38.4% in the nine months of 2008 followed by only 1.2% in Q1-Q3 of 2009. The year-on-year growth was 21.7%. Average monthly growth in 2008 was 52.3 billion forints and dropped to 2.8 billion forints in 2009. Of the total amount of general-purpose loans 97.8% was disbursed in foreign exchange; the total portfolio value was 2,065.5 billion forints as of 30 September 2009. General-purpose mortgage loans contributed 67.6% to total consumer loans as of 30 September 2009 as opposed to 64.0% in Q3 of the reference year.

Own lending

At the end of the reported period the gross amount of loans sold by the Bank was 331.2 billion forints, while total outstanding provisions were 5.9 billion forints at period end. The gross amount of loans was 0.4% above the 30 June 2009 figure (329.9 billion forints). The year-on-year increase was 10.1%.

No major change has occurred in the breakdown of the Group's products since 30 June 2009 or 31 December 2008. Retail loans continue to dominate within the loan portfolio with a contribution exceeding 90%, though keener business activity resulted in a gradual rise in loans to corporate customers. As of 30 September 2009, 55.3% of outstanding loans were disbursed in FX, essentially the same as at year-end of 2008 and the 56.8% achieved in Q2 of 2009.

Retail loans were 5.3% (or 14.9 billion forints) up from Q3 of 2008 but shrank by 1.3% compared to the previous quarter figure. In terms of portfolio breakdown, housing loans lead with a contribution of 60.2% followed by general-purpose mortgage loans with 36.1%. The contribution of the two dominant products of the retail portfolio in the reference quarter of last year was 64.3% and 33.7%, and as of 30 June 2009, it was 61.5% and 36.8% respectively.

The corporate lending business started strengthening in 2009. As a result, the portfolio of corporate loans rose from 18.2 billion forints as of 30 September 2008 to 31.4 billion forints year-on-year, and growth over the 30 June 2009 figure exceeded 5.2 billion forints. The increase was contributed mainly by the SME business. The increase in the portfolio of housing project loans exceeded 1.5 billion forints in the first half, while commercial real estate financing loans dropped by 614 million forints.

Mortgage loans extended to senior citizens achieved 2.0 billion forints in Q3 of 2009. Year-on-year growth was 0.4 billion forints. Only 101 million forints, or 5%, of the portfolio of this product is denominated in FX (EUR).

Refinancing

As of 30 September 2009 the portfolio of refinanced loans dropped by 4.6%, or 12.7 billion forints, year-on-year and amounted to 266.2 billion forints. The value of the portfolio was 7.1 billion forints, or 2.6%, down from the 30 June 2009 figure (273.2 billion forints).

In accordance with the agreement with FHB Commercial Bank Ltd., intra-group refinancing achieved a growth of 2.6 billion forints in the past period of 2009. The value of the portfolio amounted to 83.6 billion forints as of 30 September 2009.

FHB Commercial Bank Ltd.

Excluding loans extended to other FHB Group members, net loans extended by the Commercial Bank exceeded 106.0 billion forints and the portfolio increased by 32.6% over the year. The portfolio achieved 4.7 billion forints growth compared to the 30 June 2009 value, mainly as a result of the growth in corporate disbursements. The retail loan portfolio shrank by almost 1.5 billion forints in Q3 of 2009.

A significant portion, 68.9 billion forints, of the retail loan portfolio was contributed by general-purpose mortgage loans, their contribution was a stable 72-73% throughout the period of reporting. Corporate loans were in excess of 8.5 billion forints as of 30 September 2009; its share has multiplied over the year achieving a contribution of over 8.0%. Portfolio growth was mainly based on the achievement of the SME lending business.

The number of retail current accounts was over 34.4 thousand as of 30 September 2009, 2.7% above the Q2 2009 and 22.2% above the Q3 2008 figure. Deposits on retail and corporate accounts were 21.4% above the Q3 2008 figure. The retail and corporate accounts contributed 4.9% at period end to total funds, and did not change significantly from the level of 4.7% as of 30 September 2008.

FHB Life Annuity Ltd.

FHB Annuity Ltd. offers two products to senior customers. FHB Annuity is sold directly by FHB Annuity Ltd. The other product, FHB Mortgage Annuity is a reverse mortgage product, which means the contracts are reported directly in the balance sheet of FHB Plc. In terms of this product, FHB Annuity Ltd. is involved in product development as well as sales, the latter on the basis of an agency agreement signed with FHB Plc.

Since its foundation to 30 September 2009 FHB Annuity signed annuity contracts amounting to 8.5 billion forints, from which 2.5 billion forints in 2009. The reported period's achievement fell 27.8% short of the 3.6 billion forints achieved in Q1-Q3 2008. Annuity payments since the launch of the product have amounted to 2.6 billion forints with 0.6 billion forints disbursed in 2009.

FHB Real Estate Ltd.

The core business of FHB Real Estate Ltd. is to provide collateral valuation, real estate investment and sales, real estate management and real estate valuation services to members of the Group. In addition to the Group, FHB Real Estate Ltd. also offers valuation services to external customers.

Central European Credit Ltd.

FHB Group became the holder of 100% of CEC Ltd.'s shares in April 2009. CEC Ltd. offers mortgage products solely on a real estate collateral basis (for general purposes, purchase and refinancing) to private individuals as well as legal entities. As a member of FHB Group, CEC Ltd. cooperating with other Bank Group companies continues to participate in the premium real estate financing market.

Mortgage bond issues and financing

Liquidity was very poor in the Hungarian government securities market in the past period of 2009 in the wake of the global financial and capital markets crisis, pricing of securities was hard in the absence of offers that reflected real market values on both the put and the call side.

In the first quarter FHB Mortgage Bank renewed its 2009 mortgage bond and bond 2009 Issues Programme for the domestic market, which was approved by the HFSA on 3 February 2009. The first issue took place in March according to the Programme. In February two small series were issued in the context of private placement in addition to a lesser repurchase amounting to 100 million forints. In March a floating interest five-year series was issued in two instalments, with a total nominal value of 5.1 billion forints, in accordance with the Domestic Issues Programme. At the same time a total nominal value of 11 billion forints of another series was repurchased and cancelled. Net funds involved in the first quarter of 2009 amounted to nearly 5.4 billion forints. Three series matured in the first quarter with a total nominal value of 15 billion forints. Total redemption value was 11.1 billion forints.

In the second quarter the Bank repurchased forint and euro denominated securities in April and May, amounting to an aggregate nominal value of over six billion and approximately seven billion forints respectively. FHB's EMTN Programme was renewed. The Luxembourg Securities and Exchange Commission (CSSF) approved the Programme to be concluded on 24 April 2010. In June FHB was more active and launched three issues and one repurchase. In accordance with the freshly renewed EMTN Programme, mortgage bonds of a total nominal value of 50 million euros were issued and deposited in short-term repo with ECB through a banking partner. Along with the issue, the Bank also arranged two repurchase auctions in accordance with its domestic Programme, both of them highly successful. In addition to mortgage bonds FHB completed a 15 billion forints bond issue and a repurchase in June. New funds involved by the Bank in Q2 by mortgage bond and bond issues exceeded 45 billion forints. The Group repurchased bonds and mortgage bonds to a total value of 23.4 billion forints.

There was a smaller offering by FHB Mortgage Bank in July. The Bank did not accept subscription over and above the amount advertised (100 million forints). In August and September FHB Mortgage Bank launched no issues in the domestic or international capital market. Nevertheless, the Group repurchased its HUF and FX denominated securities in the value of over two billion

forints in July and approximately 300 million forints in August in the context of its active asset and liability management policy.

Gross funds involved in the first three quarters of 2009 amounted to nearly 50.8 billion forints. Three series matured in Q1-Q3 with a total nominal value of approximately 42 billion forints. Total redemption value was 25.7 billion forints.

Changes in the legislative environment

The most important legislative changes in Q1-Q3 of 2009 that affect the Group's business activities are as follows:

Act IV of 2009 on State Guarantee Extended to Housing Loans

Enacted as a tool to ease the negative impact of the economic crisis on the population, the Act provides immediate assistance in the form of State guarantee to debtors who have taken out housing loans.

Section 8/B encoded with the last amendment of Act XXXVIII of 1992 on the State Budget (the Budget Act)

Pursuant to the new Section 8/B of the Budget Act effective as of 11 March 2009, in a situation that constitutes a potential threat to the stability of the financial transfer system the Hungarian State may extend loans to credit institutions with registered office in the Republic of Hungary, or may use its unengaged funds to acquire bonds issued by the National Bank of Hungary.

Act XLI of 2009 amending the provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises pertaining to deposit guarantee

The purpose of the amendment is to adopt Directive 2009/14/EC amending Directive 94/19/EC on deposit guarantee schemes as regards the coverage level and the payout delay. In order to enhance deposit holders' trust the Act significantly reduces the payout delay and simplifies the compensation procedure.

Act LI of 2009 amending Act XLIX of 1991 on Bankruptcy and Liquidation Procedures and certain related Acts

The Act simplifies the Bankruptcy Act, expedites and streamlines the regulatory mechanism, and introduces new legal institutions adapted to the current economic environment. It provides for more economical proceedings and introduces new sanctions for abusive behaviour.

Organizational changes and staff figures

Staff figures

The consolidated full-time headcount was 563.5 as of 30 September 2009, 17.7 less than the 581.2 staff as of 31 December 2008 and 5.0% down from the Q3 2008 figure of 593,0. As of 30 September 2009, branch staff was 139.7 (168.5 in Q4 2008) and that of headquarters was 423.8 (413 in Q4). All of the branch staff are employed by FHB Commercial Bank. Group companies had the following staff figures as of 30 September 2008: FHB Mortgage Bank Plc. 78.6, FHB Commercial Bank Ltd. 256.9, FHB Services Ltd. 195.1, FHB Annuity Ltd. 13.1, FHB Real Estate Ltd. 13, and CEC Hungary Ltd. 6.9.

Officers and executives

With its resolution number 15/2009 (28.04.) the Annual General Meeting elected Csaba Lantos to serve on the Supervisory Board of the Company with a mandate of five years starting from 28 April 2009 until 28 April 2014. The Supervisory Board elected Csaba Lantos to chairman as at 15 June, 2009. The HFSA gave its permission for this decision as at 8 July, 2009.

II. Summary figures of the latest period (IFRS)¹

The Bank's consolidated balance sheet total according to International Financial Reporting Standards was up year-on-year by 16.3%, from 676.6 billion forints to 786.6 billion forints. The increase was generated by the growth in interest earning assets on the asset side and the loan received from the Hungarian State on the liabilities side of the balance sheet.

Shareholders' equity grew by 21.6% year-on-year to reach 45.7 billion forints, due primarily to an increase in retained earnings.

Earnings before taxation were 7.8 billion forints, 5.6% up from the reference period figure. After-tax profit was 5.5 billion forints.

Excluding the effect of derivative transactions before taxation was 10.0 billion forints in Q1-Q3 2009, 18.3% higher than in the reference period of 2008. After-tax profit excluding swap earnings was 7.3 billion forints.

Key financial indicators	Consolidated figures by IFRS		
	30 Sept 2008	30 Sept 2009	30 Sept 2009 / 30 Sept 2008
Balance sheet total (HUF million)	676,591	786,560	16.3%
Book value of loans (HUF million)	581,048	595,587	2.5%
Book value of mortgage bonds (HUF million)	505,819	454,301	-10.2%
Bonds issued (HUF million)	64,450	58,710	-8.9%
Shareholders' equity (HUF million)	37,589	45,707	21.6%
Earnings before taxation (HUF million)	7,425	7,840	5.6%
After tax profit (HUF million)	5,060	5,498	8.6%
Net interest margin (NIM)	2.61%	3.02%	41 bp
EPS (HUF)	103	111	8.3%
P/E (share price/EPS)	9.5	11.8	23.4%
P/BV (share price/equity/number of shares)	1.72	1.89	9.9%
ROAA (return on average assets)	1.1%	0.9%	-11.7%
ROAE (return on average equity)	18.8%	16.6%	-11.5%

¹ IFRS, consolidated figures

III. Analysis of FHB Mortgage Bank Plc.'s financial statements prepared according to IFRS

P/L structure²

Data in HUF million

DESCRIPTION	2008 Q3 (Jul-Sept)	2009 Q2 (Apr-Jun)	2009 Q3 (Jul-Sept)	2009 Q3/ 2008 Q3	2009 Q3/ 2009 Q2
Net interest income	4,243	6,355	6,653	56.8%	4.7%
Net fees and commission income	429	373	371	-13.6%	-0.4%
Net profit from financial transactions	735	1,268	-144	-	-
Other income and expenditure	333	178	828	148.1%	363.9%
Gross operating income	5,740	8,174	7,708	34.3%	-5.7%
Operating expenses	-3,025	-3,326	-3,380	11.7%	1.6%
Net operating income	2,715	4,848	4,328	59.4%	-10.7%
Losses from lending and impairment	-244	-1,589	-2,316	848.9%	45.8%
Profit before taxation	2,471	3,259	2,012	-18.6%	-38.3%
Taxes	-870	-656	-570	-34.6%	-13.2%
After tax profit	1,601	2,603	1,443	-9.9%	-44.6%
Profit before tax excluding derivative transactions	3,623	4,253	2,197	-39.4%	-48.4%
Profit after tax excluding derivative transactions	2,522	3,408	1,592	-36.9%	-53.3%

In the third quarter of 2009 the Bank realised 1.4 billion forints consolidated after-tax profit by IFRS, 44.6% less than in previous quarter of 2009 and 9.9% lower year-on-year. Profit before tax was 2.0 billion forints in the third quarter of 2009.

After-tax profit excluding derivative transactions amounted to 1.6 billion forints in the third quarter of 2009.

² IFRS, consolidated, non-audited figures

Data in HUF million

DESCRIPTION	30 Sept 2008	30 Sept 2009	2009 / 2008
Net interest income	12,481	17,750	42.2%
Net fees and commission income	1,322	1,164	-12.0%
Net profit from financial transactions	1,845	2,353	27.6%
Other income and expenditure	1,356	1,513	11.5%
Gross operating income	17,004	22,779	34.0%
Operating expenses	-9,099	-10,039	10.3%
Net operating income	7,905	12,740	61.2%
Losses from lending and impairment	-480	-4,900	919.6%
Profit before taxation	7,425	7,840	5.6%
Taxes	-2,364	-2,342	-0.9%
After tax profit	5,060	5,498	8.6%
Profit before tax excluding derivative transactions	8,475	10,021	18.3%
Profit after tax excluding derivative transactions	5,900	7,265	23.1%

In the past period of 2009 consolidated after-tax profit by IFRS was almost 5.5 billion forints, 8.6% up from the reference period of 2008. Earnings before taxation was 7.8 billion forints, 5.6% above the profit before tax achieved in 2008. After-tax profit excluding derivative transactions was 7.3 billion forints in 2009, while the 2008 figure was 5.9 billion forints.

Net interest income

Net interest income was 6.7 billion forints in the third quarter of 2009, 56.8% up from the performance achieved in the reference period of last year (4.2 billion forints) and 4.7% above the Q2 of 2009 figure. The net figure emerged as a balance of 20.7 billion forints interest income (9.8% above the Q3 of 2008 figure and 3.0% higher than the Q2 of 2009 achievement) and 14.0 billion forints interest expenditures (3.9% down from the Q3 of 2008 figure and 2.2% above the Q2 of 2009 figure).

Net interest income in Q1-Q3 of 2009 was 17.7 billion forints, 42.2% up from the Q1-Q3 of 2008 achievement (12.5 billion forints). The net figure emerged as a balance of 61.0 billion forints interest income (14.3% above the 53.3 billion forints achieved in 2008) and 43.2 billion forints interest expenditures (5.8% more than the 40.9 billion forints achieved in 2008).

In the third quarter of 2009, 39.3% of interest income was contributed by interest income on own lending (compared to 41.7% in Q2 of 2009 and 39.2% in reference quarter of 2008), and 27.4% was contributed by interest income on refinanced loans (compared to 28.6% in Q2 of 2009 and 30.0 of the reference period of 2008). The aggregate interest income on interbank loans and securities contributed 17.3% (as opposed to 12.6% in Q2 of 2009 and 5.4% in the reference period of 2008), as a result of the expanding securities portfolio. The contribution of

interest income on derivatives was 16.0% to total interest income (compared to 17.1% in Q2 of 2009 and 25.4% in the reference period of 2008).

In the first three quarters of 2009, 40.8% of interest income was contributed by interest income on own lending (compared to 40.9% in Q1-Q3 of 2008), 28.2% was contributed by interest income on refinanced mortgage loans (compared to 32.4% in Q1-Q3 of 2008). The combined interest on interbank loans and securities contributed 11.0%, up from the 3.6% achieved in Q1-Q3 of 2008. The contribution of interest income on derivatives was 16.0%, lagging behind the 23.0% contributed in Q1-Q3 of 2008. The increase in the contribution of the interbank loans and securities item to interest income is due to investment of unengaged funds in liquid assets.

Within the line item of interest income, the contribution of interest subsidy (subsidy of interest on mortgage bonds and supplementary interest subsidy combined) was 27.6% in Q3 of 2008, 23.2% in Q2 of 2009, and 22.0% in Q3 of 2009. In keeping with the trend in earlier years, income from subsidized interest has been dropping while income from customers has increased. In the first three quarters of 2009 interest subsidy contributed 22.8% to total interest income compared to 29.8% in Q1-Q3 of 2008.

As regards interest expenditures in Q3 of 2009, 47.5% was incurred in conjunction with mortgage bonds, and 8.1% was contributed by interest expenditures on bonds. The contribution of interest paid on interbank borrowings was 0.4%, but interest paid on deposits contributed as much as 13.3%. The contribution of interest on derivative transactions was 24.3% in the reported period. The contribution of interest paid on mortgage bonds was 50.4% in Q2 of 2009 as opposed to 60.0% in Q3 of 2008. Interest expenditures on derivatives contributed 21.5% to interest expenditures in Q2 of 2009 and 25.0% in the reference quarter of 2008. In Q3 of 2008, interest paid on customer deposits contributed 4.3% as opposed to 14.5% in Q2 of 2009.

The breakdown of interest expenditures showed a varied picture in the first three quarters of 2009, similarly to Q1-Q3 of 2008. In Q1-Q3 of 2008, 51.3% was incurred in conjunction with mortgage bonds, the contribution of interest paid on interbank borrowings was minimal (0.7%), interest paid on customer deposits contributed 11.6%, and interest expenditure on derivative transactions contributed 24.5% to interest expenditures. The breakdown in 2008 was mortgage bonds 62.6%, interbank borrowings 2.0%, interest paid on customer deposits 3.4%, and derivatives 23.3%.

The average net interest margin (NIM) was 3.02% as of 30 September 2009 compared to 3.05% as of 30 June 2009 and 2.61% in Q3 of 2008. The increase in the NIM is propelled primarily by the decreasing costs of existing funds, which result from the repricing of the funds.

Net fees and commission income

In Q2 of 2009, the Bank achieved a positive balance of 373 million forints of income from, and expenditures on, commissions and fees; the Q3 of 2009 achievement was almost at the same level, 371 million forints. This is 13.6% below the 429 million forints achieved in Q3 of 2008. In Q3 of 2009, net income from fees contributed 4.8% to gross operating profit. The year-on-year shrinking of net income from fees was due primarily to lower early repayment rates and the consequent drop in income from early repayment charges.

Fee and commission income in the third quarter of 2009 was 447 million forints, almost half of which was contributed by early repayment charges, 17.8% by handling fees, and 11.3% by accounts and card related banking charges. Other line items include other service, insurance and contracting fees charged to customers. Fees related to mortgage bond issues contributed 13.6% to fee and commission expenditure, bank card related fees contributed 9.2%, and commissions paid to acquisition agents contributed 63.9%, the remaining items are typically fees paid to other financial institutions and organizations.

In the first three quarters of 2009, net fee and commission income amounted to 1,164 million forints, 12.0% short of the 1,322 million forints achieved in the reference period. Net income fees contributed 5.1% to gross operating profit in Q1-Q3.

Fees and commissions income in Q1-Q3 of 2009 was 1,321 million forints and included 639 million forints early repayment charges (44.2% down from Q1-Q3 of 2008), 231 million forints handling fees (18.3% down), and 158 million forints loan repayment insurance premiums collected from customers (as opposed to 41 million forints in the reference period of 2008). Q1-Q3 2009 income from accounts and bank card related banking charges was 151 million forints as of 30 September 2009 (compared to 84 million forints in Q1-Q3 of 2008). Q1-Q3 fees and commission expenditures (157 million forints) include 75 million forints fees commission paid to acquisition agents as a result of effective interest calculation, the same amount as in Q1-Q3 of 2008. Fees paid to syndicate partners amounted to 1.4 million forints, considerably less than the 13.2 million forints paid in Q1-Q3 of 2008. Fees paid in conjunction with mortgage bond issues were 41.1 million forints (as opposed to 236.1 million forints in 2008), and bank card related fees amounted to 20.8 million forints (15.9 million forints in Q1-Q3 of 2008).

Net profit from financial transactions

The net profit from financial transactions was 144 million forints loss in the third quarter of 2009, as opposed to 1.3 billion forints profit in the second quarter of 2009 and 735 million forints profit in the third quarter of 2008. The loss in the third quarter of 2009 was generated by changes in the fair value and FX conversion result of short-term FX-swap transactions. This effect was not balanced by one-off items of maturing and closed derivatives, nor the gains generated by the repurchase of mortgage bonds and unsecured bonds.

As a result of exchange rate movements over the period, and the adjustment of the FX revaluation effect of short term FX-swap transactions to the derivatives from foreign exchange transactions, the reported profit in Q3 of 2009 reduced earnings by 4.2 billion forints and deteriorated significantly from both Q3 of 2008 and Q2 of 2009 1.7 billion forints. Loss from FX transactions was 62 million forints in the first three quarters of 2009, considerably below the 2.5 billion forints profit achieved in Q1-Q3 of 2008.

After the 1.0 billion forints negative balance of derivatives that emerged in the second quarter of 2009, 4.2 billion forints profit was generated in the third quarter of 2009. Thus the balance of derivative transactions in the first nine months of the year was 2.2 billion forints as opposed to a loss of 1.1 billion forints in Q1-Q3 of 2008. The amount reported in the third quarter includes adjustments related to short-term FX-swap transactions. Firstly, FX revaluation effect was presented in the FX transactions line item in the reported quarter, secondly, the year-to-date cost of swap transactions are presented among interest expenses.

In the third quarter of 2009, securities transactions generated a loss of 113 million forints, while the second quarter of 2009 resulted in a profit of 544 million forints. The profit on this item in the first three quarters of the year was 253 million forints. In the third quarter of 2008 the same item achieved a profit of 149.4 million forints, and the Q1-Q3 of 2008 profit amounted to 430 million forints. The figure emerged as a balance of exchange gains and losses on securities issued and repurchased during the year. There were no significant gains realized during the third quarter as a result of repurchases and this has been the primary reason for reporting a net loss on this item in the third quarter of 2009.

Other income

As of 30 September 2009 the balance of other income and expenditure was 1,513 million forints, arising from 1,922 million forints income net of 409 million forints expenditure. As of 30 September 2008 the balance of other income and expenditure was 1,356 million forints. In the first three quarters of 2009, the item of other income and expenditure contains 1,517 million forints related to the business of FHB Annuity Ltd., which includes income from the adjustment of the value of real estate passed into FHB Annuities' ownership to its market value. The remaining items include net gain/loss from asset sales and from services. Other expenditure also included 171 million forints from revaluation of annuity payment liabilities, 30 million forints from derecognition of annuity related properties sold, and 118 million forints expenditure related to termination of office rent agreements. Donations, late charges and settlement with the tax authorities are also reported in this line item.

Operating expenses

Data in million HUF

DESCRIPTION	2008 Q3 (Jul-Sept)	2009 Q2 (Apr-Jun)	2009 Q3 (Jul-Sept)	2009 Q3/ 2008 Q3	2009 Q3/ 2009 Q2
General administrative costs	2,329	2,780	2,774	19.1%	-0.2%
Personnel expenses	1,289	1,284	1,309	1.5%	1.9%
- wages	812	884	904	1.3%	2.2%
- other personnel expenses	174	92	104	-40.4%	13.1%
- social security expenses	303	308	301	-0.9%	-2.2%
Other administrative costs	1,040	1,496	1,465	40.9%	-2.1%
Taxes paid	220	227	217	-1.4%	-4.3%
Depreciation	476	319	389	-18.3%	22.1%
TOTAL OPERATING EXPENSES	3,025	3,326	3,380	11.7%	1.6%

Operating costs amounted to 3.4 billion forints in the third quarter of 2009, almost equalling to the Q2 2009 cost level. Operating expenses in the reported quarter were 11.7% higher than the 3.0 billion forints achieved in the third quarter of 2008. The cost/income ratio (CIR) was 53.5% as of 30 September 2008 and 44.2% as of 30 June 2009. CIR was 44.1% as of 30 September 2009.

There was a minor change in the breakdown of operating costs. The contribution of personnel expenses in the third quarter of 2009 was 38.7% compared to 38.6% in Q2 of 2009 and 42.6% in Q3 of 2008. There was a 1.9% increase in personnel expenses compared to the previous quarter's figure and a 1.5% increase over the Q3 of 2008 figure. In Q3 of 2009 other administrative costs were 2.1% down from the Q2 of 2009 figure and were 40.9% higher than the Q3 of 2008 figure. There is a slight upward change in the contribution of this item to operating costs, from 34.4% in Q3 of 2008 to 43.3% by the end of the reported quarter.

Data in million HUF

DESCRIPTION	30 Sept, 2008	30 Sept, 2009	2009 / 2008
General administrative costs	7,100	8,246	16.1%
Personnel expenses	3,556	4,008	12.7%
- wages	2,213	2,738	23.7%
- other personnel expenses	518	332	-35.9%
- social security expenses	825	938	13.6%
Other administrative costs	3,544	4,238	19.6%
Taxes paid	686	661	-3.6%
Depreciation	1,313	1,132	-13.8%
TOTAL OPERATING EXPENSES	9,099	10,039	10.3%

In Q1-Q3 of 2009 operating expenses amounted to 10.0 billion forints as opposed to 9.1 billion forints in the same period of 2008. The increase in expenses is 10.3%.

In 2008 personnel expenses contributed 39.1% compared to 39.9% in 2009 with a year-on-year growth of 12.7%. Other administrative costs were up from the 38.9% achieved in Q1-Q3 of 2008 and were 42.2% as at 30 September 2009.

Over the past period there has been a change in the breakdown and amounts of the items contributing to other administrative costs. Rents amounted to 297 million forints in Q3 of 2009 as opposed to 255 million forints in Q2 of 2009 and 220 million forints in Q3 of 2008. As of 30 September 2009, rents contributed 20.3% to other administrative costs. The contribution of this item was 21.2% in Q3 of 2008. As of 30 September 2008, rents contributed 18.2% to other administrative costs. The contribution of this item was 19.9% in 2009.

Advisory fees amounted to 265 million forints as opposed to 175 million forints in Q3 of 2008. The contribution of advisory fees to other administrative costs in the third quarter of 2009 was 18.1% after 14.6% in Q2 of 2009 and 16.8% in Q3 of 2008. Consultants' fees reported in the first half amounted to 668 million forints, 35.9% higher than the Q1-Q3 of 2008 figure.

Within the line item of other administrative costs general and administrative costs amounted to 206 million forints in Q2 of 2009. The item in Q3 of 2009 was 63.3% higher, 336 million forints, 11.2% up from the 302 million forints reported in Q3 of 2008.

Banking activity costs contribute 8.6% to other administrative costs in the third quarter of 2009 (3.7% in Q3 of 2008 and 19.1% in Q2 of 2009). There has been a shift in the breakdown of banking activity costs: slower lending activity has resulted in a shrinking contribution of valuation costs, at the same time, the contribution of costs related to liabilities side activities has been on the rise. The contribution the latter item to banking activity costs was as high as 25.1% in the first three quarters of 2009 as opposed to 16.7% in Q1-Q3 of 2008.

Depreciation amounted to 318 million forints in Q2 2009 and 389 million forints in Q3 of the reference year. The 1.1 billion forints achieved in the first three quarter of 2009 fell 13.8% short of the same figure of the reference year, considering that the accounting policy was modified, resulting the specific extension of the depreciation period. Amortisation on intangibles contributed 61.4% and depreciation of tangible assets contributed 38.6% in the reported period of 2009.

Other taxes paid did not change significantly in the period of reporting: as opposed to 220 million forints in Q3 2008 and 227 million forints in Q2 2009, taxes paid by the Bank in the third quarter of 2009 amounted to 217 million forints. Almost all of the taxes paid was contributed by the statutory banking contribution. In terms of first nine months figures, taxes paid in 2009 amounted to 661 million forints, 3.6% less than the 686 million forints reported in Q1-Q3 of 2008.

Portfolio quality, loss in value and provisions

Portfolio quality continues to be good, though there was a decline in the proportion of problem-free loans compared both to the third quarter of 2008 and to the end of the prior quarter. The portfolio value determined according to IFRS amounted to 661.3 billion forints as of 30 September 2009 as opposed to 656.9 billion forints as of 30 June 2009 and 608.3 billion forints as of 30 September 2008.

The portion of the non-performing loan portfolio constituting the basis for provision reported according to IFRS rules was 3.55% as of 30 September 2009, 2.8% as of 30 June 2009, and 1.4% as of 30 September 2008. Impairment to the entire portfolio was 1.02% as of 30 September 2009, 0.74% as of 30 June 2008, and 0.23% as of 30 September 2008.

At the end of the period the outstanding provision was 5.9 billion forints, 4.6 billion forints over the 30 September 2008 figure. The portfolio and its breakdown is shown in the table below.

Data in thousand HUF

Description	30 Sept, 2008	30 Jun, 2009	30 Sept, 2009
Impairment as at 1st January	990,701	1,848,262	1,848,262
Charge for the period	3,285,066	4,606,624	7,220,828
FX change of impairment	19,964	-186,756	-178,282
Release during the period	-2,938,715	-2,189,422	-2,942,022
Impairment at period end	1,366,017	4,078,709	5,948,787
Net effect of charge and release	346,539	2,416,552	4,582,062
Loss on loans sold	115,614	-688	58,581
Loss on terminated loans	19,269	66,185	98,449
Charge/(release) for commitments	-820	101,838	161,174
Losses on loan and advances	480,602	2,583,887	4,900,266

Balance sheet

Data in HUF million

DESCRIPTION	30.09.2008.	30.06.2009.	30.09.2009.	30.09.2009./ 30.09.2008.	30.09.2009./ 30.06.2009.
Cash	489	770	818	67.1%	6.2%
Receivables from NBH	3,705	6,237	494	-86.7%	-92.1%
Interbank deposits	18,337	42,319	52,554	186.6%	24.2%
Available for sale securities	48,137	133,981	106,962	122.2%	-20.2%
Refinanced mortgage loans	278,853	273,237	266,155	-4.6%	-2.6%
Loans	302,195	329,185	329,431	9.0%	0.1%
Fair value of derivatives	4,468	6,266	3,414	-23.6%	-45.5%
Property for investment	5,105	7,405	8,483	66.2%	14.6%
Tangible and intangible assets	10,195	11,398	11,609	13.9%	1.9%
Goodwill	0	1,488	1,744	-	17.2%
Other assets	5,107	5,169	4,897	-4.1%	-5.3%
Assets total	676,591	817,455	786,560	16.3%	-3.8%
Payables total	639,002	772,401	740,853	15.9%	-4.1%
Interbank borrowings	20,747	16,757	16,326	-21.3%	-2.6%
Mortgage bonds	505,819	485,077	454,301	-10.2%	-6.3%
Bonds issued	64,450	57,165	58,710	-8.9%	2.7%
Deposits	32,050	40,364	38,920	21.4%	-3.6%
State loan	0	140,157	140,081	-	-0.1%
Fair value of derivatives	10,425	26,117	24,946	139.3%	-4.5%
Reserves for annuity	1,171	1,347	1,620	38.3%	20.2%
Other liabilities	4,340	5,416	5,949	37.1%	9.9%
Shareholders' equity	37,589	45,054	45,707	21.6%	1.4%
Subscribed capital	6,600	6,600	6,600	0.0%	0.0%
Repurchased own shares	-330	-1,400	-1,546	367.8%	10.4%
Share premium	1,709	1,709	1,709	0.0%	0.0%
General reserve	3,674	4,121	4,362	18.7%	5.8%
Cash-flow hedge reserve	-706	1,763	815	-215.3%	-53.8%
Stock option reserve	54	71	71	32.7%	0.0%
Changes in fair value of avail. for sale fin. assets	-41	398	702	-	76.4%
FX reserve	0	3	3	-	-5.7%
Retained earnings	26,630	31,790	32,991	23.9%	3.8%
Total liabilities and shareholders' equity	676,591	817,455	786,560	16.3%	-3.8%

As of 30 September 2009 the Bank's consolidated balance sheet total by IFRS amounted to 786.6 billion forints, which is 97.0 billion forints, or approximately 14.1% up from 31 December 2008 and 110.0 billion forints, or 16.3%, higher than the balance sheet total as of 30

September 2008. Compared to the 30 September 2008 reference period, the increase in assets was the joint impact of different factors including a 27.2 billion forints expansion of the loan portfolio and a 3.4 billion forints increase in real estates held for investment purposes reduced by 12.7 billion forints refinancing. Interbank lending grew by 34.2 billion forints, added to a 3.2 billion forints decrease in receivables from the NBH. Securities held for sale were 58.8 billion forints higher year-on-year. Goodwill amounting to 1.7 billion forints was also reported among assets.

On the liabilities side, 140.1 billion forints of the increase were contributed by the State loan received and 6.9 billion forints by the expansion of bonds. Conversely, interbank borrowings were 4.4 billion forints down year-on-year. The mortgage bonds portfolio shrank by 51.5 billion forints and bonds issued dropped by 5.7 billion forints. Shareholders' equity increased by approximately 8.1 billion forints year-on-year, primarily as a result of an increase in retained earnings. Cash-flow hedge reserve also increased by 1.5 billion forints.

Balance sheet total decreased by 3.8% compared to the 30 June 2009 figure. The drop was due predominantly to a 27.0 billion forints shrinking of the portfolio of securities held for sale. The portfolio of own loans increased by 0.2 billion forints and refinanced loans dropped by 7.1 billion forints in the reported quarter. The change in the fair value of derivatives decreased the balance sheet total by 2.9 billion forints. Conversely, a 10.2 billion forints expansion was achieved in interbank lending, and a 5.7 billion forints decrease in receivables from the NBH also boosted the balance sheet total.

On the liabilities side, the biggest item was the 30.8 billion forints decrease in the mortgage bonds portfolio. Deposits decreased by 1.4 billion forints in Q3, and the adjustment of the fair value of derivatives decreased the balance sheet total by 1.2 billion forints. Liabilities were expanded by 1.5 billion forints as a result of bonds issued in Q3 of 2009. Shareholders' equity increased by 0.7 billion forints in the third quarter of 2009 due to primarily to a 1.2 billion forints increase in retained earnings net of a 0.9 billion forints drop in cash-flow hedge reserve, and a 145 million forints increase in repurchased treasury shares.

Interest earning assets

The Group's interest earning assets on the balance sheet increased from 651.2 billion forints as of 31 December 2008 to 785.0 billion forints as of 30 June 2009, and then dropped to 755.6 billion forints as of 30 September 2009, which resulted 16% the year-on-year increase from the 30 September 2008 figure. Expansion of loans disbursed by the Bank as at 30 September 2009 was 9.0% compared to the Q3 of 2008 figure but the portfolio was only 0.1% up from the 30 June 2009 figure. Provisions to cover lending losses was up from 1,366 million forints as of 30 September 2008 to 5,949 million forints in Q3 of 2009. The increase in Q3 of 2009 amounted to 1,870 million forints. The portfolio of refinanced loans shrank by 4.6% year-on-year. The Q3 decrease was 2.6% as a consequence of exchange rate volatility. As of 30 September 2008 the combined contribution of refinanced loans and own lending was 89.2%. The contribution was down to 78.8% as of 30 September 2009.

The collateral value of real estates covering ordinary collateral amounted to 1,375.3 billion forints as of 30 September 2009, 2.3% lower than the figure (1,408.3 billion forints) as of 31

December 2008 and 1.3% down from the figure in Q3 2008 (1,394.0 billion forints) and 0.9% down from the figure in Q2 2009 (1,387.4 billion forints). The LTV ratio applicable for ordinary collateral (loan principal receivable to collateral value) was 38.9% as of 30 September 2009, somewhat higher than the 38.4% LTV ratio in the reference period of the previous year and lower than the 39.9% LTV as of 31 December 2008. The LTV ratio was 39.3% as of 30 June, 2009.

The portfolio of NBH and other interbank loans was up from 31.1 billion forint as of 31 December 2008 to 48.6 billion forints as of 30 June 2009 and to 53.0 billion forints as of 30 September 2009. The contribution of this item to total interest earning assets was 7.0%.

The value of the securities portfolio of the Bank shrank from 48.1 billion forints as of 30 September 2008 to 18.4 billion forints as of 31 December 2008. As a result of a significant growth it has increased to 134.0 billion forints as of 30 June 2009. By 30 September 2009 the value of the securities portfolio again dropped, to 107.0 billion forints. Thus the Q3 of 2009 contribution to assets was 14.2%. Securities include NBH bonds amounting to 39.0 billion forints, discount treasury bills amounting to 8.4 billion forints and government bonds amounting to 59.6 billion forints as well as other bank and corporate bonds. The Bank's securities portfolio continues to serve exclusively as a liquidity reserve.

Property for investment, own and other assets

The value of real estates transferred into the Bank's ownership as a result of the annuity products sold during the reported period amounted to 8.5 billion forints as of 30 September 2009, 14.6% up from the 7.4 billion forints achieved in the previous quarter. The year-on-year increase was 66.2%.

The net value of tangible and intangible assets amounted to 10.2 billion forints as of 30 September 2008. This amount was due primarily to new IT and other hardware and other tangible assets as well as software procured in the context of product development. In the wake of purchases in the course of 2009 the item increased to reach 11.6 billion forints by 30 September 2009.

Other assets amounted to 4.9 billion forints as of 30 September 2009 as opposed to 5.2 billion forints in Q2 of 2009.

Interest bearing liabilities

Mortgage bonds contributed 81.2% to the Bank's interest bearing liabilities as of 30 September 2008. As of 30 June 2009 the contribution was 65.6% followed by 64.1% as of 30 September 2009. The change in the breakdown of liabilities in the course of 2009 was caused by the shrinking mortgage bonds portfolio. The significant year-on-year change is due to the appearance of the State loan among the liabilities items. The 454.3 billion forints book value of mortgage bonds as of 30 September 2009 was 6.3% up from the 30 June of 2009 figure (485.1 billion forints), and was 10.2% down from the 505.8 billion forints achieved as of 30 September 2008. The value of the portfolio decreased by 51.5 billion forints as a result of 52.2 billion forints new issues, 63.6 billion forints repayments and 27.0 billion forints repurchase including related exchange rate adjustments that took place over the past 12 months.

Mortgage bond collateral

The value of assets used as ordinary collateral for the mortgage bonds issued by the Bank was 935.8 billion forints as of 30 September 2009, 2.0% down from the figure as of 30 June 2009 (955.0 billion forints), 3.9% less than the figure as of 31 December 2008 (973.6 billion forints), and 0.1% up from the 927.9 billion forints achieved as of 30 September 2008.

The value of the group of assets involved as collateral as of 30 Sept 2009 (HUF million)

Outstanding mortgage bonds in circulation	
Face value:	478,780
Interest:	112,830
Total:	591,610
Value of the regular collateral	
Principal:	540,267
Interest:	395,507
Total:	935,774
Value of assets involved as supplementary collateral	
Balance of the separate blocked account at the NBH – principal:	2
Bond issued by the NBH – principal:	2,000
Securities issued by the Government – principal and interest:	0
Total:	2,002

The present value of mortgage bonds amounted to 537.1 billion forints, and the present value of collateral was 634.0 billion forints as of 31 December 2008, thus the rate of coverage was 118.03%. As of 30 June 2009 the present value of mortgage bonds increased to reach 537.0 billion forints, and that of collateral to 624.6 billion forints. The rate of coverage was 116%. As of 30 September 2009 the present value of mortgage bonds increased to reach 517.8 billion forints, and that of collateral to 600.0 billion forints. The rate of coverage was still 116%.

As of 30 September 2009 net ordinary and supplementary collateral principle to the face value of mortgage bonds in circulation not yet repaid was 113.3%. Net interest on ordinary and supplementary collateral to interest on mortgage bonds in circulation not yet repaid was 350.5%.

Bonds issued

Launched first in September 2007, bond issues constitute a new fund raising non-covered securities type instrument. The issues resulted in bonds with a book value of 57.2 billion forints as of the 30 June 2009 balance sheet date. Interest accrual and fair value adjustment resulted the value of the bonds portfolio was 58.7 billion forints as the end of the reported period.

Interbank funds

As of 30 September 2009 the 16.3 billion forints interbank portfolio contained interbank funds amounting to 8.2 billion forints, and a Schuldschein loan equivalent to 8.1 billion forints denominated in EUR. The Bank has used the interbank facilities as supplementary funds.

Customer deposits

As of 30 September 2009 deposits amounted to 38.9 billion forints including 25.8 billion forints deposits from retail customers and approximately 11.4 billion forints deposits from corporate costumers of FHB Commercial Bank. As of 30 September 2008 deposits amounted to 32.1 billion forints compared and 40.4 billion forints as of 30 June 2009. The amount of surety deposits covering corporate loans was 1.7 billion forints as of 30 September 2009.

State loan received

As a result of negotiations that started in January of 2009 between the Ministry of Finance (MoF), the NBH, the HFSA and FHB Mortgage Bank Plc., the MoF and FHB Plc. signed an agreement on 25 March 2009 on the extension of a State loan amounting to 400 million euros. The first drawdown took place on 1 April 2009, the second on 30 April 2009. As of 30 September 2009 the Bank has 108.8 billion forints of the State funds available. In accordance with IFRS standards, the capital increase received from the State for a definite period is to be reported among liabilities rather than in the equity item, consequently, liabilities to the State total 140.1 billion forints.

Other liabilities

The Bank's other liabilities amounting to 5.9 billion forints include, among others, debts to suppliers (contributing 6.1% as of 30 September 2009 compared to 2.7% as of 30 June 2008, and 4.2% as of 30 September 2008), passive accruals (14.0% as of 30 September 2009 compared to 12.0% as of 30 June 2008, and 8.3% as of 30 September 2008), and taxes (16.7% as of 30 September 2009 compared to 17.3% as of 30 June 2008, and 24.3% as of 30 September 2008), deferred taxes (23.8% as of 30 September 2009 compared to 30.3% as of 30 June 2009, and 23.0% as of 30 September, 2008). Liabilities from settlement with customers were also substantial, 1.0 billion forints contributing 16.3% to other liabilities.

Shareholders' equity

The year-on-year increase in shareholders' equity was 21.6% (8.1 billion forints), reaching 45.7 billion forints as of 30 September 2009. The Q2 increase was 1.3 billion forints, or 2.9%, the Q3 increase was 0,7 billion forints or 1.4%.

The bulk of the year-on-year increase resulted from a 6.4 billion forints increase in retained earnings. Cash-flow hedge reserves were up by 1.5 billion forints year-on-year due to the change in fair value in the wake of yield and exchange rate changes and the 0.7 billion forints increase

in general reserve had a positive impact on the increase in shareholders' equity. On the other hand, shareholders' equity was reduced by a 1.2 billion increase in repurchased treasury shares.

Overall, shareholders' equity increased by 5.5 billion forints in the reported nine months, the Q3 increase was 0.7 billion forints. The main contributing factors in Q3 growth included a 1.2 billion forints increase in retained earnings (2.4 growth in Q2) boosted by a 241 million forints increase in general reserve and a 948 million forints increase in cash flow hedge reserve. Conversely, a 145 million forints increase in repurchased treasury shares reduced shareholders' equity.

Off balance sheet items

The Bank's pending liabilities towards customers among the off-balance sheet items were 1.2 billion forints. Contracted but not yet disbursed loans amounted to 3.3 billion forints. Future liabilities amounted to 402.4 billion forints and mainly include swap transactions relating to mortgage bonds. Liabilities from other currency swaps amounted to 70.0 billion forints.

The Bank only undertakes hedge transactions to close currency positions and managing risks, and does not engage in derivative transactions for speculative purposes.

Capital structure

Data in HUF million

DESCRIPTION	30 Sep, 2008	30 Jun, 2009	30 Sep, 2009
Risk weighted assets (RWA)	230,557	303,420	327,256
Regulatory capital (IFRS)*	30,553	33,126	33,564
Capital adequacy ratio (IFRS)	13.3%	10.9%	10.3%

* Excluding cash flow hedge reserve, including profit for the year.

Declaration

FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) hereby declares that the figures and statements of this Interim management report comply with reality, and it does not conceal any fact or information that would be substantial in the judgement of the issuer's position.

As issuer, FHB Jelzálogbank Nyrt. assumes exclusive liability for the contents of the Interim management report. FHB Jelzálogbank Nyrt. declares that it is liable as issuer for the reimbursement of losses caused by the omission and/or the misleading contents of regular and extraordinary information.

Budapest, 13th November, 2009

Dániel Gyuris
CEO

Gyula Köbli
Deputy CEO

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Financial Statements of FHB Mortgage Bank Plc. prepared in accordance with International Financial Reporting Standards (IFRS)

The consolidation fully applies also to FHB Szolgáltató Zrt. (FHB Services Ltd.), FHB Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), FHB Ingatlan Zrt. (FHB Real Estate Ltd.) and FHB Életjárdék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd), and to CEC Magyarország Zrt. and its affiliates (Central European Credit d.d.; Central European Leasing d.d.; Portfolio Money Zrt.; Hitelunió Kft.; Portfolio Money FBK Kft.).

Profit and Loss Statement

(consolidated, non-audited data as at 30 September, 2009 and 30 September, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2009	30 September, 2008	Change (%)
Interest income	60,958,051	53,339,889	14.3%
Interest expense	-43,208,891	-40,858,630	5.8%
Net interest income	17,749,160	12,481,259	42.2%
Fee and commission income	1,320,902	1,671,024	-21.0%
Fee and commission expense	-157,000	-349,146	-55.0%
Profit from FX transactions	-62,394	2,464,490	-102.5%
Profit from changes of fair value of derivatives	2,163,217	-1,049,784	-306.1%
Gain less losses from securities	252,545	429,794	-41.2%
Other operating income	1,922,362	1,523,938	26.1%
Other operating expense	-409,308	-166,747	145.5%
Operating income	22,779,484	17,004,828	34.0%
Losses/provisions on loans and impairment	-4,900,266	-480,601	919.6%
Operating expenses	-10,039,344	-9,099,481	10.3%
Profit before tax	7,839,874	7,424,746	5.6%
Taxation expense	-2,341,892	-2,364,311	-0.9%
Profit for the period	5,497,982	5,060,435	8.6%

Statement of comprehensive income	30 Sept, 2009	30 Sept, 2008	Change (%)
Profit for the period	5,497,982	5,060,435	8.6%
Other comprehensive income			
Cash-flow hedge reserve	-299,784	1,264,018	-123.7%
Variation in fair value of tradable financial assets	725,189	-29,960	-
FX reserve	2,853	-	-
Other comprehensive income with deferred tax	428,258	1,234,058	-65.3%
Total comprehensive income	5,926,240	6,294,493	-5.9%

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Balance Sheet

(consolidated, non-audited data as at 30 September, 2009 and 30 September, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September 2009	30 September, 2008	Change (%)
Assets			
Cash	817,644	489,251	67.1%
Due from National Bank of Hungary	493,746	3,704,736	-86.7%
Placements with other banks	52,553,754	18,336,678	186.6%
Available for sale securities	106,962,321	48,137,270	122.2%
Refinancing of mortgage loans	266,155,197	278,852,941	-4.6%
Loans	329,431,491	302,195,067	9.0%
Fair value of derivatives	3,413,742	4,468,403	-23.6%
Property for investment	8,483,112	5,104,691	66.2%
Goodwill	1,743,680	0	-
Tangible and intangible assets	11,608,910	10,194,619	13.9%
Other assets	4,896,676	5,107,648	-4.1%
Total Assets	786,560,272	676,591,304	16.3%
Liabilities			
Deposits from banks	16,326,099	20,746,769	-21.3%
Mortgage bond liabilities	454,301,398	505,819,049	-10.2%
Bonds issued	58,709,843	64,450,250	-8.9%
Deposits	38,919,614	32,050,534	21.4%
State loan received	140,080,849	0	-
Fair value of derivatives	24,945,926	10,425,191	139.3%
Reserve for annuity payment	1,619,967	1,170,970	38.3%
Other liabilities	5,949,265	4,339,666	37.1%
Total Liabilities	740,852,961	639,002,429	15.9%
Share capital	6,600,001	6,600,001	0.0%
Repurchased own shares	-1,546,021	-330,468	367.8%
Share premium	1,709,014	1,709,014	0.0%
General reserve	4,361,805	3,673,757	18.7%
Cash-flow hedge reserve	814,571	-706,342	-215.3%
Stock option reserve	71,261	53,706	32.7%
Variation in fair value of tradable financial assets	702,396	-40,565	-
FX reserve	2,853	0	-
Retained earnings/(deficit)	32,991,432	26,629,771	23.9%
Total Shareholders' Equity	45,707,311	37,588,874	21.6%
Total Liabilities and Shareholders' Equity	786,560,272	676,591,304	16.3%

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Cash Flow

(consolidated, non-audited data as at 30 September 2009 and as at 30 September, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2009	30 September, 2008
Cash flows from operating activities		
Net profit	5,497,982	5,060,435
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	1,132,530	1,313,242
Change of fair value of property for investment	- 1,516,911	-1,479,932
Provision for losses	4,188,281	365,449
Loss/(profit) on sale of fixed assets	32,513	33,185
Stock option reserve	- 14,529	-128,404
Share granted	0	0
Derivatives	-1,947,799	9,631,773
Real value of annuity	514,254	785,795
FX reserve	2,853	0
Operating profit / (loss) before changes in operating assets	7,889,174	15,581,543
<i>Increase (decrease) in operating assets:</i>		
Refinancing of mortgage loans	20,457,315	15,867,037
Loans	-6,397,882	-37,459,306
Accrued interest receivable	0	0
Other assets	26,683	144,885
<i>Increase (decrease) in operating liabilities:</i>		
Deposits	5,153,149	28,451,445
Due to other banks	1,925,991	-5,226,808
Accrued interest payable	0	0
Other liabilities	1,226,391	-52,766
Net cash used in operating activities	30,280,821	17,306,030
Cash flows from investing activities		
Increase in available for sale securities	-87,843,928	-26,457,308
Proceeds from sale of property and equipment	-8,667	7,183
Purchase of property and equipment	-1,927,845	-1,902,860
Purchase of property for investment	- 986,135	-2,117,472
Investment service	-1,763,694	26
Net cash used in investing activities	-92,530,269	-30,470,431
Cash flows from financing activities		
Sale/(purchase) of own shares	-391,303	-311,597
own shares of prior year	0	-165,843
Long term loans	140,248,249	-5,372,400
Paid dividend	0	0
Cash flow hedge reserve	0	0
Instalment from mortgage bonds	-106,224,901	-87,644,265
Proceeds from issue of mortgage bonds	50,785,170	116,617,858
Net cash from financing activities	84,417,215	23,123,753
Net increase in cash and cash equivalents	22,167,767	9,959,352
Cash and cash equivalents at beginning of year	31,697,377	12,571,312
Cash and cash equivalents at end of period	53,865,144	22,530,664
Cash and cash equivalents comprises of:		
Cash	817,644	489,251
Due from Central Bank	493,746	3,704,736
Placements with other banks, with a maturity of less than 90 days	52,553,754	18,336,677
Cash and cash equivalents at end of period	53,865,144	22,530,664
<i>Supplemental information</i>		
Interest received	59,954,623	49,290,457
Interest paid	-43,147,095	-39,553,015
Tax paid	-773,385	-949,380

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Statement of Shareholders' Equity

(consolidated, non-audited data as at 30 September, 2009 and consolidated, audited data as at 30 September, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	Share Capital	Treasury Shares	Share Premium	General reserve	Cash-flow hedge reserve	Stock option reserve	Variation in fair value (financial assets)	FX reserve	Retained earnings (deficit)	Shareholders' Equity
30 Sept, 2008	6,600,001	-330,468	1,709,014	3,673,758	-706,342	53,706	-40,565	0	26,629,771	37,588,875
Transfer to general reserve				141,320					-141,320	0
Total comprehensive income					1,820,697		17,771		1,451,439	3,289,907
Own shares purchase		-824,250								-824,250
Shares granted									100,287	100,287
Creation of stock option reserve						32,084				32,084
31 December, 2008	6,600,001	-1,154,718	1,709,014	3,815,078	1,114,355	85,790	-22,794	0	28,040,177	40,186,903
Transfer to general reserve				546,727					-546,727	0
Total comprehensive income					-299,784		725,189	2,853	5,497,982	5,926,240
Own shares purchase		-391,303								-391,303
Shares granted										0
Creation of stock option reserve						-14,529				-14,529
30 September, 2009	6,600,001	-1,546,021	1,709,014	4,361,805	814,571	71,261	702,395	2,853	32,991,432	45,707,311

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Loans

(consolidated, non-audited data as at 30 September, 2009 and as at 30 September, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2009	30 September, 2008
Real estate purchase	119,208,636	115,748,325
Real estate construction	51,048,248	50,915,301
Real estate reconstruction	4,320,431	4,231,177
Real estate extension	10,299,932	11,131,565
Other loans secured by real estate	137,053,528	116,741,665
Loans secured by non real estate	7,068,684	53,286
Employee loans	2,181,018	1,962,728
Loans, gross	331,180,477	300,784,047
from this: retail loans	298,828,922	281,610,190
other	32,351,555	19,173,857
Loan loss provision	-5,948,787	-1,366,017
Accrued interest	2,179,143	1,277,530
Amortised cost	2,020,657	1,499,507
Loans, net	329,431,491	302,195,067

Mortgage bonds

(consolidated, non-audited data as at 30 September, 2009 and as at 30 September, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	30 September, 2009		30 September, 2008	
Non-listed mortgage bonds				
Fixed	159,504,455	159,271,722	173,615,339	173,742,520
Floating	65,151,151	66,461,940	62,835,550	45,823,280
Listed mortgage bonds				
Fixed	105,418,965	106,105,645	148,825,579	150,104,045
Floating	111,148,304	111,480,874	105,093,758	105,064,905
Accrued interest	13,078,524		15,448,823	
Total	454,301,398	443,320,181	505,819,049	474,734,750

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Data forms relating to the structure of shares and the group of owners

RS1. Ownership structure, participation and voting rates

Description of group of owners	Entire share capital						Listed series ¹					
	Beginning of target year			End of period			Beginning of target year			End of period		
	(01.01.2009)			(30.09.2009)			(01.01.2009)			(30.09.2009)		
	% ²	% ²	Pcs	% ²	% ²	Pcs	% ²	% ²	Pcs	% ²	% ²	Pcs
Domestic institutional / company	51,18	52,18	33,778,013	32,10	56,10	36.000.027	49,12	44,26	28.492.313	54.55	56.10	36.000.027
Foreign institutional / company	41,19	42,00	27,184,214	21,45	37,49	24.054.548	46,87	42,00	27.184.214	36.45	37.49	24.054.548
Domestic private individuals	1,44	1,47	948,957	1,18	2,05	1.318.624	1,64	1,47	948.957	2.00	2.05	1.318.624
Foreign private individuals	0,00	0,00	2,000	0,00	0,01	4.210	0,00	0,00	2.000	0.01	0.01	4.210
Employees, executives	0,15	0,16	101,055	0,07	0,12	78.437	0,17	0,16	101.055	0.12	0.12	78.437
Treasury shares	1,93	0,00	1,270,511	1,63	0,00	1.829.864	2,19	0,00	1.270.511	2.77	0.00	1.829.864
State ⁴	4,11	4,19	2,715,260	2,42	4,23	2.714.300	0,00	0,00	960	4.10	4.23	2.714.300
International Development Institutes ⁵	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0	0.00	0.00	0
Hungarian State - Ministry of Finance "C" special dividend preference shares ⁶	0,00	0,00	0	41,15	0,00	46.153.999	0,00	0,00	0	0.00	0.00	0
Other ("D" special voting preference shares ⁷)	0,00	0,00	0	0,00	0,00	1	0,00	0,00	0	0.00	0.00	0
TOTAL	100,00	100,00	66,000,010	100,00	100,0	112.154.010	100,00	87,88	58.000.010	100.00	100.00	66.000.010

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.: MNV Zrt., TB, local authorities, companies with 100% state ownership, etc.

⁵ E.g.: EBRD, EIB, etc.

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

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

	1 January 2009		30 September 2009	
	Number of shares (pcs)	%	Number of shares (pcs)	%
Company	1,270,511	2.19	1,829,864	3.15
Subsidiaries ⁸	0	0.00	0	0.00
TOTAL	1,270,511	2.19	1,829,864	3.15

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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	Depository	Number of shares	Interest (%)	Voting right (%)
VCP Finanz Holding Kft.	no	15,970,000	24.20	24.20
A64 Vagyonkezelő Kft.	no	8,246,468	12.49	12.49
Allianz Hungária Biztosító Zrt.	no	6,318,105	9.57	9.57
Silvermist Estate SA	no	6,303,545	9.55	9.55
TOTAL		36,838,118	55.82	55.82

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

Name	Depository	Number of shares	Interest (%)	Voting right (%)
Magyar Állam	no	46,154,000	41.15	0.00
VCP Finanz Holding Kft.	no	15,970,000	14.24	24.20
A64 Vagyonkezelő Kft.	no	8,246,468	7.35	12.49
Allianz Hungária Biztosító Rt.	no	6,318,105	5.63	9.57
Silvermist Estate SA	no	6,303,545	5.62	9.55
TOTAL		82,992,118	74.00	55.81

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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)

	Beginning of target year (1 January 2009.)	End of target period (30 September 2009.)
Bank	81	79
Consolidated	582	564

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. Zoltán Spéder	Chairman	29.04.2008.	29.04.2013.	0
IT	István Somkúti	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Gábor Borsányi	Member	29.04.2008.	29.04.2013.	14,000
IT	Dr. Károly Salamon	Member	29.04.2008.	29.04.2013.	6,000
IT	Dániel Gyuris	Member, CEO	29.04.2008.	29.04.2013.	16,000
IT	László Harmati	Member, Deputy CEO	29.04.2008.	29.04.2013.	16,192
IT	Dr. Márton Vági	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Christian Rienert	Member	29.04.2008.	29.04.2013.	0
FB	Csaba Lantos	Chairman	28.04.2009.	28.04.2014.	0
FB	Róbert Somfai	Member	29.04.2008.	29.04.2013.	5,000
FB	Winkler Ágnes	Member	26.07.2002.	27.04.2012.	0
FB	Kata Orsolya Molnár	Member	05.05.2005.	05.05.2010.	0
FB	Dr. Erik Landgraf	Member	02.05.2006.	02.05.2011.	4,000
FB	Nguyen Hoang Viet	Member	02.05.2006.	02.05.2011.	5,245
SP	Gyula Köbli	Deputy CEO	01.11.2008	Indefinite	0
SP	Tamás Foltányi	Deputy CEO	07.11.2005	Indefinite	12,000
Shares held (pcs) TOTAL:					78,437

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

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INFORMATION AND DISCLOSURES

Important information and disclosures issued by FHB Group fall into the following categories:

- Events relating to Group operation (banking announcements, changes in the Rules of Operation);
- Disclosure of flash reports and annual reports;
- Information in relation to mortgage bonds (offerings and repurchase, updating of the domestic and international mortgage bond issues programme, value of mortgage bonds and their cover);
- Shareholders' announcements regarding acquisition of holdings in excess of 5%;
- Notification of FHB share transactions;
- Rating by Moody's;
- Proposals submitted to the AGM and invitation to the AGM.
- Owners' decision about FHB subsidiaries (capital increase of FHB Commercial Bank)
- Changes in management and senior positions

Announcements, information and disclosures published by FHB are available at the following sites:

www.bet.hu
www.kozzetetelek.hu
www.fhb.hu