

FHB Mortgage Bank Plc.

Rules of Procedure of the Board of Directors

1. General provisions

The Board, the legally appointed representative and management body of the Corporation, represents the Corporation against third parties, courts and other authorities, it manages and controls the business activity and management of the Corporation furthermore provides the conditions of a productive operation.

Its operation and activity are basically under the control and the management of the By-Laws of the Corporation, Act IV of 2006, the Act CXII of 1996 on Credit Institutions and Financial Enterprises, the Act CXX of 2001 on the Capital Market, the Act XXX of 1997 on the Mortgage Loan Institutions, furthermore the relevant resolutions of the Hungarian Financial Authority and other legal provisions.

2. The Board

2.1. The chairman of the Board

The members of the Board of directors elect a chairman among them. In case the chairman resigns, within 15 days after it enters into force, the board is obliged to elect a new chairman, and this time the CEO of the Corporation arranges the call of the board.

Any member can suggest the election of a chairman, on what the members make a decision by secret voting, except if any member requests open voting, and the board approves it.

2.2. The members of the Board

Natural people elected by the General meeting. On the members and the content of the body, the regulations of the By-laws shall be governing.

3. Dissolution of the Board and the membership

A, The Board is dissolved by the expiry of the specified period and in case of occurrence of any other reason specified by law.

B, The member of the Board may resign from the membership any time, but if it is required for the Corporation's operation - especially if as a result of resignation the actual number of members of the Board is less than three, or the number of internal members is less than two or it will be more than the number of external members - the resignation shall only enter into force sixty days after except if the General meeting has already arranged the election of the new member earlier.

4. Rights, obligations and responsibility of the members of the Board

4.1. Rights

4.1.1. The chairman and the members of the Board have the right to vote and consult furthermore to submit a proposal.

4.1.2. The members of the Board can require further information in order to make a grounded decision. All materials of the Board and other information related to their activity shall be available for the members of the Board in time. Presentation of the details necessary and the background information to the external directors falls within the scope of the chairman.

4.1.3. The members can only exercise their rights personally, representation and substitution in the course of exercising this right is not possible.

4.2. Obligations

4.2.1. The members of the Board have to take enough time to discharge their duties deriving from their positions and are obliged to prepare for the meeting of the Board. The members are obliged to discharge their duties with special reasonable and customary care in primary interest of the Corporation.

4.2.2. The members and the chairman are obliged to notice the board on all facts, data, information and knowledge related to or influencing the proposal in prior of the decision making.

4.2.3. In the course of the decision making the interest of the Corporation and the operative legal regulations shall be taken into consideration.

4.2.4. The members of the Board are obliged to keep the trade secret (Civil Code section 81 subsection (2)) or bank secret (Act CXII of 1996 on Credit Institutions and Financial Enterprises section 50) related to the Corporation what come to their knowledge confidential, furthermore to make a statement on professional confidentiality without delay after their election.

Trade secret – irrespectively of the type of data carrier – is all information or data what the Corporation have interest for keeping confidential. Thus trade secret is especially:

- The agenda of the meeting of the Board and related proposals furthermore the minutes prepared on the meeting;
- All internal policies of the Corporation;
- The negotiations with the shareholder(s) of the Corporation, which concern the all time business management and banking of the Bank (including its business strategy and plans, too) furthermore its proprietary structure;
- Contracts related to the business management of the Corporation;
- Data included in the Executive Information System and business and financial reports based on that, excluding the reports published within the scope of the obligation for regular and extraordinary publication according to the relevant provisions of Act CXX of 2001 on the Capital market and the Hungarian Stock Exchange after their publication of the website of the Hungarian Stock Exchange.

The members of the Board cannot use the trade secret or bank secret what came to their knowledge in order to grant direct or indirect advantage for third parties or them, furthermore to cause disadvantage for the Corporation, its partners or its customers.

- 4.2.5. The member of the Board is obliged to observe the legal provisions on the prohibition of inside trading. The member of the Board cannot use and transfer the information – related to the operation of the Corporation and its customers – what came to his knowledge in connection with his position, furthermore he cannot make it available for unauthorized person.
- 4.2.6. The member of the Board is obliged to report his proprietorship on shares issued by the Corporation to the Board.
- 4.2.7. The member of the Board is obliged to report to the Hungarian Financial Supervisory Authority after the transaction without delay, but within maximum two days and also to publish on a place specified by the Act CXX of 2001 on the Capital market section 34 subsection (5) (in principal in at least one daily newspaper published throughout Hungary, or the website of the Corporation and –if available – the securities dealer, or the website of the Hungarian Stock Exchange or the sites of publication operated by the Hungarian Financial Supervisory Authority), if he or his representative (assigned) made a deal for shares issued by the Corporation furthermore such financial assets, whose value depend on the value or the exchange rate of the shares mentioned.

The report shall contain:

- o The denomination of the financial assets involved in the transaction,
 - o The amount of the financial assets involved in the transaction,
 - o The exchange rate of the financial assets involved in the transaction,
 - o The transaction date, and
 - o The denomination of the investment service provider managing the transaction.
- 4.2.8. The member of the Board shall be entitled to make a deal according to the all time valid restrictions of legal provisions regarding the securities issued by the Corporation. The member of the Board cannot make a deal on the securities issued by the Corporation (what is share or exchange traded mortgage bond issued by the Corporation):
- a) In the period from the balance sheet date till the publication of the annual report (except public issue);
 - b) In 30 days in prior the publication of the semi-annual flash report;
 - c) In 15 days in prior the publication of the quarterly flash report;
 - d) In 3 days in prior the publication of contracts falling in the scope of extraordinary disclosure obligation.

The prohibition expires on the publication date of the flash report, or the annual report or the date of the extraordinary disclosure publication.

- 4.2.9. The member of the Board is obliged to report the Hungarian Financial Supervisory Authority without delay, if
- He is elected as a member of the Board or a member of a Supervisory Board at another financial institution, or he resigns from a position related,
 - He acquires controlling shares in a venture or he terminates his position related,
 - He is under criminal indictment specified in the Act CXII of 1996 on Credit Institutions and Financial Enterprises section 44 subsection (6).
- 4.2.10. The member of the Board cannot participate in the preparation of a decision or the decision making related to commitments, if at the customer where the risk taking takes place, he
- Is an executive, and
 - Has controlling shares.
- 4.2.11. The member of the Board cannot participate in the preparation of a decision or in a decision making of a matter having vested business interest by him, his relative or the venture owned directly or indirectly by him.
- 4.2.12. The member of the Board cannot undertake contractual obligation and conclude sales contract with the Corporation, except if the Board approved to conclude the contract by unanimous vote – in advance.
- 4.2.13. The member of the Board cannot acquire corporate share – except acquisition of shares in a company limited by public shares – in a business organization pursuing the same activity as the Corporation, furthermore he cannot be an executive officer in a business organization pursuing the same activity as the Corporation, except if the By-Laws of the Corporation makes it possible or the general meeting of the Corporation approves it.
- 4.2.14. The member of the Board and his close relative (Civil Code section 685 subsection point b)) cannot strike a deal falling in the scope of the activities of the Corporation in his own name and in his benefit, except if it is expressly allowed according to the By-Laws of the Corporation.

4.3. Liability

- 4.3.1. According to the Civil Code the members of the Board are liable to the Corporation for damages caused by the guilty breach of obligations and resolutions approved by the By-Laws and the General meeting. The board has joint and several liability on the damages caused. If the damage is caused by a resolution of the Board, the member of the Board, who did not take part in the decision making or voted against the resolution, is exempt from liability, if he informed the Supervisory Board in writing in fifteen days after the approval of the resolution.
- 4.3.2. The members of the Board have personal liability on the decisions falling in their scope and on the ground of their proposals related to such transactions.

4.3.3. Beyond the enforcement of criminal liability on keeping the trade secret and the bank secret confidential – if the breach of obligation causes pecuniary disadvantage – at the same time of the impeachment the Corporation may demand compensation according to the relevant legal provisions.

5. The independence of the Board and its members

- 5.1. The Board makes its decisions impartially by taking the interest of all shareholders into account, striving for independence from the influence of the management and each shareholder. The member of the Board in this respect cannot be ordered by the Corporation's shareholder or his employer.
- 5.2. The members of the Board cannot be executive officers in a business organization or cooperative pursuing the same activity as the Corporation, except if the general meeting approves it. The members are obliged to report if they are appointed as an executive officer in a business organization pursuing the same activity as the Corporation furthermore on such relations, which may influence the operation of the Corporation.

6. The scope of the Board

- 6.1. The scope of rights related to the strategy, business and financial activity of the Corporation
- a) The approval of the strategic and business policy targets;
 - b) The establishment and the approval of the annual business and financial plan furthermore the business policy;
 - c) The analysis and evaluation of the execution of the principles of business policy on basis of the quarterly balance sheets of the Corporation;
 - d) The management of the Corporation, in this scope the approval of the Accounting policy and related regulations;
 - e) Entitled to approve the interim balance sheet – in relation with the exercising of rights related to redeemable shares, the acquisition of equity shares, the dividend payment and the increase of equity capital against an asset over the equity capital – furthermore to adopt a resolution on the advance dividend payment, but these require the preliminary approval of the Supervisory Board as well;
 - f) The specification of the risk management principles, which insure the mapping of risk factors, the eligibility of the internal control mechanism, the regulatory and the supervisory system in order to handle these, furthermore the legal compliance;
 - g) The approval and the regulatory supervision of the strategies and policies on the share of duties within the organization, the prevention of conflict of interest, the risk taking, furthermore the measurement, the management, the monitoring and the reduction of risks (including the policy containing the scoring and the valuation procedures related to lending and operation risk management);
 - h) Approval of the regulatory reports on lending and operation risks;

- i) The approval of the internal policy on the principles of publication;
- j) The specification of the sum and content of capital required to cover the Corporation's current and future risks and the development of strategies and procedures in order to keep it persistent, furthermore its supervision – at least once a year;
- k) The specification of the scope (limit) of decisions on financial services;
- l) Decision making on the loan placements exceeding 10% of the Corporation's adjusted capital (excluding interbank financial transactions)
- m) Decision making on investments , which accounting volume exceeds 5% of the all time equity share of the Corporation;
- n) Decision making on the start-up, the suspension and the termination of the exercise of authorized certain activities of the Corporation;
- o) The specification of the conditions of the assignment contract to be concluded with the asset supervisor;
- p) The specification of the policy on the order of operation, the trading and the transaction of the Treasury's money and capital market activity;
- q) The approval of the policy on the specification of the value of cover registration, risk taking, great risk taking and loan security;
- r) Decision making in issues of claim to real estate exchange (forced investments) higher than HUF 200 million
- s) The selling of problematic individual claims against a customer or group of customer with a loss higher than HUF 50 million.

6.2. The scope of duties and competence related to the operation and organization of the Corporation

- a) The call of the general meeting of the Board;
- b) Arrangement of the proper level and frequency of contact with the shareholders;
- c) Contact with the Supervisory Board and the preparation of reports for it;
- d) Consistent monitoring of the efficiency of the corporate management practice;
- e) The management of more significant conflicts of interest affecting the organization of the Corporation or its entire operation<
- f) The approval of more significant changes in the organization (termination or establishment of the boards);
- g) The determination of actions and action plans required due to the statement of the Hungarian Financial Supervisory Authority and/or the Central Bank of Hungary (MNB);
- h) The development of the financial incentive system;
- i) The approval of the policy on loans received from the employer.

6.3. Scope of rights related to the increase of equity and equity shares

- a) In case of the authorization prescribed in the By-Laws, he is entitled to increase the equity capital of the Corporation in compliance with the By-Laws according to the restrictions of authorization;

- b) In case of the authorization of the general meeting, he is entitled to decide on transactions related to equity shares accordingly;
- c) In lack of authorization of the general meeting, he is still entitled to decide on acquisition of the Corporation's equity shares, if it is necessary in order to avoid a serious damage threatening the Corporation;

6.4. The competence related to the management of the group, the foundation of the Corporation and investments

- a) Decision making on the acquisition and selling of a company or business activity, if its volume is higher than HUF 100 million and the share reaches the extent of controlling share;
- b) Decision making in matters falling within the scope of competence of the principal body on sole proprietorships owned by the Corporation, furthermore the exercise of proprietary rights;
- c) Exercise the rights in case of business associations under an influence of the Corporation higher than fifty percent according to the membership rights specified in the Companies Act;
- d) The instruction of the management of the financial institution, the financial venture and the accessory venture in order to observe and execute the regulations on consolidated supervision.

The scope of competence related to investments is practiced by the Board as a body, except the following cases:

- o In the course of practicing the competence defined in point b) the CEO – in delegated competence – is entitled in, justified cases, to secession and to practice the abstracted competence in the course of practicing proprietary rights,
- o In the course of practicing the competence defined in point b) the CEO – in delegated competence – is entitled in, justified cases, to initiate the call of the general meeting, and to exercise the right of decision individually in respect of the proposed agenda points – requiring three-fourths majority of the general meeting according to the Companies Act or the relevant Corporation's deed of association (By-Laws),
- o Regarding the business associations under the controlling influence of the Corporation, the managing director appointed by the Board and liable for the prudent operation of the business associations under the controlling influence of the Corporation (CEO of the Corporation) – in delegated competence – is entitled to exercise the right of instruction (group control instruction) specified in Act CXII of 1996 on Credit Institutions and Financial Enterprises section 92 subsection (2). The managements of business associations under the controlling influence of the Corporation are obliged to execute the group control instruction issued by the CEO.
- o The CEO is obliged to report to the Board on request of the Board, but at least quarterly on the actions taken in its delegated competence including the group control instructions.

6.5. Rights related to the representation of the Corporation

- a) The development of the directives (Appendix No. 1 of this rules of procedure) related to the publication of information to be published according to the relevant legal provisions and their observation;
- b) The exercise of employment rights related to the executive employees according to the regulations defined in point 6.8 (executives shall mean the CEO and the deputy-CEOs);
- c) The appointment of entitled for the power of representation – to be registered in the company register – furthermore the approval of the policy on the order of procedure on the assignment of the two internal members of the Board’s joint authority to sign.

6.6. Competences related to own operation

- a) When required proposal for the General meeting on the appointment of member(s) of the Board furthermore the remuneration of the members;
- b) The election and dismissal of the chairman of the Board;
- c) The approval and the amendment of the rules of procedure of the Board;
- d) It is entitled to form permanent or ad hoc committees with the participation of the members of the Board or people outside the Board (employees, external experts, etc.), furthermore to give the required authorization to these committees;
- e) It is entitled to use the services of external consultants of experts to support its activities;
- f) The review of the execution of his own previous resolutions quarterly.

6.7. Other competences

- a) Decision making in all matters what the general meeting referred to the competence of the Board;
- b) Decision making in all cases falling within the scope of the Board due to legal provisions, or what the Board – because it is not in the exclusive competence of the general meeting – draws to his own competence, furthermore what shall be discussed on the requirement of any member of the Board or the Supervisory Board;
- c) Reporting related to pending matters adopted in his competence;

6.8. The order of exercise of employer’s rights over executive employees (CEO and deputy-CEOs)

Unless otherwise prescribed by legal provisions or the resolution of the General meeting

- a) The Board directly exercise the right related to the entrance and termination of employment of the CEO and the deputy-CEOs, furthermore the specification of the remuneration.
- b) Regarding other employer’s rights not mention in point a) regarding the CEO, the chairman of the Board and an external member appointed by the Board are entitled jointly.
- c) Regarding the exercise of rights not mentioned in point a) regarding the deputy CEOs, the chairman of the Board and the CEO of the Corporation are entitled jointly.

7. The order of the operation and management of the Board

- 7.1. The Board shall work on basis of an annual of a semi-annual work schedule.
- 7.2. The Board shall hold its meetings as required, but at least once in every 3 (three) months.
- 7.3. It shall discuss the issues referred to his competence on basis of proposals in writing (in extraordinary justified cases it is possible to depart from this with the preliminary approval of the chairman of the Board). It shall adopt its decisions in writing in form of resolutions – based on the proposal submitted.
- 7.4. The management shall prepare the proposals and related proposed resolutions for the Board. For the grounded content of the proposals the executive of the organization preparing the proposal and the deputy-CEO practicing professional supervision shall be liable for.
- 7.5. The executive of the Secretariat is obliged to notice the members on the date and agenda of the meetings 8 workdays in prior the meeting by sending a file electronically in non-modifiable format, furthermore to send the proposal in writing latest 3 workdays in prior the meeting. The documents shall be sent to the ones concerned in a way, so the confidentiality can be assured.
- 7.6. The meeting of the Board has a quorum, if half of the member of the Board is present.
- 7.7. The Board adopts his resolutions – except the cases specified in point 7.8 – by simple majority vote, by open voting. The member of the Board concerned in the matter to be discussed cannot take part in the adoption of the resolution. In case of a tie vote, the chairman's vote shall decide. The chairman of the Board shall order secret voting on the request of any member.
- 7.8. The Board shall make a decision by three-fourths majority in the following matters:
- a) In matters according to the exercise of proprietary rights specified in point 6.4. b), where the Companies Act prescribes such majority in case of the decision-making of the principal proprietary board;
 - b) Resolution on the payment of the acceptance of the balance sheet and the dividend in advance according to point 5.1. e);
 - c) In any matter out of the meeting's decision-making.
- 7.9. The chairman of the board can call the Board by neglecting the terms and procedures specified in point 7.5. on the phone or any other way (extraordinary meeting), if the urgency of the agenda item(s) to be discussed justifies it. In this case the meeting can be held, if all members of the board notified on the date and the place of the meeting confirmed it and none of them objects to the meeting. The possible objection shall be submitted to the chairman of the Board in writing prior the specified date and an objection after the meeting cannot be taken note of. In case of a preliminary objection, the chairman of the board shall postpone the meeting according to the deadlines specified in point 7.5.

7.10. The Board can only adopt a valid resolution on telephone, telefax and other ways, if the proposal on the matter to be approved in writing – at least electronically – was sent to the members of the Board, and more than half of the members made out a private document of probative value, what are sent to the Residence of Corporation within two days.

7.11. The meetings of the Board are recorded. The minutes of the meeting shall contain:

- a) The date and the place of the meeting of the Board,
- b) The name of the members of the Board present,
- c) The name of the person submitting the proposal,
- d) The motions told,
- e) The adopted decisions and the objections against these decisions,
- f) The voting rate and the objections.

The member of the Board can request his opinion to be recorded word for word in the minutes. The minutes shall be signed by chairman of the Board and two members of the Board present – possibly an external and an internal member. The minutes shall be sent to the chairman of the Supervisory Board, the representative of the Hungarian Financial Supervisory Authority and an auditor fifteen days after the meeting – irrespectively if they were present on that meeting.

7.12. The chairman of the Supervisory Board and the member of the Supervisory Board appointed by him shall participate the meeting of the Board as permanent invited guest. The chairman of the Board can invite – with the right of consultation – the Auditor and the Asset Supervisor of the Board or other people.

7.13. The documentations related to the operation of the Board are stored in the Secretariat of the Corporation, and its access is provided by the Secretariat. The documents sent to the members of the Board are confidential.

7.14. In case of obstruction of the chairman, his duties are discharged by the CEO.

8. The order of instruction of the operation of the Board

8.1. The work of the Board is governed by the chairman. The required administration and coordination duties are performed by the executive of the Secretariat.

8.2. In order to support the work of the Board, the chairman of the Board can invite the auditor of the corporation in addition of the one submitted the proposal furthermore the organization concerned of the Bank in the given matter.

9. The duties of the chairman of the Board furthermore the participants in the completion of meeting of the Board

9.1. The duties of the chairman

- a) Controls and manage the work of the Board,
- b) Call - through the Secretariat - the board,
- c) Takes care of the preparation of the certified minutes of the meeting of the Board.

9.2. The duties of the Secretariat

- a) Arranges the meeting of the Board (place, sends the document on the matter to be discussed and the notifications), and especially takes care of:
- b) The development of the coordination and harmonization required in the course of the preparation of the meeting,
- c) The acceptance of the disclosures and proposals according to the requirements (requests the person prepared and submitted the documents to rectify the contents of the proposal),
- d) At the compilation of the agenda the marking of the proposals by agenda items on each face of the documents,
- e) That the proposal shall include proposed resolution,
- f) To send the invitations, the agenda of the meeting, the submitted proposals in writing and the disclosures to the ones concerned,
- g) The ad hoc invitation of the people to be invited furthermore to send the documents required for their presence on the meeting to them,
- h) The arrangement of the meetings (for ex. The equipments and technical conditions required to have the meetings without disturbance).
- i) Taking care of the record and the certification of the minutes.
- j) The monitoring of the executions of the decisions and resolutions and keep the records of the resolutions of the Board.
- k) The arrangement of the certification of the minutes, then send it to the people specified in point 7.11.
- l) Documentary keeping the original copy of the proposals disclosures and other documents related to the meetings.

10. Closing provisions

The Board adopted this rules of procedures by Resolution No. 4/1997 (10.29) and the rules of procedures entered into force on 29 October 1997.

The Board amended the rules of procedures by Resolution No. 23/1999 (02.23), 33/1999 (06.03), 20/2003 (04.14), 44/2004 (10.27), 9/2005 (01.28), 37/2006 (04.24), 48/2006 (09.27), 37/2007 (05.25) and 13/2008 (03.27).

Budapest, 27 March 2008

Dr. Márton Vági
The chairman of the Board