



**The preliminary report of FHB
Mortgage Bank Plc for the first
half of 2007**

Budapest, 2 August, 2007

The preliminary report of FHB Mortgage Bank for the first half of 2007 on the activities and results of the Company

The preliminary report of FHB Mortgage Bank Public Company Limited by Shares for the first half of 2007 contains the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The consolidation applies also to FHB Szolgáltató Zrt. (FHB Services Ltd.), a 100%-owned subsidiary of FHB as well as FHB Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), a private company limited by shares 90% of which are owned by the Bank, FHB Ingatlan Zrt. (FHB Real Estate Ltd.), a private company limited by shares of which 95% are owned by the Bank, and FHB Életjárdék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd.), a private company limited by shares 95% of which are owned by the Bank. The remaining business shares in each company are owned by FHB Services Ltd. As the balance sheet and the profit and loss account of the companies involved in the consolidation have no significant bearing on the Bank's data, the preliminary report contains consolidated figures throughout. The narratives compare the non-audited figures as of 30 June 2006, 31 March 2007 and 30 June 2007.

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

Earnings before taxation as of 30 June 2007 were 3.3 billion forints, 32.8% down from the first half 2006 figure. In the first half of the year, the IFRS adjustments of the swap hedge transactions had a significant impact on the earnings of the Bank. Due to the change of the exchange rates and interest rates, 0.7 billion forints expenditure had to be accounted for according to the international standards. **Earnings before taxation were 4.0 billion forints without the impact of the changes in the fair value of the swap transactions** for hedge purposes, 21.5% lower than in the reference period in 2006.

The implementation of the new strategy is in the course of completion. The profit of the FHB Bankgroup created by the strategic transformation was significantly affected by the expenses of the implementation in the first half of 2007, while the additional revenues from the new activities will be realized in the next periods.

The **average net interest margin** dropped by 28 basis points, from 3.34% as at 30 June 2006 to 3.07% over the period of a year, mainly caused by the continuously increasing cost of FX funds, the intensifying competition on the retail mortgage loan market and the structural changes of the Bank's mortgage loan portfolio. Over the past quarter the decrease of the net interest margin was eleven basis points.

The consolidated balance sheet total has increased from 524.9 billion forints **to 581.6 billion forints, by 10.8% over a year.**

The cost income ratio would be 58.3% excluding the impact of the banking contribution.

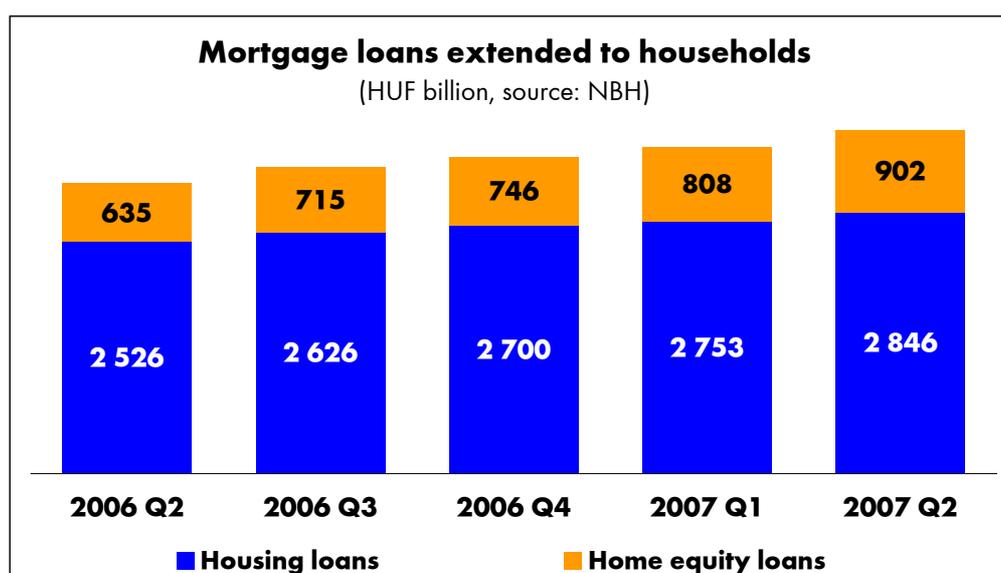
Retail mortgage loan market

According to NBH figures, the retail mortgage loan portfolio amounted to 3,747.9 billion forints as of 30 June 2007. This portfolio is 187.0 billion forints higher than the previous quarter's figure with the year-on-year figure being 587.2 billion forints higher. Without the effect of the FX rate changes, the retail mortgage loan portfolio (calculated using the FX rate as at 30 June, 2007) has increased by 812 billion forints or 27.7% over a year.

Growth in the portfolio continues to be generated by the increasing rate of foreign exchange-denominated loans: the annual growth of the portfolio was 650.0 billion forints. At the same time the forint-based loans portfolio shrank by 62.9 billion forints compared to the same quarter of the previous year and 31.1 billion forints compared to the previous quarter's figure.

By the end of the quarter the size of the FX loan portfolio was already higher than the magnitude of forint loans despite the fact that the strong forint reduced the HUF value of loans denominated in foreign currencies in 2007. The total amount of retail mortgage loans was 1,980.6 billion forints, 52.5% of which was denominated in foreign exchange as opposed to 1,779.3 billion forints of the continuously decreasing HUF loans. The intensity of growth is marked by the fact that in the same period of the previous year the proportion of FX loans was 41.7%.

Year-on-year growth in housing loans extended to households was 12.7% in the last twelve months, amounting to 320.2 billion forints. The average monthly growth was 26,7 billion forints, and the growth was particularly spectacular in summer months. Growth in the second quarter was 93,2 billion forints, falling short of the 159,6 billion forints growth of the same period of the previous year. The growth was 146,8 billion forints in the first six months of 2007, also significantly lower than the 242,8 billion forints growth in the base period. The trend was due mainly to a saturated market, falling demand and a strong forint. The entire housing loan portfolio amounted to 2,846.4 billion forints as of 30 June 2007.



The increase in FX-based loans was greatly contributed to by **soaring home equity loans** whose growth had been significant over the previous years. Compared to 634.6 billion forints contributing 20.1% to the overall retail loan portfolio as of 30 June 2006, the contribution of home equity loans to retail lending grew to reach 24.1% by the end of the period of reporting due to home equity loans' 45.5% contribution to the growth of the loan portfolio over the past year.

The substantial increase in the portfolio of **home equity loans** to retail customers was 11.6% in the second quarter of 2007 with a year-on-year growth of 42.1%. The steep rise slowed somewhat: whereas in the first half of 2006 the average monthly growth was 41.2 billion forints, the average monthly growth in 2007 reached 25.9 billion forints. Of the total amount of home equity loans 95.6% was disbursed in foreign exchange. Total outstanding amount exceeded 902.0 billion forints as of 30 June 2007. Home equity mortgage loans contributed 51.8% to total consumer loans at the end of the quarter as opposed to 46.8% in the reference period. This indicates a significant restructuring within the consumer loans product: the growth of consumer and personal loans is less and less dynamic and the growth of home equity loans continues to be strong.

Own lending

Over the past year up to 30 June 2007 the net amount of loans sold by the Bank grew by 35.5 billion forints or 18.1%. The increase in the second quarter of 2007 was 14.9 billion forints, 6.9% up from the 31 March 2007 figure. In the first half of 2007 own lending increased by 9.6%, or 20.2 billion forints compared to the 31 December 2006 figure.

In the first half of 2007 disbursements amounted to 34.4 billion forints compared to 28.8 billion forints in the same period of the previous year, thus increasing by 19.4%. In line with the general trends in the mortgage loans market, foreign exchange-denominated lending continues to be the leading product contributing 78.8% to the 2007 disbursements.

The Bank's leading product is the home equity mortgage loan contributing 41.0% to total disbursements in the first half. Almost the entire amount of home equity loans was disbursed in Swiss francs. Loans extended for the purchase of homes are the second major product with a contribution of 26.6%, followed by building loans contributing 9.9% to disbursements. The performance of commercial real estate financing was outstanding in June and brought up the contribution of this product to a significant 15% in first half disbursements. The realignment of loan products that had started in 2006 was concluded. However, the breakdown in the reported quarter significantly differs from that of the first quarter of 2007, due mainly to the upsurge in commercial real estate financing. In the second quarter building loans contributed 7.9% to own loans (as opposed to 13.7% in the first quarter), the contribution of purchase loans was 24.9% (compared to 30.2% in the first quarter), and of home equity mortgage loans, 42.9% (as opposed to 37.3% in the first quarter). The 17.6% performance of commercial real estate financing in the second quarter far exceeded the 9.7% achieved in the first quarter.

In the reported quarter the amount of home equity mortgage loans somewhat exceeded that of the same period of the preceding year, the main reason being the continued increase in the

contribution of FX based loans. The portfolio of home building project loans was 1.9 billion forints as of 31 March 2007 and reached 2.5 billion forints by the end of June contributing 1.1% to first quarter and 3% to second quarter disbursements respectively. Subsidized land development loans contributed 3.4% to the first quarter and 0.7% to the second quarter. The most spectacular growth was achieved by the new product introduced at the end of June 2006 for the financing of commercial real estate projects so that the portfolio's value exceeded 7.5 billion forints at the end of the second quarter.

There was a moderate change in the performance of the various channels of own lending compared to the same period of the preceding year. The contribution to the second quarter disbursements of the agent network was 41.5% (compared to 67.1% in the first quarter of 2007), the Bank's own network of branches contributed 46.2% (as opposed to 29.3% in the first quarter), and syndicated loans contributed 2.4% (compared to 3.6% in the first quarter) to own loans. The change in contributions is the result of the fact that the Bank's new products that are typically sold through channels other than the network of agents have been gaining ground. Furthermore, the newly opened branches also contributed to increasing sales through the Bank's own network. For the half year disbursements, the contribution of the distribution channels is in between the first and the second quarter figures of 2007. The share of consortial loans was 2.8%, the network of agents contributed 57.1%, while the own network of branches contributed 40.0% to the disbursements of the first half year of 2007.

Refinancing

As of 30 June 2007 the portfolio of refinanced loans showed a 2.0% year-on-year increase and amounted to 273.6 billion forints. Newly refinanced mortgage loans amounted to 27.8 billion forints in the first half, half of which was achieved in the second quarter. Newly financed mortgage loans exceeded the first half 2006 disbursements amounting to 21.6 billion forints by 29.2%.

Following the agreement with FHB Commercial Bank Ltd., FHB Mortgage Bank implemented its first refinancing transaction within the FHB Group through purchasing independent liens from the Commercial Bank. This transaction has no impact on the consolidated figures of the FHB Bank Group.

Within the refinancing portfolio the proportion of FX based loans continued their steady increase: in the second quarter of 2006, 71.7% of refinancing was denominated in foreign exchange, the trend continued throughout to reach 87.8% in the second quarter of 2007, predominantly denominated in Swiss francs.

FHB Commercial Bank Ltd.

Once FHB Bank Group had been created front office activities were transferred by the Commercial Bank, in line with the Group's business strategy. Coordination offices were transferred from the Mortgage Bank to the Commercial Bank and have since been operating as commercial bank branches after refurbishment and upgrading. Structurally, agency and the

network of agents also belongs to the Commercial Bank. The Mortgage Bank has kept refinancing and consortial loan transactions besides lending some of retail mortgage products (subsidized loans, reverse mortgage). The portfolio of the latter belongs to the Mortgage Bank but is handled jointly with the Commercial Bank.

FHB Commercial Bank also started its mortgage lending business, which amounted to 10 billion forints in the first half of 2007, disbursed almost entirely (98.5%) in Swiss franc with some disbursement also made in euro and forint in the second quarter. The loan portfolio is dominated by home equity mortgage loans contributing 71.5% to total disbursements in the first half. FHB Commercial Bank's business activities are dynamically increasing, a fact marked by second-quarter disbursements being in excess of eighteen times that of the first quarter. Disbursements are almost equally split between own lending by the branch network and the network of agents. The proportion of the agents' network was 46.1%, and own lending contributed 53.9% from the disbursement in the second quarter of 2007. The proportion was 46.5% and 53.5% in the first six months of 2007.

FHB 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 Mortgage Bank 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 Mortgage Bank Plc.

The first contracts have been concluded in the course of the first half and disbursements of both products commenced, providing the Company with real estates of life annuity contract to the value of 88.9 million forints in the first quarter and 261.7 million forints in the second quarter.

At its meeting of 2 July 2007 the Board of Directors of FHB Annuity Ltd. – in line with the financial plans – resolved to increase the capital of the Company by a total of 350 million forints, 50 million forints of which is subscribed capital and 300 million forints capital reserve. The owners have contributed the capital increase; registration by the Court of Registration is pending.

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, in 2007 FHB Real Estate Ltd. started to offer its services to external partners.

Mortgage bond issues and financing

In the first quarter of 2007 the Bank raised gross 25.7 billion forints long term funds. In the first quarter of 2007 the Bank launched one series in the domestic money market as well as two

international series. Sold in the context of private placement, the domestic series was a lesser issue of one billion forints.

Similarly to the first quarter, the Bank launched one domestic and two international mortgage bond series in the second quarter of 2007. The Bank sold a fixed interest series with five years maturity in May in the context of private placement amounting to 10 million euros. The series is part of FHB Mortgage Bank Plc.'s EMTN Programme. The transaction was managed by Dresdner Kleinwort and the series was launched in the Luxembourg Stock Exchange.

The Bank has organized two issues in June. First a lesser series of fixed interest amounting to a total nominal value of 500 million forints, which was launched in the context of a private placement in the Hungarian money market. Also in June, the Bank launched a floating interest series of seven years maturity in the context of the EMTN Programme through Deutsche Zentral-Genossenschaftsbank (DZ) AG amounting to a total nominal value of 100 million euros. This series was likewise offered in the Luxembourg Stock Exchange.

The total amount of funds raised in capital markets in the second quarter was 27.7 billion forints, approximately two billion forints more than in the first quarter and twice the amount of the second quarter of 2006. The aggregate value of issues totalling 53,4 billion forints is 135.9% of the reference year's figure.

In order to optimize the maturity structure of assets and liabilities the Bank repurchased one mortgage bond series in June 2007, amounting to an aggregate nominal value of 500 million forints. Considering repurchase and repayments, in the second quarter of 2007 a total of 27.2 billion forints net funds were involved as opposed to a net of 15.7 billion forints in the first quarter, which included 7.1 billion forints repayment.

Trading of FHB's mortgage bonds in the stock exchange was 3.3 billion forints in the first quarter of 2007, a third of the previous quarter's figure of 11.2 billion forints. In the second quarter trading was under one billion forints, less than one-third of the first quarter figure of 3.3 billion forints. Similarly to the three previous quarters, a large portion of trading was contributed by fixed interest earning mortgage bonds with maturity in 2008 and 2010.

The aggregate mortgage bond portfolio of the three Hungarian mortgage banks amounted to 1,512 billion forints as of 30 June 2007. FHB's share of the mortgage bond market was 33.2% at the end of the second quarter of 2007, slightly up from the previous quarter's figure and the same as in the first half of 2006.

Changes in the legislative environment

Legislative changes in the first half that affect the Bank's business entered into force as of 1st January 2007 and afterwards. The most important changes from the Bank's standpoint are as follows:

Act LI of 2007 on the Amendment of Act CXII of 1996 on Credit Institutions and Financial Enterprises and of the Certain Acts on Specialized Credit Institutions

The main purpose of the amendment is to take over the European capital adequacy rules in the Hungarian legislation, and to review earlier amendments intended for legal harmonization. The provisions amending the Act on Mortgage Banks and Mortgage Bonds set forth the basic personal conditions regarding real estate valuation staff employed by mortgage banks, and, in cases where valuation is undertaken by a special organization, regarding the person approving the valuation. The Act gradually enters into effect in the course of 2007.

Act LXI of 2007 on the Amendment of Act V of 2006 on Public Company Information, Court of Registration Proceedings and Voluntary Dissolution and of Certain Other Acts

Since the promulgation of the new Business Associations Act new circumstances have appeared in the European and the broader international horizon and led to further enhancement of the relevant statutory provisions. The amendments are aimed at expedition, simplification and improving the cost effectiveness of the entire process of incorporation. The Act gradually enters into effect in the course of 2007.

Other legislative changes

Decree 21 of 2006 (24 November) of the National Bank of Hungary on Cash Flow and Decree 227 of 2006 (20 November) of the Government on Cash Flow Services and Electronic Payments gradually enter into effect in the course of 2007.

Decree 5 of 2007 (28 March) of the Minister of Finance on Involvement of Derivative Transactions as Coverage and their Registration entered into effect on 5 April 2007.

Act LXIV of 2007 on the Amendment of Certain Acts in Order to Reinforce the Security of Legal Transactions is aimed at promoting the implementation of government action to eliminate the activity of the so-called "apartment mafia".

Other legal regulations to be mentioned include Act XXXIX of 2007 on the Amendment of Certain Acts on Taxation; Decree 11 of 2007 (6 June) of the Minister of Finance on the Amendment of Decrees 16 of 2001 (9 March) on the Capital Requirement of Sovereign Risk and 8 of 2002 (20 February) of the Minister of Finance on Sovereign Risk Related Capital Requirement of Investment Enterprises; Decree 46 of 2007 (11 June) of the Minister of Agriculture and Rural Development on the Amendment of Decree 62 of 1999 (21 July) of the Minister of Agriculture and Rural Development of Land Registries; and Decree 7 of 2007 (25 June) of the National Bank of Hungary on the Basic Interest Rate.

Restructuring and staff figures

Staff figures

The Mortgage Bank had 96 staff as of 30 June 2007, 73.0% less than the previous year's headcount (356) and 9.4% less than as of 31 March 2007 (106). Staff reduction is due to the fact that a large number of the Bank's original staff was transferred to other members of the Group. The consolidated headcount was 496 at the end of the second quarter, which is a 3.7% increase over the 478 persons in the first quarter of 2007, and 37.4% up from the first half of

2006 figure of 361. Branch staff has reached 178 as of 30 June 2007, while there were 318 staff in the head office. The entire staff of the branch network is employed by the Commercial Bank. The increase of the headcount is in line with the financial plans.

Officers

At the Bank's regular Annual General Meeting held on 27 April 2007 István Somkúti was elected external member of the Board of Directors. The mandates of Róbert Somfai and Ágnes Winkler, both members of the Supervisory Board, were renewed for another five years.

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

Based on the International Financial Reporting Standards **the year-on-year consolidated balance sheet total increased** from 524.9 billion forints **to 581.6 billion forints or by 10.8%**. The growth was mainly generated by the increase in the mortgage loan portfolio.

Shareholders' equity grew by 5.2% over the period of a year **to exceed 28.5 billion forints**, due primarily to an increase in assets accumulated from profits.

Profit before tax was 3.3 billion forints (4.0 billion forints without swap effect), 32.8% down from the half year of 2006 of the previous year. **After-tax profit was 2.8 billion forints** (3.5 billion forints without swap effect).

Key financial indicators	Consolidated figures by IFRS		
	30 June 2006	30 June 2007	2007 Q2/ 2006 Q2
Balance sheet total (HUF million)	524,907	581,552	10.8%
Book value of mortgage loans (HUF million)	464,955	505,890	8.8%
Book value of mortgage bonds (HUF million)	463,231	491,251	6.0%
Shareholders' equity (HUF million)	27,113	28,514	5.2%
Earnings before taxation (HUF million)	4,922	3,306	-32.8%
After tax profit (HUF million)	3,750	2,787	-25.7%
Net interest margin (NIM)	3.34%	3,07%	-8.2%
EPS (HUF) *	115	85	25.7%
P/E (share price/EPS)	10,30	27,00	162.1%
P/BV (share price/equity/number of shares)	2,87	5.32	85.3%
Adjusted capital	26,446	25,347	-4.2%
Capital adequacy ratio	13.7%	12.0%	-12.5%
ROAA (return on average assets)	1.50%	1.0%	-32.3%
ROAE (return on average equity)	27.89%	17.4%	-37.4%

¹ Non-audited, consolidated data by IFRS

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

P/L structure²

Data in HUF million

DESCRIPTION	2006 Q2 (Apr-June)	2007 Q1 (Jan-Mar)	2007 Q2 (Apr-June)	2007 Q2/ 2006 Q2	2007 Q2/ 2007 Q1
Net interest income	4,147	4,310	4,088	-1.4%	-5.1%
Net fees and commissions income	180	314	258	43.4%	-17.7%
Net profit from financial transactions	32	53	1	-98.4%	-99.0%
Other income and expenditure	-2	-14	-52	-	277.6%
Gross operating income	4,357	4,663	4,295	-1.4%	-7.9%
Operating expenses	-2,059	-2,631	-3,086	49.9%	17.3%
Net operating income	2,299	2,032	1,209	-47.4%	-40.5%
Losses from lending and impairment	-113	215	-150	32.2%	-169.7%
Profit before taxation	2,186	2,247	1,059	-51.5%	-52.8%
Taxes	-518	-511	-8	-98.4%	-98.3%
After tax profit	1,668	1,736	1,051	-37.0%	-39.5%
Profit before tax without changes in fair value of swap transactions	2,379	2,413	1,565	-34.2%	-35.1%
Profit after tax without changes in fair value of swap transactions	1,861	1,902	1,557	-16.4%	-18.2%

In the second quarter of 2007 the Bank realised **1,050.8 million forints consolidated after-tax profit under IFRS**, 39.5% less than in prior quarter of 2007 and 37.0% less than in the reference period of 2006. **Profit before tax was 1.1 billion forints**, 52.8% less than the figure in the previous quarter.

Profit after tax without hedge transactions was 1.6 billion forints in the second quarter of 2007, 16.4% less than in the reference period in 2006, and 18.2% less than in prior quarter of 2007.

² Consolidated non-audited data by IFRS.

Data in HUF million

DESCRIPTION	2006 Jan-June	2007 Jan-June	2007 / 2006
Net interest income	8,336	8,398	0.8%
Net fees and commissions income	314	572	82.2%
Net profit from financial transactions	307	53	-82.6%
Other income and expenditure	-16	-66	310.6%
Gross operating income	8,941	8,958	0.2%
Operating expenses	-3,877	-5,717	47.5%
Net operating income	5,064	3,241	-36.0%
Losses from lending and impairment	-142	65	-145.7%
Profit before taxation	4,922	3,306	-32.8%
Taxes	-1,172	-519	-55.7%
After tax profit	3,750	2,787	-25.7%
Profit before tax without changes in fair value of swap transactions	5,070	3,978	-21.5%
Profit after tax without changes in fair value of swap transactions	3,898	3,459	-11.3%

In the first half of 2007 the Bank realised **2.8 billion forints consolidated after-tax profit under IFRS**, 25.7% less than in the reference period in 2006. **Profit before tax was 3.3 billion forints**, 32.8% less than the figure in the previous period. Profit after tax without changes in the fair values of hedge transactions was 3.5 billion forints in 2007, while it was 3.9 billion forints as at June 30, 2006. The drop is 11.3%.

Net interest income

The **4.1 billion forints net interest income** realised in the second quarter of 2007 was practically equal with the the figure of the same period of the previous year (4.1 billion forints). The figure was 5.1% below the net interest income of the prior quarter. The balance arose from 14.6 billion forints interest income (104.6% of the second quarter 2006 figure, 101.7% of the prior quarter 2007 figure) and 10.5 billion forints interest expense (107.2% of the second quarter 2006 figure, 104.7% of the prior quarter). The net interest income was 8.4 billion forints in the first half 2007, 100.8% of the same period in prior year, in which the 4.8% increase of the interest income (27.5 billion forints till 30 June, 2006), and 6.6% increase of interest expenses (19.2 billion forints till 30 June, 2006) contributed.

The main contributor to interest income in the second quarter of 2007 was interest on own lending at 43.0% (43.5% in the first quarter of 2007, 42.9% in the second quarter of 2006) and refinanced mortgage loans at 41.0% (42.0% in the first quarter of 2007, 45.8% in the second quarter of 2006). The aggregate interest income on interbank deposits and securities contributed 3.7% (3.6% in the first quarter of 2007, 3.4% in the second quarter of 2006), while the

contribution of interest income on derivatives was 12.2% (10.9% in the first quarter of 2007, 7.9% in the second quarter of 2006).

For the half year of 2007, the main contributor to interest income was interest on own lending at 43.3% (42.4% in the first half of 2006) and refinanced mortgage loans at 41.5% (while it was 46.4% a year ago). The aggregate interest income on interbank deposits and securities contributed 3.7% which means further growth since the contribution of 3.6% of 2006, while the contribution of interest income on derivatives was 11.6%, as opposite to the 7.5% of the first six months of 2006.

The breakdown of interest income followed the earlier trend: the contribution of income from refinanced loans decreased by approximately 4.9 percentage points while interest income on derivatives increased by 4.1 percentage points over the year. Compared to the first quarter of 2007, the contribution of interest income on refinancing dropped by 1.0%, and the contribution of interbank deposits increased by 0.1%, which contributed to the 5.1% drop in interest income compared to the first quarter of 2007.

Within the line item of interest income, the contribution of interest subsidies (subsidy of interest on mortgage bonds and supplementary interest subsidy) was 57.3% in the second quarter of 2006 and was 49.4% in the second quarter of 2007. While more than half of the interest income is still generated by interest subsidies there is an upward trend of income from customers. For the half year, the contribution of interest subsidies was 58.2% within the whole interest income in 2006, while this contribution was only 50.3% in the first six months of 2007.

In the period of reporting 77.4% of expenditures on interest was incurred in conjunction with mortgage bonds. The contribution of interest paid on interbank loans received was 3.0%. On the other hand, the contribution of derivative hedges was 19.1%. In the first quarter of 2007, 77.8% of expenditures on interest were related to mortgage bonds, and the figure for the second quarter of 2006 was 83.2%. Interest of derivative transactions contributed 18.9% to interest expense in the first quarter of 2007 and 15.6% in the reference period of the previous year.

For the half year, the contribution of the interest expenses show a similar figure, than in a year ago: 77.6% of expenditures on interest was incurred in conjunction with mortgage bonds, the contribution of interest paid on interbank loans received was insignificant. The contribution of derivative hedges was 19.0% in the first six months of 2007. These contributions were 83.7%, and 15.2% a year ago.

The average net interest margin (NIM) was 3.07% as of 30 June 2007, 3.18% as of 31 March 2007, and 3.34% at the end of the prior quarter. The drop in NIM is continuously influenced by two factors. On the one hand, the Bank's portfolio structure is being transformed, which is a long-term process and will result in a long-term impact on the Bank's structure of own and refinanced loans. The contribution of subsidized loans within the refinanced portfolio has been steadily shrinking due to the fact that new loans are typically FX-denominated, thus the amount of scheduled repayments and prepayments exceeds that of new disbursements. The shrinking portfolio of subsidized loans has been replaced by foreign exchange loans with lower interest margins. Another negative effect on NIM is that most of the subsidized loans will be re-priced in 2007-2008. A similar process is going on in the portfolio of own lending. In the case of own

loans, an additional impact is rooted in the upward movement of EUR and CHF yield curves and increasing cost of funds, a trend that the actors of a keenly competitive banking sector has shifted to their clients only to a lesser extent. Conversely, improving costs of funds have been slowing the drop in margins on loans.

Net fees and commission income

The balance of fees and commission income and expenditures in the first quarter of 2007 was a net income amounting to 313.9 million forints, while in the second quarter of 2007 a slightly lower result of 258.4 million forints was realized. This result is however 43.4% higher than the 180 million forints realized in the second quarter of 2006. In the reported quarter net income from fees contributed 6.0% to gross operating profit.

The net fees and commission income was 572,2 million forints in the first half of 2007, 82.2% higher than the 314 million forints in the base period. The cumulated net income contributed 6.4% to gross operating profit.

In the second quarter almost one-third of fees and commissions income was contributed by commissions, 42.8% by fees from credit institutions, and 17.3% by contracting fees. A significant part of total fees and commissions expenditures, 149.1 million forints were paid to acquisition agents and 14.9% was contributed by fees related to mortgage bond issues. Commission paid to consortial partners contributed 3.2% from total expenditures. The proportion of commission paid to acquisition agents dropped from the share of 83.8% as at the end of 2007 first quarter to 79.7%.

Fees and commission income was 889.7 million forint as at 30 June, 2007, 22.6% higher than the figure as at half year 2006. The income consisted of 247.5 million forints by commissions, 388.4 million forints from credit institutions, while fees related to mortgage bond issues were 199.2 million forints.

Of the total fees and commissions expenditures for the half year, 258.4 million forints were paid to acquisition agents, which resulted in a contribution of 81.4%. Commissions paid to consortial partners was 11.2 million forints (contributed 3.5% from total expenditures), and 33.9 million forints were fees related to mortgage bond issues (10.7%). The total fees and commissions expenses were 411.6 million forints in half year 2006, of which the acquisition agents were 256.5 million forints (contribution of 62.3%), fees related to mortgage bond issues were 71.0 million forints (17.2%).

Net profit from securities and currency transactions

Profit from foreign exchange transactions practically was zero, as opposite to the positive balance of 52.9 million forints in the previous quarter, and to the result of the same period in the previous year (174 million forints profit). The main reason behind the drop is the change in the balance of derivative transactions, which loss was changed from 166.1 million forints in the first quarter of 2007 to 672.0 million forints loss as of 30 June 2007.

Profit from foreign exchange transactions amounted to 421.1 million forints in the reported quarter, 306.2 million forints above the 114.9 million forints profit realized in the first quarter, and 141.4% above the second quarter 2006 figure. Foreign exchange transactions contributed to the result by 535.9 million forints during the last period, which 183.8 million forints higher than the figure of first six months 2006 (352 million forints profit).

During the second quarter of 2007, profit from securities transactions amounted to 85.3 million forints, which, added to the 104.1 million forints profit realized in the first quarter resulted an assistance of 189.5 million forints positive amount to the half year profit. This figure was 103 million forint profit in the previous period. Transactions with securities emerged as a balance of exchange gains and losses on mortgage bonds issued and redeemed during the year.

Other income

As of 30 June 2007 the balance of other income and expenditure was 65.8 million forints, arising from 14.9 million forints income netted of 28.7 million forints expenditure in the first quarter, and from 197.5 million forints income netted of 249.5 million forints expenditure in the second quarter. Other result was 16 million forints loss as at 30 June, 2006, of which the income was 41 million forints, and the expenditure was 57 million forints.

Operating expenses

Data in million HUF

DESCRIPTION	2006 Q2 (Apr-June)	2007 Q1 (Jan-Mar)	2007 Q2 (Apr-June)	2007 Q2 / 2006 Q2	2007 Q2 / 2007 Q1
General administrative costs	1,810	2,074	2,230	23.3%	7.6%
Personnel expenses	765	869	776	1.5%	-10.6%
- wages	409	556	379	-7.4%	-31.9%
- other personnel expenses	129	118	234	82.0%	98.1%
- social security expenses	227	195	163	-28.2%	-15.9%
Other administrative costs	1,045	1,205	1,454	39.2%	20.7%
- incl. special mortgage banking costs	315	245	317	0.4%	28.9%
Taxes paid	115	398	478	316.3%	20.2%
Depreciation	134	159	378	181.6%	137.1%
TOTAL OPERATING EXPENSES	2,059	2,631	3,086	49.9%	17.3%

Operating expenses amounted to 3.1 billion forints in the second quarter of 2007, 17.3% higher than it was in the first quarter of this year (2.6 billion forints). Operating costs in the second quarter of 2006 amounted to 2.1 billion forints, which is exceeded in the reported quarter by 49.9%. As a result of infrastructure investment and restructuring the cost/income ratio (CIR) was 43.4% at the end of June in 2006. This figure was 63.8% at the end of the first half year 2007. **The cost income ratio would be 58.3% excluding the impact of the banking contribution.**

There was a little change in the **breakdown** of operating costs. The contribution of **personnel expenses** as of 30 June 2007 was 25.2% compared to 33.0% in the first quarter of 2007. At the same time the decrease compared to 31 March 2007 was 10.6%. **Other administrative costs** were 20.7% higher in the second quarter of 2007 than it was in the first quarter of 2007 and 39.2% higher than in the second quarter of 2006. There is only a minor change in the contribution of this item to operating costs, from 45.8% as of 30 March 2007 to 47.1% by the end of the reported quarter.

Data in million HUF

DESCRIPTION	2006 Jan-June	2007 Jan-June	2007 / 2006
General administrative costs	3,382	4,304	27.3%
Personnel expenses	1,447	1,645	13.7%
- wages	795	935	17.6%
- other personnel expenses	269	353	31.3%
- social security expenses	383	357	-6.8%
Other administrative costs	1,935	2,659	37.4%
- incl, special mortgage banking costs	524	562	7.2%
Taxes paid	232	876	276.9%
Depreciation	263	537	104.7%
TOTAL OPERATING EXPENSES	3,877	5,717	47.5%

In the first half of 2007 the operating expenses amounted to 5.7 billion forints in contrast with the figure of the same period in the previous year which was 3.9 billion forints. The increase has reached 47.5%, which is mainly related to the increase of taxes (especially the banks' contribution). The proportion of the personnel related expenses was 28.8% in 2007 and 37.3% in 2006. The yearly increase made up 13.7%. The proportion of other administrative costs decreased from 55.9% as the figure of the first half year in 2006 to 46.5% as that of the same period this year.

There was substantial change in the breakdown of other administrative costs during the period of reporting. Due to the branch network expansion the contribution of rental expenses was 506.3 million forints in the first six months in 2007, and 241.7 million forints as the figure of the second quarter in 2007. (In the first quarter it has amounted to 264.6 million forints.) While in the second quarter of 2006 the rental fees were 117.9 million forints and 256.0 million forints in the first half of the same year. The proportion of the rental fees was 19.0% of the other administrative costs in the first half year of 2007, while it was 13.2% in the same period of 2006.

By 30th June, 2007 the advertising and marketing expenses amounted to 452.6 million forints, 25.2% higher than in the previous year. A more significant part, 301.6 million forints, of the marketing costs was produced in the first quarter and a decreasing expense in the second quarter of 2007.

Compared to the figure of the second quarter in 2006 the advisory fees increased significantly. This amount grew from 105.3 million forints of the first quarter by 473,3 million forints in the

previous quarter. So it amounted to 578,6 million forints by the end of the first half of 2007 and 408,3 million forints in the same period of 2006. The increase was 41.7%, generated by that the majority of the strategic projects started in the second half of 2006. On 30th June, 2007 the contribution of the consultants' fees to the other administrative costs was 21.8%.

Within other administrative costs, the general and administrative costs were 135.9 million forints in the first quarter of 2007. This is under by 35.3% of the 183.9 million forints figure of the second quarter, which is 24.6% higher than the second quarter of 2006 figure (147.6 million forints). Total costs in 2007 were 319.7 million forints, 23.3% higher than the 259.4 million forints figure in the half year 2006.

21.1% of other administrative costs were contributed by **special mortgage banking costs** (20.4% in the second quarter of 2007 and 30.2% in that of 2006). The main component of special mortgage banking costs is the loan coverage life insurance contributing 89.9% to the total special cost element on 31st March 2007 but representing 64.7% in the second quarter. The net property valuation expenses were 156.0 million forints as at 30 June, 2007, while the figure was 215.9 million forints last year.

In 2007 cumulative **depreciation** amounted to 537.4 million forints. It was 159.4 million forints in the first quarter and 378 million forints in the second one. The amount of 2007 was 104.7% higher than the figures of 2006. This change in the year-on-year figure is due to the depreciation of newly acquired tangible and intangible assets purchased and constructed by the strategic projects. 53% of the depreciation charges were contributed by intangible assets and 47% by tangible assets.

Taxes paid significantly increased in the last period: while the balance of taxes was 397.7 million forints on 31st March, 2007 and 114.8 million forints in the second quarter of 2006, the Bank has already settled 478 million forints as tax expenditure in the second quarter of 2007. The reason of the increase is that a **new type of tax, the banks' contribution** has been payable since 1st January, 2007. The contribution is 5% of the total interest income from subsidized loans. The new tax exceeded 500 million forints in the first half year, contributing 8.8% to costs.

Portfolio quality, loss in value and provisions

The structure of the Bank's portfolio retained its high quality. Compared to the second quarter of 2006 there was a slight decrease in the rate of problem-free accounts receivable in both the entire and the loan portfolio.

As of 30 June 2007, 97.8% of the portfolio was problem-free (compared to 98.0% as of 31 March 2007 and 98.8% as of 30 June 2006). The aggregate contribution of substandard, doubtful and bad transactions was 1.0% (0.9% as of as of 31 31 March 2007 and 0.5% as of 30 June 2006), receivables in the watch category have contributed 1.1% (1.0% as of 31 31 March 2007 and 0.7% as of 30 June 2006).

Data in thousand HUF

Description	30 June, 2007	30 June, 2006
Impairment as at 1st January	819,296	546,906
Charge for the period	1,129,564	588,457
Release during the period	-1,315,270	-444,511
Impairment at period end	633,590	690,852
Net effect of charge and release	-165,596	139,198
Loans written off		
Loss on loans sold	90,963	-764
Loss on terminated loans	9,920	6,422
Charge/(release) for commitments	-134	-2,864
Losses on loan and advances	-64,847	141,992

Structure of the balance sheet³

Data in HUF million

DESCRIPTION	30.06.2006.	31.03.2006.	30.06.2007.	30.06.2007. / 30.06.2006	30.06.2007. / 31.03.2007.
Cash	2	117	367	-	215.0%
Receivables from NBH	22,139	172	394	-98.2%	128.6%
Interbank deposits	20,909	24,408	27,012	29.2%	10.7%
Available for sale securities	3,706	14,097	25,453	586.8%	80.6%
Refinanced mortgage loans	268,532	272,129	273,968	2.0%	0.7%
Loans	196,423	216,963	231,922	18.1%	6.9%
Fair value of derivatives	7,045	3,686	5,251	-25.5%	42.5%
Tangible assets	2,607	7,733	8,918	242.1%	15.3%
Other assets	3,544	6,302	8,267	133.3%	31.1%
Assets total	524,907	545,607	581,552	10.8%	6.6%
Payables total	497,794	514,613	553,038	11.1%	7.5%
- Interbank borrowings	30,557	38,356	48,760	59.6%	27.1%
- Mortgage bonds	463,231	466,606	491,251	6.0%	5.3%
- Deposits	140	1,197	2,530	-	111.4%
- Fair value of derivatives	804	5,059	7,028	774.5%	38.9%
- Other liabilities	3,062	3,395	3,469	13.2%	-2.2%
Shareholders' equity	27,113	30,994	28,514	5.2%	-8.0%
- Subscribed capital	6,600	6,600	6,600	0.0%	0.0%
- Repurchased own shares	-12	-159	-19	57.4%	-88.1%
- Share premium	1,210	1,709	1,709	41.3%	0.0%
- General reserve	2,276	2,753	2,827	24.2%	2.7%
- Cash-flow hedge reserve	-178	-1,985	-2,985	-	50.4%
- Stock option reserve	0	334	63	-	-81.3%
- Changes in fair value of avail. for sale fin. assets	-14	0	0	-	-
- Reserves for annuity	0	0	163	-	-
- Accumulated assets	17,231	21,742	20,156	17.0%	-7.3%
Liabilities total	524,907	545,607	581,552	10.8%	6.6%

As of 30 June 2007 the Bank's consolidated **balance sheet total according to IFRS amounted to 581.6 billion forints**, which is 35.9 billion forints, or approximately 6.6% higher than in the first quarter of 2007 and 56.6 billion forints, or 10.8%, higher than the balance sheet total as of 30 June 2006. The increase in assets compared to the 30 June 2006 reference period was the joint effect of several factors. While expansion of the loan portfolio contributed 40.9 billion forints to assets, it was reduced by NBH receivables amounting to 21.7 billion forints. This was offset by a 27.8 billion forints expansion of interbank loans and outstanding mortgage bonds. On the liabilities side, 49.5% of the increase was contributed by the 28.0 billion forints growth of the mortgage loans portfolio, and 32.1% was contributed by interbank borrowings' growth of 18.2 billion forints. The increase in both assets and liabilities

³ Consolidated non-audited data by IFRS.

over the figure in the first quarter of 2007 was due predominantly to an expansion in loans and mortgage bonds.

Interest earning assets

As of 30 June 2007 the Group's interest earning assets increased to 558.7 billion forints, from the first quarter 2007 figure of 527.8 billion forints. This is 9.2% higher than the second quarter 2006 figure. Loans to retail customers disbursed by the Bank were 18.1% higher as of 30 June 2007 than a year earlier and 6.9% higher than in the first quarter of 2007. Loss in value to cover for losses from lending dropped from 690.9 million forints in June 2006 to 633.6 million forints. Refinancing showed a year-on-year increase of 2.0%. As of 30 June 2006 refinancing and the Bank's own loans contributed 90.9% to interest earning assets. This contribution changed to 90.5% by 30 June 2007, so it practically did not change.

The loan collateral value of real estate covering ordinary collateral amounted to 1,255.9 billion forints as of 30 June 2007, 1.2% higher than the figure as of 31 March 2007 (1,239.8 billion forints) and 9.5% up from the figure in the same period of the previous year (1,146.8 billion forints). The LTV ratio (loan principal receivable to collateral value) was 38.1% as of 30 June 2007, lower than the 39.2% ratio in reference period of the previous year.

The portfolio of NBH and other interbank deposits increased from 24.6 billion forint as of 31 March 2007 to 27.4 billion forints as of 30 June 2007, which means its contribution to interest earning assets was 4.9%. NBH deposits dropped from 22,1 billion forints as of 30 June 2006 to 393.6 million forints due to a change in NHB methodologies as the NBH replaced two-week deposits by bond issues as of January 2007. Interbank deposits continue to serve primarily for the purpose of liquidity.

In conjunction with the shrinking of receivables from NBH, the value of the securities portfolio of the Bank increased from 3.7 billion forints as of 30 June 2006 to 14.1 billion forints as of 31 March 2007 and to 24.5 billion forints as of 30 June 2007. The contribution of securities to interest earning assets was up, reaching 4.6%. NBH bonds replacing NBH deposits contributed 21.0 billion forints to securities, and the contribution of discount treasury bills was 4.5 billion forints. The Bank's securities portfolio continues to serve exclusively as a liquidity reserve.

Own assets

The net value of **tangible and intangible assets** amounted to 2.6 billion forints as of 30 June 2006. This amount increased to reach 8.9 billion forints by the end of the second quarter of 2007 due primarily to new hardware and other tangible assets as well as software.

Other assets amounted to 8.3 billion forints as of 30 June 2007, as opposed to 3.5 billion forints in the same period of the previous year. The main reason for the decrease was the fact that settlements (of interest subsidies) with the Hungarian State produced a low figure in the reference period. Besides, the 600 million forints of receivable VAT and 932 million forints of deferred tax took a significant part to the increase of other assets.

Interest bearing liabilities

Mortgage bonds contributed 91.0% to the Bank's interest bearing liabilities as of 30 June 2007 compared to 92.4% in the previous year, and to 93.8% as at 30 June, 2006. The 491.2 billion forints book value of mortgage bonds as of 30 June 2007 was 5.3% higher than at the end of March 2007 (466.6 billion forints). The year-on-year increase amounting to 28.0 billion forints was contributed by 79.5 billion forints new issues, 19.1 billion forints repayments and 13.0 billion forints repurchase and also including changes related to the foreign exchange rate adjustments.

Mortgage bond collateral

The value of assets used as **ordinary collateral** for the mortgage bonds issued by the Bank was **850.3 billion forints** as of 30 June 2007, which is a 0,2% decrease from the figure of 31 March, 2007 (852.3 billion forints) and 8.9% increase over the figure of 30 June 2006 (781.1 billion forints).

The value of the group of assets involved as collateral as of 30 June 2007 (HUF million)

Outstanding mortgage bonds in circulation	
face value:	478,015
interest:	156,285
total:	634,300
Value of the regular collateral	
principal:	483,466
interest:	366,853
total:	850,319
Value of assets involved as supplementary collateral	
principal:	0
interest:	0
total:	0

The Bank has met all collateral requirements set forth by the Act on Mortgage Loan Companies and Mortgage Bonds.

Interbank funds

At the end of the second quarter of 2007 the 48.8 billion forints **interbank portfolio** contained interbank drawdown amounting to 14.2 billion forints, a CHF-based syndicated loan

equivalent to 22.3 billion forints, and a Schuldschein loan equivalent to 12.3 billion forints denominated in euro. The Bank has used the syndicated loan facility as supplementary funds.

Deposits

The amount of deposits was 2.5 billion forints as at 30 June, 2007, which consisted of 1.3 billion forints of deposits related to project financing, while the retail deposits collected by the Commercial Bank were 1.2 billion forints. The amount of deposits was 1.2 billion forints as at 31 March, 2007, and 140 million forints as at 30 June, 2006.

Other liabilities

The Bank's other liabilities amounting to 3.5 billion forints include, among others, debts to suppliers (contributing 22.9% as of 30 June 2007 compared to 12.4% as of 30 June 2006), accruals (12.1% in 2006 and 13.7% in 2007), and taxes payable (16.8% in 2006 and 13.7% in 2007). The item of other liabilities also includes a significant amount, 1.0 billion forints related to settlements of customer receivables, which contributed 29.0% of other liabilities. This ratio was 14.0% in 2006.

Shareholders' equity

The year-on-year increase in shareholders' equity was 5.2% (1.4 billion forints), **reaching 28.5 billion forints** as of 30 June 2007. The quarter-on-quarter decrease was 2.5 billion forints. The year-on-year increase was predominantly contributed by a 2.9 billion forints rise in accumulated profit. The 2.8 billion forints decrease in the fair value of cash-flow hedge reserve contributed a negative effect to the increase in shareholders' equity resulting from changes in the relevant yield curves and foreign exchange rates. The aggregate growth in share premium and general reserve amounted to 1.1 billion forints and contributed approximately 74.9% to the increase in shareholders' equity.

The reason of the decrease compared to the first quarter of 2007 shareholders' equity was the 1.0 billion decrease of the cash-flow hedge reserve, and the 1.6 billion forints decrease of the accumulated profit due to the 2.1 billion forints of dividend paid for the year 2006.

Capital structure

Data in HUF million

DESCRIPTION	30 June, 2007	31 March, 2007	30 June, 2006
Risk weighted assets (RWA)			
Balance sheet items	203,616	191,306	187,536
Off-balance sheet items	6,938	4,871	5,044
Total consolidated risk weighted assets	210,554	196,177	192,580
Tier 1			
Subscribed capital	6,600	6,600	6,600
Own shares	-19	-159	-12
Premium	1,709	1,709	1,210
General reserve	2,827	2,753	2,276
Stock option reserve	63	335	0
Changes in fair value of available for sale fin. assets	0	0	-14
Retained earnings	20,156	21,742	17,231
Reserve for annuity payment	163		
Cash-flow hedge reserve*	0	0	0
Shareholder's equity**	31,499	32,979	27,291
Intangible assets	-6,153	-5,214	-845
Tier 2			
General risk reserve	0	0	0
Total Tier 2 capital	0	0	0
Total regulatory capital	25,347	27,765	26,446
Capital adequacy (%)	12.0	14.2	13.7

*Cash flow hedge reserve is excluded when calculating regulatory capital

**without cash flow hedge reserve

The Bank's consolidated **risk weighted assets (RWA) amounted to 196.2 billion forints** as of 31 March 2007. The growth until June was 7.3%, and reached 210.0 billion forints. The year-on-year growth of 18.0 million forints was almost entirely contributed by balance sheet items, mainly by the expansion of the loan portfolio. Regulatory capital was 25.3 billion forints at the end of the second quarter of 2007.

As of 30 June 2007 the **capital adequacy ratio was 12.0%** including the profit for the period compared to 14.2% as of 31 March 2007 and 13.7% as of 30 June 2006.

Off-balance sheet items

The Bank's pending liabilities among the off-balance sheet items was 2.0 billion forints. Contracted but not yet disbursed loans amounted to 8.7 billion forints. Future liabilities amounted to 201.0 billion forints and mainly include hedge transactions relating to mortgage bonds. Liabilities from currency swaps amounted to 194.4 billion forints and included 133.7 billion forints CHF swap and 60.7 billion forints HUF swap. Interest swaps amounted to 3.8 billion forints and mainly included HUF-denominated transactions (2.9 billion forints), and, to a lesser extent, CHF transactions (0.9 billion forints).

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

Declaration

FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) hereby declares that the figures and statements of this Preliminary 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 preliminary 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, 2 August, 2007

Dániel Gyuris
CEO

Jenő Siklós
Deputy CEO

Name: FHB Mortgage Bank Plc
 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Reporting period: 01.01.2007 - 30.06.2007

Phone: +36 1 452 - 9100
 Fax: +36 1 452 - 9200
 E-mail: bardosp@fhb.hu
 Investor relations: Péter Bárdos

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

Profit and Loss Statement

(consolidated, non- audited data as at 30 June, 2007 and as at 30 June, 2006, according to IFRS, data in thousand HUF)

DESCRIPTION	30 June, 2007	30 June, 2006	Change (%)
Interest income	28,872,875	27,541,461	4.8%
Interest expense	-20,474,439	-19,205,766	6.6%
Net interest income	8,398,436	8,335,695	0.8%
Fee and commission income	889,661	725,605	22.6%
Fee and commission expense	-317,413	-411,556	-22.9%
Profit from FX transactions	535,944	352,152	52.2%
Profit from changes of fair value of derivatives	-672,004	-148,397	352.8%
Gain less losses from securities	189,468	103,234	83.5%
Other operating income	212,414	41,253	414.9%
Other operating expense	-278,238	-57,283	385.7%
Operating income	8,958,268	8,940,703	0.2%
Losses/provisions on loans and impairment	64,847	-141,992	-145.7%
General and administrative costs	-5,717,118	-3,877,210	47.5%
Profit before tax	3,305,998	4,921,501	-32.8%
Taxation expense	-519,023	-1,171,860	-55.7%
Profit for the period	2,786,975	3,749,641	-25.7%

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Balance Sheet

(consolidated, non- audited data as at 30 June, 2007 and as at 30 June, 2006, according to IFRS, data in thousand HUF)

DESCRIPTION	30 June, 2007	30 June, 2006	Change (%)
Assets			
Cash	367,313	2,320	-
Due from National Bank of Hungary	393,616	22,139,355	-98.2%
Placements with other banks	27,012,286	20,909,490	29.2%
Available for sale securities	25,452,909	3,705,776	586.8%
Refinancing of mortgage loans	273,968,393	268,531,750	2.0%
Loans	231,921,721	196,423,352	18.1%
Fair value of derivatives	5,250,963	7,044,804	-25.5%
Property and equipment	8,918,417	2,606,854	242.1%
Other assets	8,266,205	3,543,284	133.3%
Total Assets	581,551,823	524,906,985	10.8%
Liabilities			
Deposits from banks	48,759,727	30,556,783	59.6%
Mortgage bond liabilities	491,251,410	463,231,312	6.0%
Deposits	2,530,312	139,399	-
Fair value of derivatives	7,027,672	803,576	774.5%
Other liabilities	3,468,408	3,063,411	13.2%
Total Liabilities	553,037,529	497,794,481	11.1%
Shareholders' Equity			
Share capital	6,600,001	6,600,001	0.0%
Repurchased own shares	-18,871	-11,988	57.4%
Share premium	1,709,014	1,209,562	41.3%
General reserve	2,827,210	2,276,211	24.2%
Cash-flow hedge reserve	-2,984,713	-178,265	-
Stock option reserve	62,517	-	-
Variation in fair value of tradable financial assets	-334	-14,250	-97.7%
Reserve for annuity payment	163,322	-	-
Retained earnings/(deficit)	20,156,148	17,231,233	17.0%
Total Shareholders' Equity	28,514,294	27,112,504	5.2%
Total Liabilities and Shareholders' Equity	581,551,823	524,906,985	10.8%

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Phone: +36 1 452 - 9100
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E-mail: bardosp@fhb.hu
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Cash Flow

(consolidated, non-audited data as at 30 June, 2007 and as at 30 June, 2006, according to IFRS, data in thousand HUF)

DESCRIPTION	30 June, 2007	30 June, 2006
Cash flows from operating activities		
Net profit	2,786,975	3,749,641
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	537,392	262,572
Provision for losses	-185,980	141,114
Loss/(profit) on sale of fixed assets	61,123	-9
Stock option reserve	-119,654	0
Share granted	0	0
Derivatives	-48,361	-6,937,861
Real value of annuity	163,322	0
Cash flow hedge reserve		0
Operating profit / (loss) before changes in operating assets	3,194,818	-2,784,543
<i>Increase (decrease) in operating assets:</i>		
Refinancing of mortgage loans	-4,778,213	-8,619,299
Loans	-20,054,198	-25,302,982
Accrued interest receivable	0	0
Other assets	-3,198,009	637,749
<i>Increase (decrease) in operating liabilities:</i>		
Deposits	2,530,312	0
Due to other banks	5,611,898	-939,275
Accrued interest payable	0	0
Other liabilities	-651,865	-1,349,144
Net cash used in operating activities	-17,345,257	-38,357,494
Cash flows from investing activities		
Increase in available for sale securities	-22,592,574	-298,936
Proceeds from sale of property and equipment	12,210	8
Purchase of property and equipment	-3,012,528	-1,076,855
Net cash used in investing activities	-25,592,892	-1,375,783
Cash flows from financing activities		
Sale/(purchase) of own shares	-596,423	-245,624
Long term loans	-1,601,000	0
Paid dividend	-2,112,000	0
Cash flow hedge reserve	0	0
Instalment from mortgage bonds	-12,583,130	-7,628,000
Proceeds from issue of mortgage bonds	48,153,553	50,126,675
Net cash from financing activities	31,261,000	42,253,051
Net increase in cash and cash equivalents	-11,677,149	2,519,774
Cash and cash equivalents at beginning of year	39,450,364	40,531,391
Cash and cash equivalents at end of period	27,773,215	43,051,165
Cash and cash equivalents comprises of:		
Cash	367,313	2,320
Due from Central Bank	393,616	22,139,355
Placements with other banks, with a maturity of less than 90 days	27,012,286	20,909,490
Cash and cash equivalents at end of period	27,773,215	43,051,165
<i>Supplemental information</i>		
Interest received	28,520,096	26,909,430
Interest paid	-22,359,194	-20,724,590
Tax paid	-736,384	-849,917

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Statement of Shareholders' Equity

(consolidated, non-audited data as at 30 June, 2007 and as at 30 June, 2006, 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)	Annuity reserve	Retained earnings (deficit)	Shareholders' Equity
30 June 2006	6,600,001	-11,988	1,209,562	2,276,211	-178,265	0	-14,250	0	17,231,233	27,112,504
Transfer to general reserve				327,283					-327,283	
Change of fair values cash flow hedge					-1,705,664					-1,705,664
Own shares purchase										
Shares granted										
Dividends for 2005										
Creation of stock option reserve						182,171				182,171
Changes in fair value of available for sale financial assets							8,247			8,247
Profit for the period									3,889,930	3,889,930
31 December 2006	6,600,001	-11,988	1,209,562	2,603,494	-1,883,929	182,171	-6,003	0	20,793,880	29,487,188
Transfer to general reserve				223,716					-223,716	0
Change of fair values cash flow hedge					-1,100,784					-1,100,784
Own shares purchase		-525,595								-525,595
Shares granted		518,712	499,452			-145,667			-1,088,992	-216,495
Dividends for 2006									-2,112,000	-2,112,000
Creation of stock option reserve						26,013			0	26,013
Changes in fair value of available for sale financial assets							5,669			5,669
Transfer to annuity reserve								163,322		163,322
Profit for the period									2,786,975	2,786,975
31 June 2007	6,600,001	-18,871	1,709,014	2,827,210	-2,984,713	62,517	-334	163,322	20,156,148	28,514,294

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Loans

(consolidated, non-audited data as at 30 June, 2007 and as at 30 June, 2006, according to IFRS, data in thousand HUF)

DESCRIPTION	30 June, 2007	30 June, 2006
Real estate purchase	106,784,476	100,982,797
Real estate construction	49,015,941	42,769,546
Real estate reconstruction	4,468,470	4,065,194
Real estate extension	12,203,683	12,714,290
Other loans secured by real estate	58,661,860	34,694,893
Loans secured by non real estate	19,509	0
Employee loans	1,595,780	1,348,654
Loans, gross	232,749,719	196,575,374
from this: retail loans	222,173,358	195,108,169
other	10,576,361	1,467,205
Loan loss provision	-633,590	-690,852
Accrued interest	751,378	538,830
Accrued origination fee	-945,786	0
Loans, net	231,921,721	196,423,352

Mortgage bonds

(consolidated, non-audited data as at 30 June, 2007 and as at 30 June, 2006, according to IFRS, data in thousand HUF)

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	30 June, 2007		30 June, 2006	
Non-listed mortgage bonds				
Fixed	181,954,377	181,490,750	179,196,297	178,618,250
Floating	70,186,179	70,236,500	25,940,618	25,960,750
Listed mortgage bonds				
Fixed	153,356,986	153,382,290	185,617,663	185,772,640
Floating	72,704,013	72,906,180	58,396,844	58,638,680
Accrued interest	13,049,856		14,079,890	
Total	491,251,410	478,015,720	463,231,312	448,990,320

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DATA FORMS RELATED TO THE FINANCIAL REPORTS

PK1. General information on the financial figures

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

PK2. Business enterprises subject to consolidation

Name	Equity / Share capital (thousand HUF)	Ownership ratio (%)	Voting ratio (%)	Classification ¹
FHB Service Ltd.	1,500,000	100.00	100.00	L
FHB Commercial Bank Ltd.	2,000,000	90.00	90.00	K
FHB Real Estate Ltd.	100,000	95.00	95.00	K
FHB Annuity Real Estate Investment Ltd	100,000	95.00	95.00	K

¹ Full (L); Joint management (K); Affiliated (T)

PK6. Major off-balance sheet items

Description	30 June, 2007 (HUF million)
Pending obligations	10,792
- available credit facility on credits extended	2,039
- loans committed in contract but not yet extended	8,749
- credit to be purchased from partner bank	4
Future obligations	201,005
Total	211,797

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

RS1. Ownership structure, participation and voting rates

The ownership structure as at 30 June, 2007

Description of group of owners	Entire share capital						Listed series ¹					
	Beginning of target year (01.01.2007)			End of period (30.06.2007.)			Beginning of target year (01.01.2007)			End of period (30.06.2007.)		
	% ²	% ³	Pcs	% ²	% ³	Pcs	% ²	% ³	Pcs	% ²	% ³	Pcs
Domestic institutional / company	18.99	18.99	12,534,199	28.68	28.69	18,932,041	12.50	10.98	7,248,499	23.53	20.68	13,646,341
Foreign institutional / company	24.52	24.53	16,185,389	15.90	15.90	10,490,893	27.91	24.53	16,185,389	18.09	15.90	10,490,893
Domestic private individuals	2.22	2.22	1,463,771	1.10	1.10	726,309	2.52	2.22	1,463,771	1.25	1.10	726,309
Foreign private individuals	0.05	0.05	35,452	0.01	0.01	7,200	0.06	0.05	35,452	0.01	0.01	7,200
Employees, executives	0.09	0.09	57,205	0.18	0.18	119,418	0.10	0.09	57,205	0.21	0.18	119,418
Treasury shares	0.01	0.00	8,674	0.01	0.00	8,829	0.01	0.00	8,674	0.02	0.00	8,829
State ⁴	54.11	54.12	35,715,320	54.11	54.12	35,715,320	56.90	50.01	33,001,020	56.90	50.01	33,001,020
International Development Institutes ⁵	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
Other	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
TOTAL	100.00	100.00	66,000,010	100.00	100.00	66,000,010	100.00	87.88	58,000,010	100.00	87.88	58,000,010

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.: ÁPV Rt., 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.

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

The ownership structure as at 30 June, 2007

	1 January	31 March	30 June	30 September	31 December
FHB Nyrt.	8,674	80,005	8,829		

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

The ownership structure as at 30 June, 2007

Name	Nationality ¹	Activity ²	Quantity (pcs)	Share (%) ³	Voting rights (%) ^{3,4}	Notes ⁵
ÁPV Zrt.	B	A	33,000,010	56.90	50.01	
Allianz Hungária Biztosító Zrt.	B	I	1,252,350	2.16	1.90	
VCP Finanz Holding Kft	B	T	6,500,000	11.21	9.85	
Silvermist Estate S.A.	K	T	6,303,545	10.87	9.55	

¹ Resident (B), Non-resident (K)

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

³ To be given rounded up to two decimals

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

⁵ E.g.: strategic investor, financial investor, etc.

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

The ownership structure as at 30 June, 2007

Name	Nationality ¹	Activity ²	Quantity (pcs)	Share (%) ³	Voting rights (%) ^{3,4}	Notes ⁵
ÁPV Zrt.	B	0	35,714,310	54.11	54.12	
Allianz Hungária Biztosító Zrt.	B	0	6,538,050	9.91	9.91	
VCP Finanz Holding Kft	K	0	6,500,000	9.85	9.85	
Silvermist Estate S.A.	B	0	6,303,545	9.55	9.55	

¹ Resident (B), Non-resident (K)

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

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DATA FORMS RELATED TO THE ORGANISATION AND OPERATION OF THE ISSUER

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

	End of base period (31 December 2006.)	Beginning of target year (1 January 2007.)	End of target period (30 June 2007.)
Bank	373	141	96
Consolidated	433	436	496

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	István Somkúti	Member	27.04.2007	27.04.2012	0
IT	Dr. Gábor Borsányi	Member	12.05.2006	12.05.2011	8,000
IT	Dr. Károly Salamon	Member	12.05.2006	12.05.2011	8,000
IT	Dániel Gyuris	Member, CEO	21.04.2006	21.04.2011	2,500
IT	László Harmati	Member, Deputy CEO	21.04.2006	21.04.2011	4,192
IT	Dr. Zoltán Szedlacskó	Member	23.05.2003	23.05.2008	18,242
IT	Dr. Gábor Csányi	Member	28.05.2005	28.05.2010	0
IT	Dr. Márton Vági	Chairman	21.04.2006	21.04.2011	0
FB	Róbert Somfai	Chairman	27.04.2007	27.04.2012	5,000
FB	Ágnes Winkler	Member	27.04.2002	27.04.2012	0
FB	Mónika Kék	Member	05.05.2005	05.05.2010	0
FB	Kata Molnár Orsolya	Member	05.05.2005	05.05.2010	0
FB	Éva Baranyi	Member	05.05.2005	05.05.2010	0
FB	Dr. Gyula Czok	Member	12.05.2006	12.05.2011	4,000
FB	Dr. Erik Landgraf	Member	02.05.2006	02.05.2011	609
FB	Hoang Nguyen Viet	Member	02.05.2006	02.05.2011	4,684
FB	Márta Szántó	Member	02.05.2006	02.05.2006	0
SP	Jenő Siklós	Deputy CEO	21.10.1997	indefinite	6,310
SP	Tamás Foltányi	Deputy CEO	07.11.2005	indefinite	0
Shares held (pcs) T O T A L :					61,537

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

Note:

- a) At the meeting of the Board of Directors on 26 March 2007 Ferenc Karvalits, chairman of the Board resigned from his post as chairman and Board member. The Board of Directors elected Dr. Márton Vági chairman of the Board.
- b) FHB shares held by management already contain the impact of the shares granted after the year 2006 based on the share option programme approved by the Annual General Meeting.

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ANNOUNCEMENTS AND PUBLICATIONS IN THE FIRST HALF OF 2007

FHB Group's major announcements and publications in the period of reporting fall into the following categories:

- Banking events (bank information, change of general rules of lending)
- Publication of annual and quarterly reports, information about shareholder's meeting
- Information about mortgage bonds (mortgage bond issues and repurchases, Hungarian and international mortgage bond issue programme update)
- Events related to the Management Share Option Programme
- Change in key employees and officers (of Directory Board and Supervisory Board)
- Information related to the privatization of FHB

Publications and announcements published by FHB can be found at the webpage of the Budapest Stock Exchange (www.bet.hu).