



**FHB Mortgage Bank Plc.
Report on the results of the
fourth quarter of 2008**

Budapest, 12th February, 2009

Results of FHB Mortgage Bank for the fourth quarter of 2008

This report of FHB Mortgage Bank Public Company Limited by Shares for the fourth quarter of 2008 is based on the data of the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The consolidation applies also to FHB Szolgáltató Zrt. (FHB Services Ltd.), FHB Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), FHB Ingatlan Zrt. (FHB Real Estate Ltd.) and FHB Életjáradék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd). The narratives compare the consolidated, non-audited figures as of 31 December 2008, as of 30 September 2008 and the consolidated, audited figures as of 31 December, 2007.

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

Earnings before taxation as of 31 December 2008 were in excess of 10.0 billion forints, 38.1% higher than the 2007 figure of 7.3 billion forints. Excluding the change in the fair value of swaps earnings before taxation was 10.2 billion forints, 32.8% higher than in 2007.

The **average net interest margin dropped** by 31 basis points year on year, from 2.84% as of 31 December 2007 to 2.53% due to the competition in the mortgage loan market and the changing composition of the Group's loan portfolio. Over the past quarter the drop in the margin was eight basis points.

The Bank's **consolidated balance sheet total was up by 11.8%**, from 616.9 billion forints to **689.6 billion forints year-on-year**.

The Group's **cost-income ratio** without banking contribution improved from 56.4% (including the impact of taxes) in the same period of 2007 to **51.6%**.

Shareholders' equity was over 40.3 billion forints as of 31 December 2008 as a result of a **25.8% year-on-year increase**.

After-tax profit was 6.7 billion forints in 2008, 26.5% up from the 2007 figure.

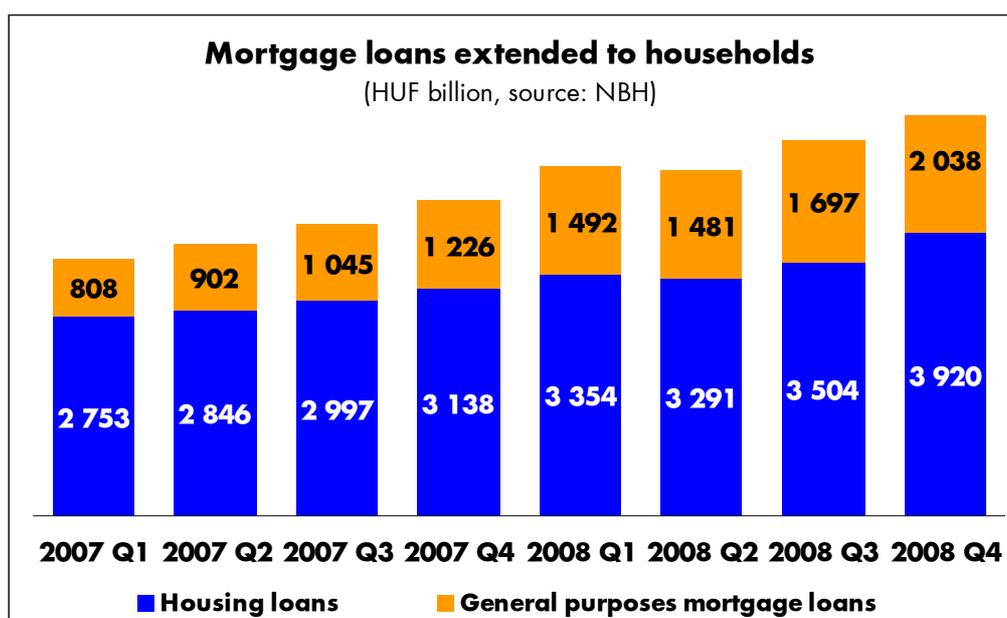
FHB Group's profit for 2008 has exceeded the financial targets.

Retail mortgage loan market

The international financial events had the greatest impact on loan portfolio of the banking sector. Due to the problems of the money and capital markets, banks have tightened their lending standards and discontinued and ceased some of their loan product schemes (CHF denominated lending was phased out in a large number of banks), which resulted in a significant decline in mortgage lending in the fourth quarter.

According to National Bank of Hungary statistics retail loans portfolio amounted to 5,958.6 billion forints as of 31 December 2008, achieving a 757.6 billion forints (or 14.6%) increase over the previous quarter's figure with the year-on-year figure being 1,594.6 billion forints (or 36.5%) higher as a result of exchange rate movements. In terms of both volume and intensity the year-on-year growth is significantly greater than the 918.2 billion forints growth achieved in 2007, which was 26.7% higher than the 2006 year-end figure. Disregarding the impact of exchange rates fluctuation the year-on-year growth of the retail mortgage loans portfolio was 1,164 billion forints, or 24.3% (at 31 December 2008 rate). Growth over the previous quarter's figure was 207 billion forints (or 3.6%).

Annual growth in the portfolio continues to be generated by the increasing rate of foreign exchange-denominated loans: the annual growth of the FX loan portfolio was 1,735.6 billion forints (compared to 2,644.3 billion forints as of 31 December 2007). The increase in the FX-denominated portfolio was 783.9 billion forints over the Q3 of 2008 figure due to the impact of sharp exchange rate movements. At the same time the forint-based loan portfolio shrank by 141 billion forints compared to the same quarter of the previous year and 26 billion forints compared to the previous quarter's figure. At the end of Q4 the total amount of retail mortgage loans was 4,380 billion forints, 73.5% of which was disbursed in foreign exchange as opposed to 1,578.7 billion forints HUF loans, steadily shrinking. The intensity of growth is marked by the fact that in the same period of the reference year the proportion of FX loans was 60.6%.



Year-on-year growth in housing loans extended to households was 24.9% or 782 billion forints up. The annual growth was significantly higher than the 2007 figure of 438.3 billion forints. The average monthly growth in 2008 was 65 billion forints and showed a substantial spread. Growth in the Q4 of 2008 was 416 billion forints compared to the Q3 figure. Without elimination of the impact of exchange rates the Q4 2008 growth was 120 billion forints.

The increase in FX-based loans was greatly contributed to by soaring general-purpose mortgage loans. Compared to 1,189 billion forints contributing 45.0% to the overall retail loans portfolio in Q4 of 2007, the contribution of general-purpose loans to retail lending grew to reach 45.8% by the end of the period of reporting due to general-purpose loans' 47.0% contribution to the growth of the loan portfolio over the past year

The increase in the portfolio of general-purpose loans to retail customers was 21.7% in the first quarter of 2008 followed by a 0.7% drop in Q2, then a 14.5% rise in Q3 and a 20.1 rise in Q4, ultimately resulting in a 66.2% overall increase during the year. Average monthly growth in 2008 was 67.7 billion forints. Of the total amount of general-purpose loans 98.4% was disbursed in foreign currency; the total portfolio value was 2,006 billion forints as of 31 December 2008. General-purpose mortgage loans contributed 66.3% to total consumer loans as of 31 December 2008 as opposed to 58.2% in the reference period. This indicates a continued significant restructuring among the consumer loans product: the growth of consumer and personal loans is less and less dynamic and the growth of general-purpose loans continues to be strong. The main reason for the trend is the need for households to supplement their shrinking real income from cheap mortgage loans in order to maintain their level of consumption.

Own lending

At the end of the reported period the net amount of loans sold by the Bank was 307.5 billion forints, 7.7% above the 30 September 2008 figure. The year-on-year increase was 13.5%.

In the fourth quarter of 2008 the Group's loan disbursements amounted to 10.9 billion forints, 56.6% down from the 25.1 billion forints in the same period of the previous year and 52.2% below the 22.8 billion forints achieved in Q3 of 2008. In line with the general trend in the mortgage loans market, foreign exchange-denominated lending continues to dominate the lending business contributing 89.6% to Q1, 85.7% to Q2, 89.3% to Q3, and 81.7% to Q4 of 2008 disbursements. The fall in disbursements resulted primarily from tightening lending standards.

Mortgage loan products

General-purpose mortgage loans continue to be the Group's most popular loan product. Disbursements in this category contributed 55.6% to overall disbursements and 54.4% to Q4. 2008 disbursements amounted to 40.6 billion forints, denominated almost entirely in FX. The performance achieved in the fourth quarter exceeded the Q3 figure by 44%. The year-on-year increase in general mortgage loan disbursements in 2008 was 54.4% up from the 26.3 billion

forints achieved in 2007. As of 31 December the portfolio amounted to 112.2 billion forints, 100.5% of the Q3 figure but 63.7% more than in the reference year.

There has been a steady decline in the demand for housing loans and the contribution of this product to total disbursements has been shrinking. While in the fourth quarter of 2007 housing loans contributed 36.7% with 7.9 billion forints disbursed, contribution in Q3 of 2008 was 28.9% (with 6.6 billion forints disbursed), and the contribution of this product to the Group's lending performance in Q4 of 2008 this product was 36.3% with 3.6 billion forints disbursed. Housing loan disbursements continue to be dominated by loans extended for the purchase of existing homes: their contribution was 2.5 billion forints in Q4 of 2008 (compared to 3.6 billion forints in both Q1 and Q2 and 4.3 billion forints in Q3) as opposed to 5.5 billion forints in Q4 of 2007. The contribution of loans extended for the purchase of existing homes to overall housing loans was 76.6% in the course of 2008. Loans extended for the purchase of new homes amounted to 0.6 billion forints (0.9-1.0 billion forints in the course of 2008, and 1.1 billion forints in Q4 of 2007), and the total value of home building loans was 1.0 billion forints (compared to 1.1 billion forints in Q1-Q4 of 2008 and 2.0 billion forints in Q4 of 2007). The value of the housing loans portfolio was 186.8 billion forints as of 31 December 2008, 2.0% higher than 183.0 billion forints in the preceding quarter, and 4.4% up from the Q4 of 2007 figure.

The 0.9 billion forints performance of corporate loans in the fourth quarter dropped considerably, and was less than half of the 1.9 billion forints achieved in Q3 of 2008. Disbursement of commercial real estate financing was 0.1 billion forints. Disbursements of home building project loans amounted to 0.5 billion forints, 30% less than the Q4 of 2007 figures and approximately 30% less than the Q3 of 2008 achievement.

SME lending was launched in the fourth quarter. The new products achieved 0.3 billion forints disbursements in 2008 and contributed 30.5% to Q4 and 3.3% to 2008 total corporate lending.

Corporate loans contributed a significant 8.4% to total disbursements in the third quarter and kept up their performance with 8.3% in the fourth quarter. The value of the portfolio was 20.1 billion forints as of 31 December 2008, the same as in the reference year; growth compared to Q3 of 2008 was 1.9 billion forints.

Land development loans achieved 0.2 billion forints in Q4 of 2008, falling short of the Q3 of 2008 disbursements of 0.4 billion forints and also lagging behind the 0.4 billion forints achieved in Q4 of 2007. The value of the land development loans portfolio was 3.0 billion forints as of 31 December 2007, which the Bank managed to increase by 23.0% by the end of 2008.

Launched in 2007, the reverse mortgage loan product extended to senior citizens achieved 0.3 billion forints in Q1-Q3 of 2008. This was repeated in the fourth quarter of 2008. Since the fourth quarter of 2007 the Bank has offered this product denominated also in euro, though the 2008 loans were overwhelmingly denominated in forint. The contribution of HUF loans in this category was 92.5%.

Distribution channels

There was a rather significant change in the breakdown of the various channels of retail lending compared to 2007. While the contribution to disbursements by the network of agents was 59.4% and that of the branches was 38.1% in 2007, agents contributed 64.7% and the Bank branches contributed 34.5% to total disbursements to retail customers in 2008.

Refinancing

As of 31 December 2008 the portfolio of refinanced loans dropped by 2.8%, or 8.3 billion forints year-on-year and amounted to 286.1 billion forints. The value of the portfolio was 7.7 billion forints, or 2.8%, up from the 30 September 2008 figure, due mainly to exchange rate movements. Newly refinanced mortgage loans extended by partners other than FHB Commercial Bank amounted to 21.2 billion forints in the first quarter of 2008. This performance dropped drastically in the second quarter and amounted only to 0.5 billion forints, and the Q3 performance was also a moderate 0.9 billion forints. The drop was caused by the fact that the Mortgage Bank's main refinancing partner suspended the refinancing of FX loans from April 2008 due to mounting costs of funds and the need to provide funds for its parent bank. Changes in the refinancing business are in keeping with the 2008 business and financial plans.

In accordance with the agreement with FHB Commercial Bank Ltd., the value of intra-Group refinancing amounted to 15.6 billion forints in the third quarter of 2008 and 21.5 billion forints in the fourth quarter. The increase over the Q3 performance was again 37.8%. The intra-group refinancing business had started in Q4 of 2007, however, the 10.1 billion forints transaction value was only about half of this year's performance.

FHB Commercial Bank Ltd.

Loans extended by FHB Commercial Bank in the fourth quarter of 2008 amounted to 8.1 billion forints, contributing 90.8% to own lending. This amount is 44% of the 19.6 billion forints achieved in Q3 of 2008 and 33% of the reference year's figure. The amount was entirely contributed by mortgage loan sales. Disbursements are dominated by the Swiss franc, though to a rapidly decreasing extent (79.2% in Q4 compared to 99.9% in Q3, 96.5% in Q2 and 99.9% in Q1). Euro and forint disbursements are not significant, amounted to 0.3 billion forints in 2008. As was the case in the preceding quarter, the loan portfolio is dominated by general-purpose mortgage loans contributing 13.5 billion forints to total disbursements in Q3 and 5.9 billion forints in the reported quarter. The main products within the housing loans portfolio were loans extended for the purchase of new and existing homes with a total contribution of 2.0 billion forints to the Commercial Bank's achievement in the fourth quarter following 4.7 billion forints in Q3. Corporate lending is offered mainly through the Mortgage Bank. After its take-off in the first quarter (with 408.4 million forints) corporate lending disbursed for commercial real estate financing loans in Q2 was 62 million forints, and there was no disbursement in this product category in Q3 and Q4. SME disbursements took place first in Q4, and amounted 0.3 billion forints.

The number of retail accounts was over 30,000 as of 31 December 2008, 9.3% above the Q3 figure. There was a continued increase in funds on retail and corporate accounts compared to the previous quarter and contributed 4.9% to the Group's balance. The number of new bankcards issued in the fourth quarter of 2008 was 2,510. Taking into account the 4,500 new cards issued in Q3 of 2008, the total number of cards issued so far to FHB Commercial Bank customers has exceeded 17.5 thousand.

FHB Life Annuity Ltd.

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

Since its foundation to 31 December 2008 FHB Annuity signed annuity contracts or respective real estate value amounting to 6.0 billion forints, 1.2 billion forints in Q3 and 897 million forints in Q4. The contracted value in the fourth quarter is 23.4% higher than Q4 of 2007 total contract value of 727 million forints. Annuity payments have amounted 1.7 billion forints in 2008 and 2.2 billion forints since the launch of the product.

FHB Real Estate Ltd.

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

In the first quarter of 2008 FHB Real Estate launched the real estate agency business. Expansion and further development of the new activity is in progress. The major event in Q2 of 2008 was the introduction of the real estate development business and preparation of the relevant organization. Services planned include project management, engineering, expert services and consultancy. While this business line was launched in Q3 of 2008, actual investment projects have been suspended due to the current international financial situation.

Mortgage bond issues and financing

In the fourth quarter of 2008 funding was ensured primarily through mortgage bond issues in the domestic market. The Mortgage Bank has raised 16.8 billion forints gross funds in Q4 of 2008, 7.4 billion forints more than in the reference quarter of 2007 and almost 56.8 billion forints less than in Q3 of 2008. No unsecured bonds were issued in Q4. In Q3 of 2008 bonds issued amounted to 1.7 billion forints and in Q4 of 2007, to 40 billion forints. As a result, gross funds involved in Q4 of 2008 fell 58.5 billion forints short of the Q3 figure, and were 32.6 billion forints below Q4 of 2007 figure.

In the course of 2008 funding was done primarily through mortgage bond and bond issues and amounted to approximately 157 billion forints, almost 47.2 billion forints more than in 2007. Thirteen series matured in 2008 with a total face value of 71.2 billion forints. Total redemption value was 46.7 billion forints.

The two-year Schuldschein loan of 50 million EUR nominal value taken out by the Bank in August of 2006 expired on 4 August 2008. The Bank renewed the facility for another two years as of 6 August 2008 in the value of 30 million EUR.

In the first quarter of 2008 the Bank's Issues Programme for 2007 and 2008 was authorized with a maximum total face value of 200 billion forints. The first series under the new Programme were launched in February and March.

An event of major importance for the Bank was the definitive Aa rating of FHB's mortgage bonds by Moody's as of 1 April 2008. The FHB mortgage bonds were put on the negative watch only because of the possible implications of the privatization in August 2007. The mortgage bonds were downgraded from Aa2 to Aa3 but the Bank managed to keep mortgage bonds in the Aa category still deemed excellent by investors.

On 4 March 2008 the Luxembourg Stock Exchange approved the Bank's Mortgage Bonds and Bonds Issues Programme with a total value of three billion euros. From this date the Bank's mortgage bonds are also classified as "ECB eligible".

Trading of FHB's mortgage bonds in the stock exchange was moderate in the fourth quarter of 2008 and remained below half a billion forints, similarly to previous quarters. A large portion of trading was contributed by fixed interest earning mortgage bonds.

The aggregate mortgage bond portfolio of the three Hungarian mortgage banks amounted to 1,884.9 billion forints as of 31 December 2008. FHB's share of the mortgage bond market was 28.1% at the end of the third quarter, with a minimal decrease to 26.9% by the end of the fourth quarter.

Changes in the legislative environment

The most important legislative changes in Q4 of 2008 that affect the Group's business were as follows:

Act CIV of 2008 on Strengthening the Stability of the Financial Intermediary System

The Act provides for a regulatory framework allowing state intervention in order to preserve the stability of the system in an effort to manage the crisis of the financial intermediary system that emerged in 2007-2008.

Act CIII of 2008 on the Amendment of Certain Acts Concerning Financial Services

Aimed at legal harmonization, the Act provides for harmonized rules of procedure and evaluation criteria of assessing acquisition of stakes in credit institutions, insurance and reinsurance companies and investment undertakings (effective as of 01.01.2009).

Act XLVIII of 2008 on the Basic Conditions and Restrictions of Advertising for Business Purposes

The Act amends the provisions on prohibited advertising of the Act on Credit Institutions and Financial Enterprises (effective as of 01.09.2008 and 01.03.2009).

Act XLVII of 2008 on the Prohibition of Trading Practices Unfair to Consumers

The legislation was motivated by the necessity of EU legal harmonization. With a view of uniformity of legislative terminology the Act adjusts the Act on Credit Institutions and Financial Enterprises on several points and provides for other amendments in the interest of consumer protection (effective as of 29.06.2008 and 01.09.2008).

Restructuring and staff figures

Staff figures

The consolidated full-time headcount was 582 as at 31 December, 2008, 11 lower than the 593 staff at the end of Q3 of 2008 and 9.2% up from the end of 2007 figure of 532. As of 31 December 2008 branch staff was 186 (185 in Q3) and that of headquarters was 395 (408 in Q3). All of the branch staff are employed by FHB Commercial Bank. Group companies had the following staff figures as of 31 December 2008: FHB Mortgage Bank Plc. 81, FHB Commercial Bank Ltd. 288, FHB Services Ltd. 180, FHB Annuity Ltd. 14, and FHB Real Estate Ltd. 19.

Officers and executives

On 29 April 2008 all members of the Board of Directors resigned from their position. The Annual General Meeting elected the following persons to serve on the Board of Directors, each with a mandate of five years: Dr. Zoltán Spéder, Dr. Gábor Borsányi, Dániel Gyuris, László Harmati, Dr. Christian Riener, Dr. Károly Salamon, István Somkuti and Dr. Márton Vági. At its first meeting held after the AGM the Board of Directors elected Dr. Zoltán Spéder as chairman. The following members of the Supervisory Board resigned from their position as of 29 April 2008: Róbert Somfai, Dr. Gyula Czok, Éva Baranyi and Márta Szántó. The AGM re-elected Róbert Somfai with a mandate for five years. At its first meeting held after the AGM the Supervisory Board elected Róbert Somfai as chairman.

Jenő Siklós resigned from his position as Chairman of the Board of Directors of FHB Services Ltd. and FHB Real Estate Ltd as of 1 September 2008 and has also left FHB Mortgage Bank Ltd. on the same day. Since November 2008 Gyula Köbli is the Group's CFO and deputy CEO.

Based on the permission granted by HFSA on 11 December 2008 Dr. Eszter Varga was appointed Deputy CEO of FHB Commercial Bank Ltd. and internal Board member.

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

The Bank's **after-tax profit consolidated** according to International Financial Reporting Standards was **up** year-on-year **by 11.8%**, from 617.0 billion forints to **689.6 billion forints**. The increase was predominantly generated by the growth in the mortgage loan portfolio.

Shareholders' equity grew by 25.8% year-on-year to exceed **40.3 billion forints**, due primarily to an increase in retained earnings.

Earnings before taxation were **10.0 billion forints** (swap effect: -183.7 million forints), 38.1% up from the reference period figure. **After-tax profit** was **6.7 billion forints**.

Key financial indicators	Consolidated figures by IFRS		
	31 Dec 2007	31 Dec 2008	31 Dec 2008 / 31 Dec 2007
Balance sheet total (HUF million)	616,954	689,627	11.8%
Book value of loans (HUF million)	559,822	613,248	9.5%
Book value of mortgage bonds (HUF million)	493,879	506,258	2.5%
Bonds issued (HUF million)	47,417	62,429	31.7%
Shareholders' equity (HUF million)	32,057	40,341	25.8%
Earnings before taxation (HUF million)	7,265	10,029	38.1%
After tax profit (HUF million)	5,294	6,695	26.5%
Net interest margin (NIM)	2,84%	2,53%	-31 bp.
EPS (HUF)	80	101	26.5%
P/E (share price/EPS)	23,05	6,77	-70.6%
P/BV (share price/equity/number of shares)	3,81	1,12	-70.5%
Adjusted capital (by HAS)*	28,129	28,330	0.7%
Capital adequacy ratio (by HAS)*	12.5%	12.8%	2.2%
ROAA (return on average assets)	0.9%	1.0%	12.2%
ROAE (return on average equity)	16.2%	17.8%	10.1%

*Including profit for the year

¹ IFRS, consolidated, non-audited figures

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

P/L structure²

Data in HUF million

DESCRIPTION	2007 Q4 (Oct-Dec)	2008 Q3 (Jul-Sept)	2008 Q4 (Oct-Dec)	2008 Q4/ 2007 Q4	2008 Q4/ 2008 Q3
Net interest income	4,054	4,243	4,200	3.6%	-1.0%
Net fees and commissions income	875	429	721	-17.7%	67.8%
Net profit from financial transactions	787	735	1,922	144.1%	161.6%
Other income and expenditure	86	333	532	521.4%	59.6%
Gross operating income	5,802	5,740	7,375	27.1%	28.5%
Operating expenses	-3,552	-3,025	-4,447	25.2%	47.0%
Net operating income	2,250	2,715	2,928	30.2%	7.9%
Losses from lending and impairment	-285	-244	-324	13.9%	32.9%
Profit before taxation	1,965	2,471	2,604	32.5%	5.4%
Taxes	-778	-870	-969	24.6%	11.4%
After tax profit	1,187	1,601	1,635	37.7%	2.1%
Profit before tax without changes in fair value of swap transactions	1,884	3,623	1,738	-7.7%	-52.0%
Profit after tax without changes in fair value of swap transactions	1,122	2,522	942	-16.0%	-62.6%

In the fourth quarter of 2008 the Bank realised **1.6 billion forints consolidated after-tax profit by IFRS**, 2.1% more than in Q3 of 2008 and 37.7% higher year-on-year. **Profit before tax was 2.6 billion forints** in Q4 2008.

After-tax profit excluding swap amounted to 0.9 billion forints in the fourth quarter of 2008, 16.0% above the figure for the reference quarter of 2007 and 62.6% higher than the Q3 of 2008 figure.

² IFRS, consolidated, non-audited figures

Data in HUF million

DESCRIPTION	2007	2008	2008 / 2007
Net interest income	16,602	16,681	0.5%
Net fees and commissions income	1,631	2,042	25.2%
Net profit from financial transactions	1,172	3,767	221.5%
Other income and expenditure	338	1,890	458.7%
Gross operating income	19,743	24,380	23.5%
Operating expenses	-12,129	-13,546	11.7%
Net operating income	7,615	10,834	42.3%
Losses from lending and impairment	-350	-805	130.1%
Profit before taxation	7,265	10,029	38.1%
Taxes	-1,971	-3,334	69.2%
After tax profit	5,294	6,695	26.5%
Profit before tax without changes in fair value of swap transactions	7,692	10,213	32.8%
Profit after tax without changes in fair value of swap transactions	5,636	6,842	21.4%

As of 31 December 2008 **consolidated after-tax profit by IFRS amounted to 6.7 billion forints**, 26.5% up from the Q4 of 2007 figure. Earnings before taxation were 10.0 billion forints, 38.1% above the EBT achieved in 2007. After-tax profit excluding swaps was 6.8 billion forints in 2008 as opposed to 5.6 billion forints as of 31 December 2007.

Net interest income

Net interest income was 4.2 billion forints in the fourth quarter of 2008, slightly up from the figure achieved in the same period of last year (4.05 billion forints) but 1.0% down from the Q3 of 2008 figure. The net figure emerged as a balance of 20.3 billion forints interest income (125.6% of the Q4 of 2007 figure and 7.9% above the Q3 of 2008) and 16.1 billion forints interest expense (132.9% of the Q4 of 2007 figure and 110.43% of the Q3 of 2008 figure). Net interest income in 2008 was 16.7 billion forints, 1.0% down from the 2007 figure, due mainly to a 21.7% (or 57.5 billion forints up to 31 December 2008) increase in interest income and a 29.7% (or 44.9 billion forints up to 31 December 2008) increase on interest expenditure.

In the fourth quarter of 2008 40.1% of interest income was contributed by interest on own lending (compared to 39.2% in Q3 of 2008 and 45.7% in the reference quarter of 2007). The contribution of refinanced mortgage loans was 28.3% (compared to 30.0% in Q3 of 2008 and 37.7% in Q4 of 2007). The aggregate interest on interbank deposits and securities contributed 5.5% (same in Q3 of 2008 and 2.6% in Q4 of 2007), while the contribution of interest income on derivatives was 26.1% (25.4% in Q3 of 2008 and 17.3% in Q3 of 2007).

In terms of breakdown for the reported year, 40.7% of interest income was contributed by interest on own loans (43.1% in 2007). The contribution of interest income on refinanced loans was

31.3% (39.6% in the reference year). The aggregate contribution of interest income on interbank deposits and securities was 4.2%, up from the previous year's figure of 3.5%. The biggest change occurred in the item of interest income on derivative transactions that contributed 23.9% to total interest income as opposed to 13.8% in 2007.

The breakdown of interest income followed the earlier trend: the contribution of interest income on refinanced loans decreased while interest income on derivatives increased, (in accordance with the Bank's plans), and the contribution of interest income on interbank deposits and securities steadily appears low.

Within the line item of interest income, the contribution of interest subsidy (subsidy of interest on mortgage bonds and supplementary interest subsidy) was 40.5% in Q4 of 2007, 27.6% in Q3 of 2008, and slid further to 24.1% in Q4 of 2008. In keeping with the trend in earlier years, income from subsidized interest has been dropping while income from customers has increased: in 2007 interest income subsidies contributed 40.4% to total interest income and dropped to a mere 24.1% in 2008.

In the fourth quarter of 2008, 57.1% of interest expense were incurred in conjunction with mortgage bonds and 7.8% with bonds. The contribution of interest paid on interbank loans received was 2.2%; the contribution of interest paid on deposits was 4.6%, and that of derivative hedges was 28.2%. The contribution of interest expenditures on mortgage bonds was 60.0% in Q3 of 2008 and as much as 70.3% in Q4 of 2007. Interest paid on derivative transactions contributed 25.0% in Q3 of 2008 and 21.5% in Q4 of 2007.

The breakdown of interest expenditure in 2008 shows a varied picture compared to the reference year: 61.0% of interest expenditure was incurred in conjunction with mortgage bonds, added to that is 7.9% interest expenditure on bonds; the contribution of interest paid on interbank loans received was negligible (2.2%), and the contribution of derivative transactions was 25.6% in the 2008. The breakdown in the 2007 was 75.1% interest paid on mortgage bonds and 20.1% on derivatives.

The average net interest margin (NIM) was 2.53% as of 31 December 2008 compared to 2.84% as of 31 December 2007 and 2.61% in Q3 of 2008. The drop in NIM continues to be caused by two major factors. One is the Bank's transforming loans portfolio structure, which has been an ongoing process for a longer period and has a long-term effect on the breakdown of the Bank's own and refinanced loans portfolio. In the refinanced loans portfolio there has been a steady decline in subsidized loans as new loans are predominantly denominated in FX and thus scheduled repayments of principal and prepayments are higher than the amount of new loans disbursed. Dwindling subsidized loans are replaced by lower margin FX-based loans. Another negative impact on overall NIM is that the subsidized loan portfolio was re-priced in 2007 and 2008. A similar transformation is taking place in terms of the portfolio of the Bank's own loans. The impact of falling EUR and CHF rates is expected to pass through in the first half of 2009.

Net fees and commission income

In the third quarter of 2008 the Bank achieved a positive balance of 430 million forints of income from, and expenditures on, commissions and fees. In Q4 of 2008 the balance was significantly bigger, 721 million forints, which is, however, still 17.8% below the 875 million forints achieved in Q4 of 2007. In the reported period net income from fees contributed 9.8% to gross operating profit.

Net income from fees and commissions in the fourth quarter of 2008 was 808 million forints, about 75% of which was contributed by prepayment charges, 10.0% by handling fees, and 5.0% by accounts and card related banking charges. The remaining items come from insurance, contracting and handling fee charged to customers. Commissions paid to acquisition agents contributed 64.0% and fees paid in conjunction with mortgage bond issues contributed 22.5% to expenditure on fees and commissions. Interest premium paid to syndicate partners contributed 1.6%.

As of 31 December 2008 income from fees and commissions amounted to 2,479 million forints, 32.6% more than as of 31 December 2007. Handling fees amounted to 363 million forints; fees received in conjunction with prepayment amounted to 1,741 million forints, and mortgage loan related income was 249 million forints. The combined income from account and card related services amounted to 126 million forints in 2008.

As regards expenditures on fees and commissions in 2008 (437 million forints), commissions paid to agents amounted to 122 million forints and contributed 28.0% to the item. Fees paid to syndicated partners totalled 15 million forints (contributing 3.3% to total expenditures), and fees paid in connection with the launching of mortgage bonds amounted to 195 million forints (44.3%).

Net profit from securities and currency transactions

As a result of exchange rate movements over the reported quarter profit from foreign exchange transactions in 2008 contributed 3,425 million forints to earnings, 2,046 billion forints more than the 1,380 million forints achieved in 2007.

After the 1.0 billion forints negative balance of derivatives achieved in Q3 of 2008, 866.0 million forints profit was generated by Q4 2008. The loss was 183.7 million forints in 2008 whole year, while 2007 balance was a loss of 428 million forints.

In Q4 of 2008 profit from securities transactions amounted to 95 million forints, which, added to the 430 million forints achieved up to 30 September 2008, resulted in a total of 525 million forints achieved during the year. The same item was 220 million forints in 2007. The figure emerged as a balance of exchange gains and losses on securities issued and repurchased during the year.

Other income

As of 31 December 2008 the balance of other income and expenditure was 1,890 million forints, arising from 526 million forints income achieved in Q1, 518 million forints achieved in Q2, 478 million forints in Q3 and 451 million forints in Q4 net of 58.1 million forints expenditure in Q1, 36 million forints in Q2, 145 million forints in Q3 and 82 million forints expenditure in Q4. As of 31 December 2007 the balance of other income and expenditure was 338 million forints and included 843 million forints income net of 504 million forints expenditure. The item of other income and expenditure contains 1.9 billion forints related to the business of FHB Annuity Ltd., which includes income from the revaluation of the FHB Annuity Ltd.'s real estates from annuity contracts to market value. On the other expenditures side, the line item also includes donations, late charges and settlement with the tax authorities.

Operating expenses

Data in million HUF

DESCRIPTION	2007 Q4 (Oct-Dec)	2008 Q3 (Jul-Sept)	2008 Q4 (Oct-Dec)	2008 Q4/ 2007 Q4	2008 Q4/ 2008 Q3
General administrative costs	2,911	2,329	3,566	22.5%	53.1%
Personnel expenses	1,709	1,289	1,795	5.0%	39.2%
- wages	1,002	812	1,137	13.5%	40.0%
- other personnel expenses	349	174	271	-22.3%	55.7%
- social security expenses	358	303	387	7.9%	27.5%
Other administrative costs	1,202	1,040	1,771	47.3%	70.3%
Taxes paid	245	220	355	44.7%	60.8%
Depreciation	396	476	526	33.0%	10.7%
TOTAL OPERATING EXPENSES	3,552	3,025	4,447	25.2%	47.0%

Operating costs amounted to 4.4 billion forints in the fourth quarter of 2008, 47.0% up from the Q3 of 2008 figure (3.0 billion forints). Operating costs in the reported quarter were 25.2% more than the 3.6 billion forints achieved in the reference quarter of 2007. The cost/income ratio (CIR) was 61.4% as of 31 December 2007 and 55.6% as of 31 December 2008. CIR excluding banking contribution was 51.6% as of 31 December 2008.

There was a minor change in the **breakdown of operating costs**. The contribution of **personnel expenses** in the fourth quarter of 2008 was 40.4% compared to 42.6% in Q3. The increase in personnel expenses over the Q3 figure was 39.2%. **Other administrative costs** were 70.3% up from the Q3 of 2008 figure and moderately, 47.3% higher than the Q4 of 2007 figure. There is a slight upward change in the contribution of this item to operating costs, from 34.4% in Q3 of 2008 to 39.8% by the end of the reported quarter.

Data in million HUF

DESCRIPTION	2007	2008	2008 / 2007
General administrative costs	9,873	10,666	8.0%
Personnel expenses	4,574	5,351	17.0%
- wages	2,731	3,350	22.7%
- other personnel expenses	856	789	-7.8%
- social security expenses	987	1,212	22.8%
Other administrative costs	5,298	5,315	0.3%
Taxes paid	1,004	1,040	3.6%
Depreciation	1,252	1,840	47.0%
TOTAL OPERATING EXPENSES	12,129	13,546	11.7%

In 2008 operating costs amounted to 13.5 billion forints and were 11.7% above the figure in 2007. The increase results mainly from mounting personnel expenses and a drop in other administrative costs. Personnel expenses contributed 39.5% in 2008 as opposed to 37.7% in 2007, with a year-on-year growth of 17.0%. Other administrative costs contributed 43.7% in Q4 of 2007 and were down to 39.2% by 31 December 2008.

Over the past period there has been a considerable change in terms of some of the items contributing to other administrative costs. As a result of the expansion of the network of branches rents amounted to 867 million forints in 2008 and amounted to 212 million forints in both Q1 and Q2, 220 million forints in Q3, and 223 million forints in Q4. As of 31 December 2008 the contribution of rents to other administrative costs was 20.6% as opposed to 32.2% in the reference year.

Marketing and advertising costs amounted to 1,050 million forints as of 31 December 2008, with 18.3% year-on-year increase. Costs were similar in the first two quarters, then declined substantially in Q3 and almost doubled in Q4; the 504 million forints incurred were almost half of the annual marketing and advertising costs item.

Consultants' and experts' fees were far higher than in the third quarter, 274 million forints, significantly below the 327 million forints in Q4 of 2007. The 2008 figure was 766 million as opposed to 1.1 billion forints in 2007. This significant drop is attributed to the fact that most of the strategic projects had been completed in 2007. While the contribution of consultants' fees to other administrative costs as of 31 December 2007 was 21.4%, the 2008 figure dropped to 14.4%.

Within the line item of other administrative costs general and administrative costs amounted to 302.2 million forints in the third quarter of 2008. The item in the reported quarter was 43.5% higher, 434 million forints, almost double the 209 million forints achieved in Q4 of 2007. General and administrative costs incurred in 2008 amounted to a total of 1.3 billion forints, with a year-on-year increase of 72.4% compared to 0.7 billion forints in 2007.

Costs of banking activity contribute 11.2% to other administrative costs in 2008 (3.7% in Q3 of 2008 and 7.1% in Q4 of 2008). The main component of special mortgage banking costs was

life insurance costs related to loan cover, which contributed 40.3% to special mortgage banking costs as of 30 September 2008 and 31.8% as of 31 December 2008.

Depreciation in 2008 amounted to 1,839 million forints, of which 378 million forints were incurred in the first quarter, 460 million in the second quarter, 475 million forints in the third quarter and 526 million forints in the fourth quarter. Year-on-year increase is 47.0%. The change compared to 2007 is due to the depreciation of newly acquired tangible and intangible assets. Of the 2008 depreciation, 67.8% was contributed by intangible assets and 32.2% by tangibles.

Taxes paid increased in the period of reporting: as opposed to 245 million forints in Q4 of 2007 and 220 million forints in Q3 of 2008, taxes paid by the Bank in the fourth quarter of 2008 amounted to 355 million forints. Almost all of the taxes paid is contributed by the statutory banking contribution.

Portfolio quality, loss in value and provisions

Portfolio quality continues to be good. There was a slight drop in the proportion of problem-free loans in both the overall and the loan portfolio (receivables from customers and commitments) compared both to the third quarter of 2008 and to the end of the prior year. The portfolio value determined according to IFRS amounted to 650.2 billion forints as of 31 December 2008 as opposed to 608.3 billion forints as of 30 September 2008 and 624.5 billion forints as of 31 December 2007.

The portion of the non-performing loan portfolio constituting the basis for impairment reported according to IFRS rules was 1.46% as of 31 December 2008, 1.37% as of 30 September 2008, and 1.03% as of 31 December 2007. Impairment to the entire portfolio was 0.29% as of 31 December 2008, 0.23% as of 30 September 2008, and 0.16% as of 31 December 2007.

At the end of the period the impairment portfolio was 1.8 billion forints, 1.029 million forints over the 31 December 2007 figure. The portfolio and its breakdown is shown in the table below.

Data in thousand HUF

Description	31 December, 2008	31 December, 2007
Impairment as at 1st January	999,701	819,296
Charge for the period	4,566,372	2,496,845
FX change of impairment	221,067	867
Release during the period	-3,938,878	-2,317,307
Impairment at period end	1,848,262	999,701
Net effect of charge and release	628,462	181,149
Loans written off	0	0
Loss on loans sold	115,202	142,367
Loss on terminated loans	31,115	18,363
Charge/(release) for commitments	30,308	7,935
Losses on loan and advances	805,086	349,814

Balance sheet

Data in HUF million

DESCRIPTION	31.12.2007.	30.09.2008	31.12.2008.	31.12.2008. / 31.12.2007.	31.12.2008./ 30.09.2008.
Cash	488	489	555	13.7%	13.4%
Receivables from NBH	191	3,705	4,794	2.404,5%	29.4%
Interbank deposits	11,892	18,337	26,847	125.8%	46.4%
Available for sale securities	21,710	48,137	18,397	-15.3%	-61.8%
Refinanced mortgage loans	294,720	278,853	286,613	-2.8%	2.8%
Loans	265,102	302,195	326,635	23.2%	8.1%
Fair value of derivatives	6,289	4,468	4,045	-35.7%	-9.5%
Property for investment	1,507	5,105	5,980	296.7%	17.1%
Tangible and intangible assets	9,645	10,195	10,823	12.2%	6.2%
Other assets	5,410	5,107	4,938	-8.7%	-3.3%
Assets total	616,954	676,591	689,627	11.8%	1.9%
Payables total	584,897	639,002	649,286	11.0%	1.6%
- Interbank borrowings	31,346	20,747	14,296	-54.4%	-31.1%
- Mortgage bonds	493,879	505,819	506,258	2.5%	0.1%
- Bonds issued	47,417	64,450	62,429	31.7%	-3.1%
- Deposits	3,599	32,050	33,703	836.4%	5.2%
- Fair value of derivatives	3,878	10,425	27,033	597.2%	159.3%
- Reserves for annuity	385	1,171	1,106	187.1%	-5.6%
- Other liabilities	4,393	4,340	4,461	1.5%	2.8%
Shareholders' equity	32,057	37,589	40,341	25.8%	7.3%
- Subscribed capital	6,600	6,600	6,600	0.0%	0.0%
- Repurchased own shares	-19	-330	-1,155	6,019.0%	249.4%
- Share premium	1,709	1,709	1,709	0.0%	0.0%
- General reserve	3,059	3,674	3,822	24.9%	4.1%
- Cash-flow hedge reserve	-1,970	-706	1,182	-160.0%	-267.4%
- Stock option reserve	182	53	86	-52.9%	59.7%
- Changes in fair value of avail. for sale fin. assets	-11	-41	-19	82.8%	-52.2%
- Accumulated assets	22,507	26,630	28,116	24.9%	5.6%
Liabilities total	616,954	676,591	689,627	11.8%	1.9%

As of 31 December 2008 the Bank's consolidated balance sheet total by IFRS amounted to 689.6 billion forints, which is 13.0 billion forints, or approximately 1.9% up from Q3 of 2008 and 72.7 billion forints, or 11.8%, higher than the balance sheet total as of 31 December 2007. Compared to the 31 December 2007 reference period, the increase in assets was the joint impact of different factors including a 61.5 billion forints expansion of the loan portfolio and a 4.5 increase in real estate held for investment purposes reduced by 8.1 billion forints refinancing.

Interbank lending grew by 15.0 billion forints, added to a 4.6 billion forints increase in receivables from the NBH. Securities held for sale shrank 3.3 billion forints year-on-year.

On the liabilities side, 15.0 billion forints of the increase were contributed by the expansion of bonds and 30.1 billion forints by mounting deposits. This, however, was reduced by 17.0 billion forints of interbank borrowings. There was a 12.4 billion forints increase in the mortgage bond portfolio. Shareholders' equity increased by approximately 8.3 billion forints year-on-year, primarily as a result of an increase in accumulated profit.

The increase in assets compared to the balance sheet as of 30 September 2008 was caused predominantly by a 24.4 billion forints expansion of own loans and a 7.8 billion forints increase in refinances loans. An 8.5 billion forints expansion was achieved in interbank lending and a 1.1 billion forints increase in receivables from the NBH. Conversely, the balance sheet total was net of a 29.7 billion forints reduction in securities, and the 0.4 billion forints drop in the fair value of derivatives. On the liabilities side, the mortgage bond portfolio expanded by 0.5 billion forints while unsecured bonds issued increased by 2.0 billion forints. Customer deposits increased by 1.7 billion forints in the fourth quarter of 2008. As a result of these effects there was 2.8 billion forints change in shareholders' equity in Q4.

Interest earning assets

The Group's interest earning assets were up from 651.2 billion forints as of 30 September 2008 to 663.3 billion forints as of 31 December 2008. Increase over the Q4 of 2007 figure was 11.7%. Loans to retail customers disbursed by the Bank were 23.2% higher as of 31 December 2008 than in the reference year and 8.1% up from the Q3 of 2008 figure. Impairment to cover for losses from lending was up from 757 million forints in December of 2007 to 1,848 million forints. The year-on-year decline in refinanced loans was 2.8%, however, there was a 2.8% increase in this item in Q4 of 2008. As of 31 December 2007 refinancing and the Bank's own loans contributed 94.3% to interest earning assets. This contribution dropped to 92.5% by 31 December 2008.

The collateral value of real estate covering ordinary collateral amounted to 1,408.3 billion forints as of 31 December 2008, 1.0% higher than the figure (1,394.0 billion forints) as of 30 September 2008 and 5.1% up from the figure in the end of 2007 (1,339.9 billion forints). The LTV ratio applicable for ordinary collateral (loan principal receivable to collateral value) was 39.9% as of 31 December 2008, somewhat higher than the 39.0% LTV ratio in the reference period of the previous year and the 38.5% LTV as of 30 September 2008.

The portfolio of NBH and other interbank deposits was up from 22.1 billion forint as of 30 September 2008 to 31.6 billion forints as of 31 December 2008, which means its contribution to interest earning assets was 4.8%.

The value of the securities portfolio of the Bank increased from 21.7 billion forints as of 31 December 2007 to 48.1 billion forints as of 30 September 2008 and strongly decreased to achieve 18.4 billion forints as of 31 December 2008. The contribution of securities to interest earning assets was thus 2.8% at the end of 2008. NBH discount bonds contributed 10.0 billion forints to securities, the contribution of discount treasury bills was 4.9 billion forints and

government bonds contributed the remaining 3.5 billion forints. The Bank's securities portfolio continues to serve exclusively as a liquidity reserve.

Property for investment, own and other assets

The value of real estate transferred into the Bank's possession as a result of annuity sales over the year was 6.0 billion forints as of 31 December 2008, 17.1% up from the 5.1 billion forints achieved in the previous quarter.

The net value of tangible and intangible assets amounted to 9.6 billion forints as of 31 December 2007. This high amount was due primarily to new IT and other hardware and other tangible assets as well as software. In the wake of purchases in 2008 the closing amount of tangible and intangible assets reached 10.8 billion forints by the end of the period.

Other assets amounted to 4.9 billion forints as of 31 December 2008 as opposed to 5.5 billion forints in the reference year. The change is due primarily to the low balance of settlements (of interest subsidies) with the Hungarian State in the reference period.

Interest bearing liabilities

The contribution of mortgage bonds to the Bank's interest bearing liabilities was 82.1% as of 31 December 2008. The same item was 81.2% as of 30 September 2008 and 85.7% as of 31 December 2007. The 506.3 billion forints book value of mortgage bonds as of 31 December 2008 was 0.1% up from the Q3 figure (505.8 billion forints), the year-on-year increase amounting to 12.4 billion forints was contributed by 141.5 billion forints new issues, 78.9 billion forints repayments and 46.7 billion forints repurchase including related exchange rate adjustments.

Mortgage bond collateral

The value of assets used as ordinary collateral for the mortgage bonds issued by the Bank was 973.6 billion forints as of 31 December 2008, 4.9% up from the figure as of 30 September 2008 (927.9 billion forints) and 6.8% up from the figure as of 31 December 2007 (911.2 billion forints).

The value of the group of assets involved as collateral as of 31 Dec 2008 (HUF million)

Outstanding mortgage bonds in circulation	
face value:	506,078
interest:	138,978
total:	645,056
Value of the regular collateral	
principal:	568,197
interest:	405,369
total:	973,566
Value of assets involved as supplementary collateral (state bonds)	
principal:	15,232
interest:	0
total:	15,232

The present value of mortgage bonds amounted to 518.6 billion forints, and the present value of collateral was 616.9 billion forints as of 30 September 2008, thus the rate of coverage was 118.96%. As of 31 December 2008 the present value of mortgage bonds increased to reach 537.1 billion forints, and that of collateral to 634.0 billion forints. The rate of coverage was 118.03%.

As of 31 December 2008 net ordinary and supplementary collateral principle to the face value of mortgage bonds in circulation not yet repaid was 115.3%. Net interest on ordinary and supplementary collateral to interest on mortgage bonds in circulation not yet repaid was 291.7%.

Bonds issued

The Bank also collects long-term uncovered funds by issuing bonds since September, 2007. The issues resulted in bonds with a book value of 62.4 billion forints as of the 31 December 2008 balance sheet date as a result of a 14.7 billion forints increase in Q2 and a 2.7 billion forints increase in Q3.

Interbank funds

As of 31 December 2008 the 14.3 billion forints interbank portfolio contained interbank drawdown amounting to 6.4 billion forints, a Schuldschein loan equivalent to 7.9 billion forints denominated in EUR. The Bank has used the interbank facilities as supplementary funds.

Customer deposits

As of 31 December 2008 customer deposits amounted to 33.7 billion forints including approximately one billion forints surety deposits covering corporate loans and 29.8 billion forints

deposits from retail customers and approximately 2.9 billion forints deposits from corporate customers of FHB Commercial Bank. As of 30 September 2008 deposits amounted to 32.0 billion forints compared to only 3.6 million forints as of 31 December 2007.

Other liabilities

The Bank's other liabilities amounting to 4.5 billion forints include, among others, liabilities to suppliers (contributing 6.7% as of 31 December 2008 compared to 33.1% as of 31 December 2007), accruals (12.1% as of 31 December 2008 compared to 15.6% as of 31 December 2007), and taxes payable (18.1% as of 31 December 2008 compared to 15.4% as of 31 December 2007). Liabilities from settlement with customers were also substantial, 1.1 billion forints contributing 24.2% to other liabilities.

Shareholders' equity

The year-on-year increase in shareholders' equity was 25.6% (8.2 billion forints), reaching 40.3 billion forints as of 31 December 2008. The bulk of the year-on-year increase resulted from a 5,6 billion forints increase in retained earnings. Cash-flow hedge reserves were up by 3,2 billion forints year-on-year due to the change in fair value in the wake of yield and exchange rate changes and the 0.8 billion forints increase in general reserve had a positive impact on the increase in shareholders' equity. On the other hand, shareholders' equity was reduced by a 1.1 billion increase in repurchased treasury shares.

Overall, shareholders' equity increased by 2.8 billion forints over the reported quarter. The main contributing factors included a 1.5 billion forints increase in retained earnings boosted by a 148 million forints increase in general reserve and a 1.9 billion forints increase in cash flow hedge reserve. Conversely, an 824 million forints increase in repurchased treasury shares reduced shareholders' equity.

Capital structure

Data in HUF million

MEGNEVEZÉS	31 December, 2008	30 September, 2008	31 December, 2007
Tier 1			
Subscribed capital	6,600	6,600	6,600
Own shares	-1,155	-330	-19
Premium	1,709	1,709	1,709
General reserve	3,822	3,674	3,060
Stock option reserve	86	54	182
Changes in fair value of available for sale fin. Assets	-19	-41	-11
Retained earnings	28,116	26,630	22,507
Cash-flow hedge reserve*	0	0	0
Shareholder's equity**	39,159	37,965	34,028
Intangible assets	-8,405	-7,742	-7,019
Tier 2			
General risk reserve	0	0	0
Total Tier 2 capital	0	0	0
Total regulatory capital	30,755	30,223	27,009

*Cash flow hedge reserve is excluded when calculating regulatory capital

**Without cash flow hedge reserve

Off balance sheet items

The Bank's pending liabilities among the off-balance sheet items were 8.8 billion forints. Contracted but not yet disbursed loans amounted to 2.9 billion forints. Future liabilities amounted to 356.8 billion forints and mainly include swap transactions relating to mortgage bonds. Liabilities from other currency swaps amounted to 2.9 billion forints.

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

IV. Summary of the major events that occurred between 31 December 2008 and the publication of this report

There were no events taking significant effect on the profit/loss statement.

Declaration

FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) hereby declares that the figures and statements of this 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 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, 12th February, 2008

Dániel Gyuris
CEO

Gyula Köbli
Deputy CEO

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 Reporting period: 01.01.2008 – 31.12.2008

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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 31 December, 2008 and consolidated, audited data as at 31 December, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	2008	2007	Change (%)
Interest income	73,662,678	60,539,912	21.7%
Interest expense	-56,981,236	-43,937,507	29.7%
Net interest income	16,681,442	16,602,405	0.5%
Fee and commission income	2,479,039	1,869,944	32.6%
Fee and commission expense	-436,641	-239,008	83.7%
Profit from FX transactions	3,425,450	1,379,658	148.3%
Profit from changes of fair value of derivatives	-183,744	-427,604	-57.0%
Gain less losses from securities	525,158	219,582	139.2%
Other operating income	1,974,964	842,572	134.4%
Other operating expense	-85,204	-504,342	-83.1%
Operating income	24,380,464	19,743,207	23.5%
Losses/provisions on loans and impairment	-805,086	-349,814	130.1%
Operating expenses	-13,546,181	-12,128,636	11.7%
Profit before tax	10,029,197	7,264,757	38.1%
Taxation expense	-3,333,768	-1,970,602	69.2%
Profit for the period	6,695,429	5,294,155	26.5%

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Balance Sheet

(consolidated, non- audited data as at 31 December, 2008 and consolidated, audited data as at 31 December, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	31 December, 2008.	31 December, 2007.	Change (%)
Assets			
Cash	554,755	487,887	13.7%
Due from National Bank of Hungary	4,794,234	191,428	2.404.5%
Placements with other banks	26,847,256	11,891,998	125.8%
Available for sale securities	18,396,616	21,709,922	-15.3%
Refinancing of mortgage loans	286,612,512	294,719,978	-2.8%
Loans	326,635,266	265,102,077	23.2%
Fair value of derivatives	4,045,487	6,288,603	-35.7%
Property for investment	5,980,066	1,507,287	296.7%
Tangible and intangible assets	10,823,133	9,645,369	12.2%
Other assets	4,938,158	5,409,722	-8.7%
Total Assets	689,627,483	616,954,271	11.8%
Liabilities			
Deposits from banks	14,295,987	31,345,978	-54.4%
Mortgage bond liabilities	506,258,342	493,879,144	2.5%
Bonds issued	62,429,220	47,416,562	31.7%
Deposits	33,703,185	3,599,089	836.4%
Fair value of derivatives	27,032,938	3,877,636	597.2%
Reserve for annuity payment	1,105,713	385,175	187.1%
Other liabilities	4,460,673	4,393,298	1.5%
Total Liabilities	649,286,058	584,896,882	11.0%
Shareholders' Equity			
Share capital	6,600,001	6,600,001	0.0%
Repurchased own shares	-1,154,718	-18,871	6.019,0%
Share premium	1,709,014	1,709,014	0.0%
General reserve	3,822,578	3,059,537	24.9%
Cash-flow hedge reserve	1,182,195	-1,970,360	-160.0%
Stock option reserve	85,790	182,110	-52.9%
Variation in fair value of tradable financial assets	-19,381	-10,604	82.8%
Retained earnings/(deficit)	28,115,944	22,506,562	24.9%
Total Shareholders' Equity	40,341,423	32,057,389	25.8%
Total Liabilities and Shareholders' Equity	689,627,483	616,954,271	11.8%

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Cash Flow

(consolidated, non-audited data as at 31 December, 2008 and consolidated, audited data as at 31 December, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	31 December, 2008.	31 December, 2007.
Cash flows from operating activities		
Net profit	6,695,429	5,294,155
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	1,839,734	1,251,868
Change of fair value of property for investment	-1,899,165	-665,757
Provision for losses	879,595	188,220
Loss/(profit) on sale of fixed assets	74,935	76,278
Stock option reserve	-96,320	-61
Share granted		
Derivatives	28,550,973	-3,221,684
Real value of annuity	720,538	385,175
Cash flow hedge reserve		
Operating profit / (loss) before changes in operating assets	36,765,719	3,308,194
<i>Increase (decrease) in operating assets:</i>		
Refinancing of mortgage loans	8,107,466	-25,529,798
Loans	-62,381,750	-53,600,665
Accrued interest receivable		
Other assets	314,430	-340,882
<i>Increase (decrease) in operating liabilities:</i>		
Deposits	30,104,096	3,599,089
Due to other banks	-12,325,890	10,093,148
Accrued interest payable		
Other liabilities	36,342	104,402
Net cash used in operating activities	620,413	-62,366,512
Cash flows from investing activities		
Increase in available for sale securities	3,304,529	-18,859,859
Proceeds from sale of property and equipment	11,119	9,218
Purchase of property and equipment	-3,103,552	-4,466,119
Purchase of property for investment	-2,573,614	-841,531
Investment service	-29	-644
Net cash used in investing activities	-2,361,547	-24,158,933
Cash flows from financing activities		
Sale/(purchase) of own shares	-1,301,690	-520,861
own shares of prior year		
Long term loans	-4,724,100	-23,496,000
Paid dividend	0	-2,112,000
Cash flow hedge reserve		
Instalment from mortgage bonds	-111,120,215	-25,558,430
Proceeds from issue of mortgage bonds	138,512,071	111,333,684
Net cash from financing activities	21,366,066	59,646,393
Net increase in cash and cash equivalents	19,624,932	-26,879,052
Cash and cash equivalents at beginning of year	12,571,312	39,450,364
Cash and cash equivalents at end of period	32,196,244	12,571,312
Cash and cash equivalents comprises of:		
Cash	554,755	487,887
Due from Central Bank	4,794,234	191,428
Placements with other banks, with a maturity of less than 90 days	26,847,256	11,891,998
Cash and cash equivalents at end of period	32,196,245	12,571,313
<i>Supplemental information</i>		
Interest received	68,420,097	58,266,119
Interest paid	-53,978,745	-41,850,315
Tax paid	-1,236,146	-1,298,678

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Statement of Shareholders' Equity

(consolidated, non-audited data as at 31 December, 2008 and consolidated, audited data as at 31 December, 2007, 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)	Retained earnings (deficit)	Shareholders' Equity
31 December, 2007	6,600,001	-18,871	1,709,014	3,059,537	-1,970,360	182,110	-10,604	22,349,399	31,900,226
Transfer to general reserve				763,041				-763,041	0
Change of fair values cash flow hedge					3,152,555				3,152,555
Own shares purchase		-1,403,424							-1,403,424
Shares granted		267,577				-182,110		-165,843	-80,376
Creation of stock option reserve						85,790			85,790
Changes in fair value of available for sale financial assets							-8,777		-8,777
Profit for the period								6,695,429	6,695,429
31 December, 2008	6,600,00	-1,154,718	1,709,014	3,822,578	1,182,195	85,790	-19,381	28,115,944	40,341,423

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Loans

(consolidated, non- audited data as at 31 December, 2008 and consolidated, audited data as at 31 December, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	31 December, 2008	31 December, 2007
Real estate purchase	120,402,360	112,110,594
Real estate construction	51,650,805	51,119,531
Real estate reconstruction	4,622,022	4,639,375
Real estate extension	11,062,833	12,003,582
Other loans secured by real estate	135,267,212	83,510,987
Loans secured by non real estate	331,495	56,824
Employee loans	2,107,642	1,664,978
Loans, gross	325,444,368	265,105,871
from this: retail loans	304,335,798	250,752,093
other	21,108,570	14,353,777
Loan loss provision	-1,848,262	-999,701
Accrued interest	977,595	959,239
Amortised cost	2,061,565	36,669
Loans, net	326,635,266	265,102,077

Mortgage bonds

(consolidated, non- audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	31 December, 2008		31 December, 2007	
Non-listed mortgage bonds				
Fixed	157,383,883	156,975,310	176,410,068	176,331,750
Floating	42,629,198	42,650,460	80,523,999	80,696,500
Listed mortgage bonds				
Fixed	106,928,806	118,329,077	145,857,337	146,127,290
Floating	56,116,908	58,240,955	74,378,581	74,619,680
Accrued interest	12,845,653		16,709,160	
Total	375,904,448	376,195,802	493,879,145	477,775,220

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

RS1. Ownership structure, participation and voting rates

Description of group of owners	Entire share capital						Listed series ¹					
	Beginning of target year			End of period			Beginning of target year			End of period		
	(01.01.2008)			(31.12.2008)			(01.01.2008)			(31.12.2008)		
	% ²	% ³	Db	% ²	% ³	Db	% ²	% ³	Db	% ²	% ³	Db
Domestic institutional / company	57.13	57.14	37,709,002	51.18	52.18	33,778,013	55.90	49.13	32,423,302	49.12	44.26	28,492,313
Foreign institutional / company	37.85	37.85	24,979,670	41.19	42.00	27,184,214	43.07	37.85	24,979,670	46.87	42.00	27,184,214
Domestic private individuals	0.76	0.76	500,265	1.44	1.47	948,957	0.86	0.76	500,265	1.64	1.47	948,957
Foreign private individuals	0.00	0.00	1,000	0.00	0.00	2,000	0.00	0.00	1,000	0.00	0.00	2,000
Employees, executives	0.13	0.13	84,974	0.15	0.16	101,055	0.15	0.13	84,974	0.17	0.16	101,055
Treasury shares	0.01	0.00	8,829	1.93	0.00	1,270,511	0.02	0.00	8,829	2.19	0.00	1,270,511
State ⁴	4.12	4.12	2,716,270	4.11	4.19	2,715,260	0.00	0.00	1,970	0.00	0.00	960
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.: MNV Zrt., TB, local authorities, companies with 100% state ownership, etc.

⁵ E.g.: EBRD, EIB, etc.

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

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

	24 April 2008		30 September 2008		31 December 2008	
	Number of shares (pcs)	%	Number of shares (pcs)	%	Number of shares (pcs)	%
Company	160.761	0,28	301.185	0,52	1.270.511	2,19
Subsidiaries ¹	0	0,00	0	0,00	0	0,00
TOTAL	160.761	0,28	301.185	0,52	1.270.511	2,19

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

Name	Depository	Number of shares	Interest (%) (up to 2 decimal places)	Voting right (%) (up to 2 decimal places)
Citibank Nominee	Yes	7,737,775	13.34	11.95
RZB Austria	Yes	7,249,790	12.50	11.20
VCP Finanz Holding Kft.	No	6,500,000	11.21	10.04
A64 Vagyonkezelő Kft.	No	6,437,598	11.10	9.95
SILVERMIST ESTATE SA	No	6,303,545	10.87	9.74
HSBC BANK PLC	No	6,270,635	10.81	9.69
Clearstream Nominee	Yes	6,218,004	10.72	9.63
TOTAL		46,717,347	80.55	72.33

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

Name	Depository	Number of shares	Interest (%) (up to 2 decimal places)	Voting right (%) (up to 2 decimal places)
Citibank Nominee	Yes	7,737,775	11.72	11.95
RZB Austria	Yes	7,249,790	10.98	11.20
VCP Finanz Holding Kft.	No	6,500,000	9.85	10.04
Allianz Hungária Biztosító Kft.	No	6,480,282	9.82	10.01
A64 Vagyonkezelő Kft.	No	6,437,598	9.75	9.95
SILVERMIST ESTATE SA	No	6,303,545	9.55	9.74
HSBC BANK PLC	No	6,270,635	9.50	9.69
Clearstream Nominee	Yes	6,218,004	9.42	9.61
TOTAL		53,197,629	80.60	82.18

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Data forms related to the organisation and operation of the issuer

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

	Beginning of target year (1 January 2008.)	End of target period (31 December 2008.)
Bank	92	81
Consolidated	532	582

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

Type ¹	Name	Position	Beginning of mandate	End / termination of mandate	Shares held (pcs)
IT	Dr. Zoltán Spéder	Chairman	29.04.2008.	29.04.2013.	0
IT	István Somkúti	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Gábor Borsányi	Member	29.04.2008.	29.04.2013.	14,000
IT	Dr. Károly Salamon	Member	29.04.2008.	29.04.2013.	6,000
IT	Dániel Gyuris	Member, CEO	29.04.2008.	29.04.2013.	14,500
IT	László Harmati	Member, Deputy CEO	29.04.2008.	29.04.2013.	16,192
IT	Dr. Márton Vági	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Christian Riener	Member	29.04.2008.	29.04.2013.	0
FB	Róbert Somfai	Chairman	29.04.2008.	29.04.2013.	5,000
FB	Winkler Ágnes	Member	26.07.2002.	27.04.2012.	0
FB	Mónika Kék	Member	05.05.2005.	05.05.2010.	0
FB	Kata Orsolya Molnár	Member	05.05.2005.	05.05.2010.	0
FB	Dr. Erik Landgraf	Member	02.05.2006.	02.05.2011.	6,609
FB	Nguyen Hoang Viet	Member	02.05.2006.	02.05.2011.	5,245
SP	Gyula Köbli	Deputy CEO	01.11.2008	Indefinite	0
SP	Tamás Foltányi	Deputy CEO	07.11.2005	Indefinite	12,000
Shares held (pcs) TOTAL:					79,546

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

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INFORMATION AND DISCLOSURES

The more important information and disclosures issued by FHB Group fall into the following categories:

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

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

www.bet.hu

www.kozzetetelek.hu

www.fhb.hu