



FHB Mortgage Bank Plc.
Report on the results of the first
half of 2009

Budapest, 12th August, 2009

Results of FHB Mortgage Bank for the first half of 2009

This report of FHB Mortgage Bank Public Company Limited by Shares for the first half of 2009 is based on the data of the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The narratives compare the consolidated, audited figures as of 30 June 2008, as of 31 December 2008 and the consolidated, non-audited figures as of 30 June, 2009.

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

Earnings before taxation as of 30 June 2009 were over 5.8 billion forints, 17.6% lower than the 30 June 2008 figure of 5.0 billion forints. Excluding the change in the fair value of swaps earnings before taxation was 7.8 billion forints in 2009, 61.3% higher than in the first six months of 2008.

The **average net interest margin increased** by 36 basis points year on year, from 2.69% as of 30 June 2009 to 3.05%. Over the past six months the increase in the margin was 52 basis points.

The Bank's **consolidated balance sheet total was up by 29.6%**, from 630.7 billion forints to **817.5 billion forints year-on-year**, the increase was 8.2% in Q1 2009.

The Group's **cost-income ratio** without banking contribution improved from 49.8% in the reference period of 2008 to **41.3%** which is better than the 51.7% level in the end of 2008.

Shareholders' equity was 45.0 billion forints as of 30 June 2009 as a result of a **24.1% year-on-year increase**.

After-tax profit was 4.1 billion forints in the first half of 2009, 17.2% up from the 2008 figure in the reference period.

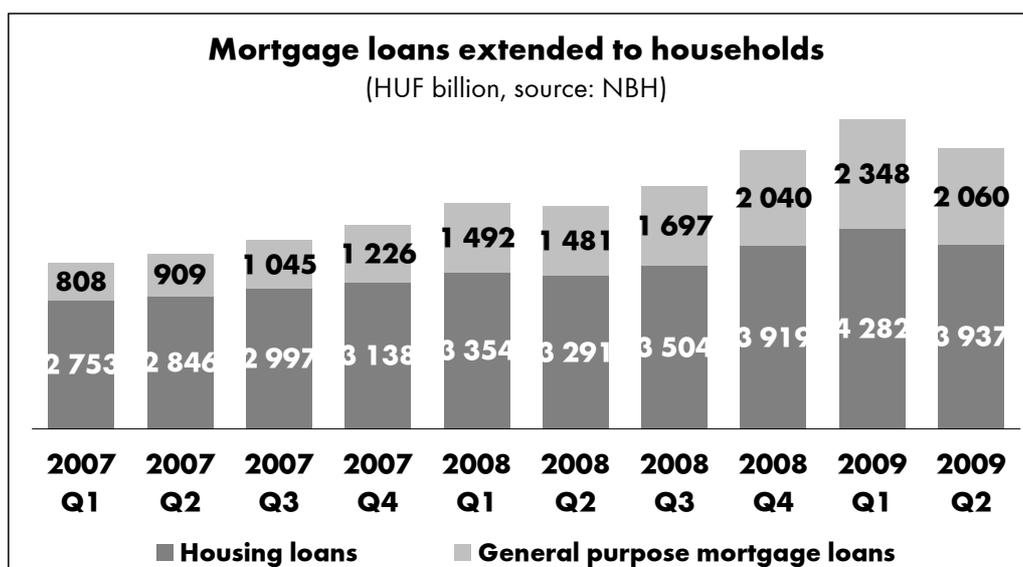
Retail mortgage loan market

In the wake of the financial crisis almost all banks tightened their lending policies. At the same time, the real estate market is increasingly depressed with fewer transactions concluded, which has repercussions in the lending business. Most of the commercial banks still discontinue CHF lending; new loans are denominated in HUF or EUR.

According to National Bank of Hungary figures, the retail loan portfolio amounted to 5,996.4 billion forints as of 30 June 2009, falling 633.9 billion forints (or 9.6%) short of the previous quarter's figure with the year-on-year figure being 1,223.9 billion forints (or 25.65%) higher as a result of exchange rate movements. This year-on-year growth is greater in volume than the 1,017.3 billion forints growth achieved up until 30 June 2008. Disregarding the impact of exchange rates fluctuation, the retail mortgage loan portfolio was 7.4 billion forints (or 0.12%) (at 30 June 2009 rate) below the Q1 of 2009 figure, while year-on-year growth was 570.8 billion forints, or 10.5%.

Due to the impact of high exchange rate volatility the FX-denominated portfolio was 630.1 billion forints down from the Q1 of 2009 figure. 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 1,305.3 billion forints (compared to a year-on-year growth of 1,160.8 billion forints as of 30 June 2008).

At the same time the forint-based loan portfolio shrank by 81.4 billion forints year-on-year and by 3.8 billion forints compared to the previous quarter's figure. At the end of Q1, 74.1% of the 4,441.7 billion forints total retail mortgage loans portfolio was denominated in foreign exchange as opposed to 1,554.7 billion forints HUF loans, stagnating in 2009. The intensity of growth is marked by the fact that in the same period of the reference year the proportion of FX loans was 65.7%.



Housing loans extended to households shrank by 8.1%, or 345 billion forints, year-on-year and offset the 363.1 billion forints growth effect generated by strengthening exchange rates in Q1 of

2009. The year-on-year growth (645.4 billion forints) surpassed the 2008 growth of 444.9 billion forints by 45%. The average monthly growth in the first half of 2009 was 3.0 billion forints and showed a substantial variance.

The growth in the general-purpose mortgage loan portfolio, slowing in intensity, only partially fuelled the 1,305.3 billion forints in FX lending over the period of a year. The Q2 of 2008 general-purpose mortgage loan portfolio amounted to 1,448 billion forints and contributed 46.2% to the retail mortgage loans. This contribution dropped to 45.5% by the end of the reported period.

General-purpose mortgage loans contributed 47.3% to the year-on-year growth of retail loans.

The increase in the portfolio of general-purpose mortgage loans to retail customers was 20.8% in the first half of 2008 followed by only 1.0% in H1 of 2009. The year-on-year growth was 39.1%. Average monthly growth in 2008 was 67.8 billion forints and dropped to a minimal level of 3.2 billion forints in Q2 of 2009. Of the total amount of general-purpose loans 98.1% was contributed by foreign exchange; the total portfolio value was 2,059.8 billion forints as of 30 June 2009. General-purpose mortgage loans contributed 67.2% to total consumer loans as of 30 June 2009 as opposed to 62.2% in Q2 of the reference year.

Own lending

At the end of the reported period the net amount of loans sold by the Bank was 329.2 billion forints, 5.5% above the 31 March 2009 figure of 348.4 billion forints. The year-on-year increase was 16.5%.

No major change has occurred in the breakdown of the Group's products since 30 June 2008 or 31 December 2008. Retail loans continue to dominate within the loan portfolio with a contribution exceeding 90%, though keener business activity resulted in a gradual rise in loans to corporate customers. As of 30 June 2009, 57.3% of outstanding loans were disbursed in FX, the same as at year-end of 2008 and slightly over the 47.6% achieved in Q2 of 2008.

Retail loans were 13.4% (or 35.7 billion forints) up from Q2 of 2008 but shrank by 1.3% compared to the year-end of 2008 figure. The acquisition of CEC generated a 4.5 billion forints addition to the portfolio growth. In terms of portfolio breakdown, housing loans lead with a contribution of 61.5% followed by general-purpose mortgage loans with 36.4%. The contribution of the two dominant products of the retail portfolio in the reference quarter of last year was 67.5% and 30.6%, and as of 31 December 2008, it was 61.3% and 36.8% respectively.

The corporate lending business started strengthening in 2009. As a result, the portfolio of corporate loans rose from 16.5 billion forints as of 30 June 2008 to 26.2 billion forints year-on-year, and growth over the year-end of 2008 figure exceeded 5.9 billion forints. The growth is partly attributed to the SME business, where loan disbursements amounted to 3.5 billion forints as of 30 June 2009, and to the CEC acquisition, which resulted a 2.4 billion forints increase. The increase in the portfolio of housing project loans exceeded 1.1 billion forints in the first half, while commercial real estate financing loans dropped by 900 million forints.

Mortgage loans extended to senior citizens achieved 2.0 billion forints in Q2 of 2009. Year-on-year growth was 0.8 billion forints and the growth over the 31 December 2008 figure amounted to 190 million forints. Only 101 million forints, or 5%, of the portfolio of this product is denominated in FX (EUR).

Refinancing

As of 30 June 2009 the portfolio of refinanced loans dropped by 4.9%, or 14.1 billion forints, year-on-year and amounted to 273.2 billion forints. The value of the portfolio was 13.4 billion forints, or 4.7%, down from the 31 December 2008 figure (286.6 billion forints). Newly refinanced mortgage loans extended by partners other than FHB Commercial Bank amounted to 0.7 billion forints in the second quarter of 2009.

In accordance with the agreement with FHB Commercial Bank Ltd., intra-Group refinancing achieved a growth of 3.9 billion forints in the first half of 2009. The value of the portfolio amounted to 85.0 billion forints as of 30 June 2009.

FHB Commercial Bank Ltd.

Excluding loans extended to other FHB Group members, net loans extended by the Commercial Bank exceeded 101 billion forints and the portfolio almost doubled over the year. The portfolio achieved three billion forints growth compared to the 31 December 2008 value, resulting mainly from the growth in corporate disbursements. The retail loan portfolio shrank by almost 1.0 billion forints in the first half.

A significant portion, 70.1 billion forints, of the retail loan portfolio was contributed by general-purpose loans, their contribution was a stable 72-73% throughout the period of reporting. Corporate loans were in excess of 19 billion forints as of 30 June 2008 and doubled over the year, achieving a contribution of 4.6%. Portfolio growth was mainly based on the achievement of the SME lending business.

The number of retail current accounts was over 33.5 thousand as of 30 June 2009, 10.0% above the year-end of 2008 and more than double the Q2 of 2008 figure. Deposits on retail and corporate accounts were 19.5% above the year-end of 2008 figure. However, due to changes in other line items, the growth did not affect the contribution of this item to the Group's balance sheet and stayed at 4.8% compared to 4.9% as of 31 December 2008. The number of new bankcards issued in the first half of 2009 was 3,400 thus the total number of cards issued so far to FHB Commercial Bank customers was over 20 thousand.

On 28 May 2009 the Board of Directors of FHB Mortgage Bank Plc. passed a decision to buy the shares owned by FHB Services Ltd. and become the Commercial Bank's sole shareholder. The change was registered by the Metropolitan Court of Budapest as Court of Registration with effect from 28 May 2009.

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 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 Plc.

Since its foundation to 30 June 2009 FHB Annuity signed annuity contracts amounting to 7.4 billion forints, 1.5 billion forints in 2009. The reported period's achievement fell 37.4% short of the 2.4 billion forints achieved in six months of 2008. Annuity payments since the launch of the product have amounted to 2.4 billion forints with 0.4 billion forints disbursed in 2009.

FHB Real Estate Ltd.

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

Central European Credit Zrt.

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

Mortgage bond issues and financing

The global crisis in the money and capital markets left a strong impact on the first half of 2009. Liquidity was very poor in the Hungarian government securities market, pricing of securities was difficult in the absence of offers that reflected real market values on both the put and the call side. In January the Bank effected no issues nor repurchases. In early February FHB Mortgage Bank renewed its 2009 mortgage bond and unsecured bond 2009 Issues Programme for the domestic market, which was approved by the HFSA on 3 February 2009. The first issue took place in March according to the Programme.

In February two smaller series were launched in the context of private offering. In addition, a smaller, 100 million forints repurchase also took place, in line with the Bank's active assets and liabilities management policy. In March the floating interest five-year series FJ14NV01 was issued in two instalments, with a total nominal value of 5.1 billion forints, in accordance with the Domestic Issues Programme. At the same time a total nominal value of 11 billion forints of the FJ10NF04 series was repurchased. In this way the aggregate nominal value of bonds maturing within a year was reduced.

Net funds involved in Q1 of 2009 amounted to nearly 5.4 billion forints. Three series matured in the first quarter with a total nominal value of 15 billion forints. Total redemption value was 11.1 billion forints.

In April and May FHB Mortgage Bank launched no issues in the domestic or international capital market. Nevertheless, the Group repurchased its HUF and FX denominated securities in the value of over six billion forints in April and 7 billion forints in May in the context of its active asset and liability management policy.

FHB's EMTN Programme was renewed at the end of April. The Luxembourg securities and exchange commission (CSSF) approved the Programme to be concluded on 24 April 2010.

In June, in an attempt to benefit from the improving domestic and international money market environment FHB became more active and launched three issues and a repurchase. In accordance with the freshly renewed EMTN Programme, mortgage bonds of a total nominal value of 50 million euros were issued and deposited in short-term repo with ECB through a banking partner. Along with the issue, the Bank also staged two repurchase auctions in accordance with its domestic Programme, both of them highly successful. In addition to mortgage bonds FHB staged a 15 billion forints unsecured bond issue and a repurchase in June.

New funds involved by the Bank in Q2 by mortgage bond and unsecured bond issues exceeded 45 billion forints. The Group repurchased mortgage bonds and bonds totalling almost 23.4 billion forints. At the same time FHB Mortgage Bank's outstanding decreased by 12.4 billion forints in the period from early April to the end of June, consequently, net funds involved amounted to approximately 32.6 billion forints.

Net funds involved in the first half of 2009 amounted to nearly 50.7 billion forints. Three series matured in H1 with a total nominal value of approximately 15 billion forints. Total redemption value was 34.5 billion forints.

Changes in the legislative environment

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

Act IV of 2009 on State Guarantee Extended to Housing Loans

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

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

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

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

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

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

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

Organizational changes and staff figures

Staff figures

The consolidated full-time headcount was 520.6 as of 30 June 2009, 61 less than the 581.2 staff as of 31 December 2008 and 7.8% down from the Q2 2008 figure of 564.5. As of 30 June 2009, branch staff was 144.2 (168.5 in Q4 2008) and that of headquarters was 376.4 (413 in Q4). All of the branch staff are employed by FHB Commercial Bank. Group companies had the following staff figures as of 30 June 2009: FHB Mortgage Bank Plc. 70.7, FHB Commercial Bank Ltd. 266.3, FHB Services Ltd. 154.6, FHB Annuity Ltd. 11.3, FHB Real Estate Ltd. 11 and CEC Hungary Ltd. 6.7.

Officers and executives

With its resolution number 15/2009 (28.04.) the Annual General Meeting elected Csaba Lantos to serve on the Supervisory Board of the Company with a mandate of five years starting from 28

April 2009 until 28 April 2014. The Supervisory Board elected Csaba Lantos to chairman as at 15 June, 2009. The HFSA gave its permission for this decision as at 8 July, 2009.

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

The Bank's **consolidated** balance sheet total according to International Financial Reporting Standards was **up** year-on-year **by 29.6%**, from 630.7 billion forints to **817.5 billion forints**. The increase was generated by the growth in the mortgage loan portfolio and by the received state loan.

Shareholders' equity grew by 24.1% year-on-year to reach **45.0 billion forints**, due primarily to an increase in retained earnings.

Earnings before taxation were **5.8 billion forints** (swap effect: -2.0 billion forints), 17.6% higher than the reference period figure. **After-tax profit** was **4.1 billion forints**.

Excluding the change in the fair value of swaps **earnings before taxation was 7.8 billion forints in the first half of 2009**, 61.3% higher than in the same period of 2008. **After-tax profit** excluding swap earnings **was 5.7 billion forints**.

Key financial indicators	Consolidated figures by IFRS		
	30 Jun 2008	30 Jun 2009	30 Jun 2009 / 30 Jun 2008
Balance sheet total (HUF million)	630,738	817,455	29.6%
Book value of loans (HUF million)	570,001	602,422	5.7%
Book value of mortgage bonds (HUF million)	467,649	485,077	3.7%
Bonds issued (HUF million)	61,735	57,165	-7.4%
Shareholders' equity (HUF million)	36,301	45,054	24.1%
Earnings before taxation (HUF million)	4,954	5,828	17.6%
After tax profit (HUF million)	3,460	4,055	17.2%
Net interest margin (NIM)	2.69%	3.05	36 bp
EPS (HUF)	106	124	16.9%
P/E (share price/EPS)	10.66	6.09	-42.8%
P/BV (share price/equity/number of shares)	2.05	1.11	-45.9%
ROAA (return on average assets)	1.1%	1.1%	-1.1%
ROAE (return on average equity)	20.0%	20.3%	1.6%

¹ IFRS, consolidated figures

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

P/L structure²

Data in HUF million

DESCRIPTION	2008 Q2 (Apr-Jun)	2009 Q1 (Jan-Mar)	2009 Q2 (Apr-Jun)	2009 Q2/ 2008 Q2	2009 Q2/ 2009 Q1
Net interest income	4,102	4,741	6,355	54.9%	34.0%
Net fees and commissions income	424	420	373	-12.1%	-11.4
Net profit from financial transactions	172	1,229	1,268	637.6%	3.1%
Other income and expenditure	556	507	178	-67.9%	-64.8
Gross operating income	5,253	6,897	8,174	55.6%	18.5
Operating expenses	-3,090	-3,334	-3,326	7.6%	-0.2%
Net operating income	2,163	3,563	4,848	124.1%	36.0%
Losses from lending and impairment	-441	-995	-1,589	259.9%	59.6%
Profit before taxation	1,723	2,568	3,259	89.3%	26.9%
Taxes	-588	-1,116	-656	11.6%	-41.2%
After tax profit	1,134	1,452	2,603	129.5%	79.2%
Profit before tax without changes in fair value of swap transactions	1,872	3,571	4,253	127.2%	19.1%
Profit after tax without changes in fair value of swap transactions	1,254	2,254	3,398	171.0%	50.7%

In the second quarter of 2009 the Bank realised **2.6 billion forints consolidated after-tax profit by IFRS**, 79.2% more than in Q1 of 2009 and 129.5% higher year-on-year. **Profit before tax was 3.3 billion forints** in Q2 2009.

The amount of taxes is significantly lower in Q2 2009 than in the previous quarter. Majority of the change was generated by the changes of deferred taxes. The effect of deferred tax to the after tax profit turned positive in Q2 2009 as a result of changes in taxation rules in 2009. As a consequence of these changes all members of FHB Bank Group can use the current year's losses to decrease the next years corporate tax base, and also the tax rate used in the deferred tax calculation was determined as the 19% tax rate expected for 2010.

After-tax profit excluding swap amounted to 3.4 billion forints in the second quarter of 2009, 171.0% above the figure for the reference quarter of 2008 and 50.7% higher than the Q1 of 2008 figure.

² IFRS, consolidated, non-audited figures as at 31 March, 2009 and 30 June, 2009, and consolidated, audited data as at 30 June, 2008

Data in HUF million

DESCRIPTION	2008 H1 (Jan-Jun)	2009 H1 (Jan-Jun)	2009 H1/ 2008 H1
Net interest income	8,239	11,096	34.7%
Net fees and commissions income	892	793	-11.1%
Net profit from financial transactions	1,110	2,497	125.0%
Other income and expenditure	1,024	685	-33.0%
Gross operating income	11,264	15,071	33.8%
Operating expenses	-6,074	-6,660	9.6%
Net operating income	5,190	8,412	62.1%
Losses from lending and impairment	-236	-2,584	992.6%
Profit before taxation	4,954	5,828	17.6%
Taxes	-1,494	-1,772	18.6%
After tax profit	3,460	4,055	17.2%
Profit before tax without changes in fair value of swap transactions	4,852	7,824	61.3%
Profit after tax without changes in fair value of swap transactions	3,378	5,653	67.3%

In the first half of 2009 **consolidated after-tax profit by IFRS was over 4.0 billion forints**, 17.2% up from the first half of 2008. **Earnings before taxation was 5.8 billion forints**, 17.6% above the profit before tax achieved in the first half of 2008. After-tax profit excluding hedge swaps was 5.7 billion forints in 2009, while the first half of 2008 figure was 3.4 billion forints.

Net interest income

Net interest income was 6.4 billion forints in the second quarter of 2009, 54.9% up from the performance achieved in the reference period of last year (4.1 billion forints) and 34.0% above the Q1 of 2009 figure. The net figure emerged as a balance of 20.1 billion forints interest income (16.5% above the Q2 of 2008 figure and 0.5% less than the Q1 of 2009 achievement) and 13.7 billion forints interest expense (4.5% higher than the Q2 of 2008 figure and 11.0% below the Q1 of 2009 figure).

Net interest income in the first half of 2009 was 11.1 billion forints, 34.7% up from the H1 of 2008 achievement (8.2 billion forints). The net figure emerged as a balance of 40.3 billion forints interest income (16.7% above the 34.5 billion forints achieved in H1 of 2008) and 29.2 billion forints interest expense (11.1% more than the 26.3 billion forints achieved in H1 of 2008).

In the second quarter of 2009, 41.7% of interest income was contributed by interest on own lending (compared to 41.6% in Q1 of 2009 and 41.3% in reference quarter of 2008). The contribution of refinanced mortgage loans was 28.6% (compared to 28.6% in Q1 of 2009 and 33.2% in Q2 of 2008). The aggregate interest income on interbank loans and securities contributed 12.6% (as opposed to 3.1% in Q1 of 2009 and 3.6% in the reference period of 2008), owing to the expanding securities portfolio. The contribution of interest income on derivatives was 17.1% (26.7% in Q1 of 2009 and 21.8% in Q2 of 2008).

In the first half of 2009, 41.6% of interest income was contributed by interest on own lending (compared to 41.9% in H1 of 2008), 28.6% was contributed by interest income on refinanced mortgage loans (compared to 33.7% in H1 of 2008). The combined interest income on interbank loans and securities contributed 7.8%, up from the 2.7% achieved in H1 of 2008. The contribution of income from interest on derivatives was 21.9%, virtually the same as the 21.7% contributed in H1 of 2008. The increase in the contribution of the interbank loans and securities item to interest income is due to investment of unengaged funds in liquid assets.

Within the line item of interest income, the contribution of state interest subsidy (subsidy of interest on mortgage bonds and supplementary interest subsidy combined) was 32.6% in Q2 of 2008 and 23.2% in Q1 of 2009, and stayed at this level in Q2 of 2009. In line with the trend of earlier years, interest income from state subsidized interest has been dropping while interest income from customers has increased. Compared to 33.8% contributed by interest subsidy in the first half of 2008, in H2 of 2009 this item contributed only 23.2% to income from interest.

As regards interest expense in Q2 of 2009, 50.4% was incurred in conjunction with mortgage bonds, and 8.7% was contributed by expenditure on interest on unsecured bonds. The contribution of interest paid on interbank borrowings was 0.4%, but interest paid on deposits contributed as much as 14.5%. The contribution of interest on derivative transactions was 21.5% in the reported period. The contribution of interest paid on mortgage bonds was 55.6% in Q1 of 2009 as opposed to 62.9% in Q2 of 2008. Interest on derivatives contributed 27.4% to expenditure on interest in Q1 of 2009 and 23.3% in the reference quarter of 2008. In Q2 of 2008, interest paid on deposits contributed 3.4% as opposed to 7.6% in Q1 of 2009.

The breakdown of interest expense showed a varied picture in the first half, similarly to H1 of 2008. In H1 of 2008, 64.0% was incurred in conjunction with mortgage bonds, the contribution of interest paid on interbank borrowings was minimal (2.3%), interest paid on deposits contributed 1.8%, and interest on derivative transactions contributed 24.2% to expenditure on interest. The contribution of the same items to the H1 of 2009 expenditure on interest was as follows: mortgage bonds 53.1%, interbank borrowings 0.9%, interest paid on deposits 10.8%, and derivatives 24.6%.

The average net interest margin (NIM) was 3.05% as of 30 June 2009 compared to 2.80% as of 31 March 2009 and 2.69% in Q2 of 2008. The increase in the NIM is propelled primarily by the easing costs of existing funds, which result from dropping EUR and CHF interest rates.

Net fees and commission income

In Q1 of 2009, the Bank achieved a positive balance of 420 million forints of income from, and expenditures on, commissions and fees. In Q2 of 2009 the balance was modest by comparison, 373 million forints, which is 12.1% below the 424 million forints achieved in Q2 of 2008. In Q2 of 2009, net income from fees contributed 4.6% to gross operating profit. Shrinking net income from fees was due primarily to lower prepayment rates and the consequent drop in income from prepayment commissions.

Net fees and commissions income in the second quarter of 2009 was 435 million forints, almost half of which was contributed by early repayment charges, 17.5% by handling fees, and 10.0% by accounts and card related banking charges, insurance fees related to mortgage loans contributed 12.3%. Other line items include other service and contracting fees charged to customers. Fees related to mortgage bond issues contributed 48.2% to expenditures on fees and commissions, card related fees contributed 10.5%, and commissions paid to acquisition agents contributed 32.7%, the remaining items are typically fees paid to other financial institutions and organizations.

In the first half of 2009, net income from fees and commissions amounted to 793 million forints, 11.1% short of the 892 million forints achieved in the reference half. Net income from fees contributed 5.3% to gross operating profit in H1.

Net income from fees and commissions in H1 of 2009 was 874 million forints and included 446 million forints early repayment charges (38.6% down from H1 of 2008), 150 million forints handling fees (22.2% down), and 162 million forints loan repayment insurance premiums collected from customers (as opposed to 7 million forints in H1 of 2008). H1 income from accounts and card related banking charges was 100 million forints as of June 30 2009 (compared to 47 million forints in H1 of 2008). H1 expenditure on fees and commissions (80.8 million forints) include 26.2 million forints fees commission paid to acquisition agents as a result of effective interest calculation, the same amount as in H1 of 2008. Fees paid to consortial partners amounted to 1.3 million forints, considerably less than the 10.1 million forints paid in H1 of 2008. Fees paid in conjunction with mortgage bond issues were 30.8 million forints (as opposed to 78.2 million forints in 2008), and card related fees amounted to 13.7 million forints (8.8 million forints in H1 of 2008).

Net profit from securities and currency transactions

As a result of exchange rate movements over the period of reporting profit from foreign exchange transactions in Q2 of 2009 contributed 1.7 billion forints to earnings, significantly more than the +48 million forints contributed in Q2 of 2008 but 28.7% less than in Q1 of 2009. Profit from FX transactions was 4.1 billion forints in the first half of 2009, considerably exceeding the 727 million forints achieved in H1 of 2008.

After the 1.0 billion forints negative balance of derivatives that emerged in Q1 of 2009, another 994 million forints loss was generated in Q2 of 2009. Thus the balance of derivative transactions in the first half was -2.0 billion forints as opposed to 102 million forints profit in H1 of 2008.

In Q2 of 2009, securities transactions generated a profit of 544 million forints. Added to the 179 million forints loss scored in Q1 of 2009, the profit on this item in the first half was 365 million forints. In Q2 of 2008 the same item achieved a profit of 273.2 million forints, and the H1 of 2008 profit amounted to 280.4 million forints. The figure emerged as a balance of exchange gains and losses on securities issued and repurchased during the year.

Other income

As of 30 June 2009 the balance of other income and expenditure was 685 million forints, arising from 912 million forints income net of 227 million forints expenditure. As of 30 June 2008 the balance of other income and expenditure was 1,023.6 million forints. In the first half of 2009, the item of other income and expenditure contains 851.5 million forints related to the business of FHB Annuity Ltd., which includes income from adjustment the value of real estate passed into FHB Annuities' ownership to market value. The remaining items include income from asset sales and from services. Other expenditure also included 64.5 million forints from revaluation of annuity payment liabilities, and 117 million forints expenditure related to termination of office lease agreements. Donations, late charges and settlement with the tax authorities are also reported in this line item.

Operating expenses

Data in million HUF

DESCRIPTION	2008 Q2 (Apr-Jun)	2009 Q1 (Jan-Mar)	2009 Q2 (Apr-Jun)	2009 Q2/ 2008 Q2	2009 Q2/ 2009 Q1
General administrative costs	2,481	2,692	2,780	12.0%	3.3%
Personnel expenses	1,163	1,415	1,284	10.4%	-9.3%
- wages	725	949	884	22.0%	-6.8%
- other personnel expenses	163	137	92	-43.6%	-32.9%
- social security expenses	275	329	308	11.8%	-6.6%
Other administrative costs	1,319	1,277	1,496	13.4%	17.2%
Taxes paid	148	217	227	53.3%	4.9%
Depreciation	460	425	319	-30.7%	-25.1%
TOTAL OPERATING EXPENSES	3,090	3,334	3,326	7.6%	-0.2%

Operating costs amounted to 3.3 billion forints in the second quarter of 2009, almost same as the Q1 2009 figure. Operating expenses in the reported quarter were 7.6% higher than the 3.1 billion forints achieved in the reference quarter of 2008. The cost/income ratio (CIR) without banking contribution was 49.8% as of 30 June 2008 and 45.2% as of 31 March 2009. CIR without banking contribution was 41.3% as of 30 June 2009.

There was a minor change in the breakdown of operating expenses. The contribution of personnel expenses in the second quarter of 2009 was 38.6% compared to 42.5% in Q1 of 2009 and 37.6% in Q2 of 2008. There was a 9.3% decrease in personnel expenses compared to the previous quarter's figure and a 10.4% increase over the Q2 of 2008 figure. Other administrative costs were 17.2% up from the Q1 of 2009 figure and were 13.4% higher than the Q2 of 2008 figure. There is a slight upward change in the contribution of this item to operating costs, from 38.3% in Q1 of 2009 to 45.0% by the end of the reported quarter.

Data in million HUF

DESCRIPTION	2008 H1 (Jan-Jun)	2009 H1 (Jan-Jun)	2009 H1/ 2008 H1
General administrative costs	4,771	5,472	14.7%
Personnel expenses	2,267	2,699	19.1%
- wages	1,401	1,834	30.9%
- other personnel expenses	344	228	-33.6%
- social security expenses	522	637	22.1%
Other administrative costs	2,504	2,773	10.7%
Taxes paid	465	444	-4.6%
Depreciation	838	744	-11.2%
TOTAL OPERATING EXPENSES	6,074	6,660	9.6%

In the first half of 2009 operating costs amounted to 6.7 billion forints as opposed to 6.1 billion forints in the first half of 2008. The increase is 9.6% and results mainly from growing personnel expenses. Personnel expenses contributed 37.3% in 2008 as opposed to 40.5% in 2009, with a growth of 19.1%. Other administrative costs contributed 41.2% in the first half of 2008 and – with minimal change – was 41.6% in the first half of 2009.

Over the past period there has been no major change in the breakdown and amounts of the items contributing to other administrative costs. Rents amounted to 255 million forints in Q2 of 2009 as opposed to 290 million forints in Q1 of 2009 and 212 million forints in Q2 of 2008. As of 31 March 2009 the contribution of rents to other administrative costs was 22.7% compared to 16.1% in Q2 of 2008. The same figure was 17.1% in Q2 of 2009. As of 30 June 2008, rents contributed 16.9% to H1 other administrative costs. The contribution of this item was 19.7% in H1 of 2009.

Marketing and advertising costs amounted to 223 million forints in Q2 of 2009, with 9.4% year-on-year decrease. The same costs were 235 million forints in Q1 of 2009. As regards the first half figures, marketing and advertising costs amounted to 459 million forints as of 30 June 2008 and

contributed 18.3% to the other administrative costs item. In H1 of 2009, costs again amounted to 459 million forints and contributed 16.6%.

Consultants' and experts' fees amounted to 219 million forints as opposed to 174 million forints in Q2 of 2008. The contribution of consultants' fees to other administrative costs in the second quarter of 2009 was 14.6% after 13.2% in Q2 of 2008 and 14.4% in Q1 of 2009. Consultants' fees reported in the first half amounted to 403 million forints, 27.2% higher than the H1 of 2008 figure.

Within the line item of other administrative costs general and administrative costs amounted to 406 million forints in the first quarter of 2009. The item in the reported quarter was 49.3% less, 206 million forints, 31.5% down from the 300 million forints reported in Q2 of 2008.

Banking costs contribute 19.1% to other administrative costs in the second quarter of 2009 (12.7% in Q2 of 2008 and 13.7% in Q1 of 2009). There has been a shift in the breakdown of banking costs: slower lending activity has resulted in a shrinking contribution of valuation costs, at the same time, the contribution of costs related to liabilities side activities has been on the rise. The contribution the latter item to banking costs was as high as 19.6% in the first half of 2009 as opposed to a mere 2.1% in H1 of 2008.

Depreciation and amortization amounted to 425 million forints in Q1 of 2009 and 318 million forints in Q2 of 2009. The 744 million forints achieved in the first half of 2009 fell 11.2% short of the H1 of 2008 figure. The drop was caused by a change in the Bank's accounting policy reporting a staggered extension of the depreciation cycle. Impairment on intangibles contributed 60.8% and depreciation of tangible assets contributed 39.2% in the first half of 2009.

Taxes paid as operating expenses increased in the period of reporting: as opposed to 148 million forints in Q2 of 2008 and 217 million forints in Q1 of 2009, taxes paid by the Bank in the second quarter of 2009 amounted to 227 million forints. Almost all of the taxes paid were contributed by the statutory banking contribution. In terms of first half figures, taxes paid in H1 of 2009 amounted to 444 million forints, 4.6% less than the 465 million forints reported in H1 of 2008.

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 compared both to the reference quarter of 2008 and to the end of the prior year. The portfolio value determined according to IFRS amounted to 656.9 billion forints as of 30 June 2009 as opposed to 693.8 billion forints as of 31 March 2009 and 599.3 billion forints as of 30 June 2008.

The portion of the non-performing loan portfolio constituting the basis for impairment reported according to IFRS rules was 2.8% as of 30 June 2009, 1.82% as of 31 March 2009, and 1.24% as of 30 June 2008. Impairment to the entire portfolio was 0.74% as of 30 June 2009, 0.46% as of 31 March 2009, and 0.20% as of 30 June 2008.

At the end of the period the impairment portfolio was 4.1 billion forints, 2.9 billion forints over the 30 June 2008 figure. The portfolio and its breakdown is shown in the table below.

Data in thousand HUF

Description	30 Jun, 2008	31 March, 2009	30 Jun, 2009
Impairment as at 1st January	999,701	1,848,262	1,848,262
Charge for the period	1,907,278	2,685,863	4,606,624
FX change of impairment	0	285,513	-186,756
Release during the period	-1,705,226	-1,765,821	-2,189,422
Impairment at period end	1,201,753	3,053,817	4,078,709
Net effect of charge and release	227,329	920,084	2,416,552
Loans written off	0	0	0
Loss on loans sold	0	-688	-688
Loss on terminated loans	13,405	20,573	66,185
Charge/(release) for commitments	-4,234	55,209	101,838
Losses on loan and advances	236,500	995,177	2,583,887

Balance sheet

Data in HUF million

DESCRIPTION	30.06.2008.	31.12.2008	31.03.2009.	30.06.2009.	30.06.2009./ 30.06.2008.	30.06.2009./ 31.12.2008.	30.06.2009./ 31.03.2009.
Cash	447	555	938	770	72.3%	38.8%	-17.9%
Receivables from NBH	1,531	4,794	744	6,237	307.5%	30.1%	738.6%
Interbank deposits	9,018	26,348	39,985	42,319	369.3%	60.6%	5.8%
Available for sale securities	23,277	18,393	17,373	133,981	475.6%	628.4%	671.2%
Refinanced mortgage loans	287,327	286,613	298,592	273,237	-4.9%	-4.7%	-8.5%
Loans	282,675	327,134	348,429	329,185	16.5%	0.6%	-5.5%
Fair value of derivatives	7,021	3,954	18,394	6,266	-10.8%	58.5%	-65.9%
Property for investment	3,892	5,980	6,704	7,405	90.3%	23.8%	10.5%
Tangible and intangible assets	9,936	10,837	10,862	11,398	14.7%	5.2%	4.9%
Goodwill	0	0	0	1,488	-	-	-
Other assets	5,614	4,904	4,217	4,849	-13.6%	-1.1%	15.6%
Assets total	630,738	689,512	746,238	817,455	29.6%	18.6%	9.5%
Payables total	594,437	649,325	702,459	772,401	29.9%	19.0%	10.0%
Interbank borrowings	22,144	14,233	9,385	16,757	-24.3%	17.7%	78.6%
Mortgage bonds	467,649	506,022	526,589	485,077	3.7%	-4.1%	-7.9%
Bonds issued	61,734	62,429	62,219	57,165	-7.4%	-8.4%	-8.1%
Deposits	28,635	33,766	51,114	40,364	41.0%	19.5%	-21.0%
State loan	0	0	0	140,157	-	-	-
Fair value of derivatives	9,010	27,134	45,634	26,117	189.9%	-3.8%	-42.8%
Reserves for annuity	984	1,106	1,133	1,347	36.9%	21.8%	18.9%
Other liabilities	4,281	4,635	6,385	5,416	26.5%	16.8%	10.0%
Shareholders' equity	36,301	40,187	43,779	45,054	24.1%	12.1%	2.9%
Subscribed capital	6,600	6,600	6,600	6,600	0.0%	0.0%	0.0%
Repurchased own shares	-126	-1,154	-1,199	-1,400	1,014.4%	21.3%	16.8%
Share premium	1,709	1,709	1,709	1,709	0.0%	0.0%	0.0%
General reserve	3,424	3,815	3,910	4,121	20.4%	8.0%	5.4%
Cash-flow hedge reserve	-562	1,114	3,380	1,763	-413.5%	58.2%	-47.9%
Stock option reserve	21	86	117	71	229.6%	-16.9%	-39.2%
Changes in fair value of avail. for sale fin. assets	-19	-23	-135	398	-2,201.0%	-1,847.3%	-393.9%
FX reserve	0	0	0	3	-	-	-
Accumulated assets	25,254	28,040	29,397	31,790	25.9%	13.4%	8.1%
Liabilities total	630,738	689,512	746,238	817,455	29.6%	18.6%	9.5%

As of 30 June 2009 the Bank's consolidated balance sheet total by IFRS amounted to 817.5 billion forints, which is 127.9 billion forints, or approximately 18.6% up from 31 December 2008 and 186.7 billion forints, or 29.6% higher than the balance sheet total as of 30 June 2008. Compared to the 30 June 2008 reference period, the increase in assets was the joint impact of different factors including a 46.5 billion forints expansion of the loan portfolio and a 3.5 billion forints increase in real estate held for investment purposes reduced by 14.1 billion forints refinancing. Interbank lending grew by 33.3 billion forints, added to a 4.7 billion forints increase in receivables from the NBH. Securities held for sale were 110.7 billion forints higher year-on-year.

On the liabilities side, 140.2 billion forints of the increase were contributed by the State loan received and 11.7 billion forints by the expansion of bonds. This, however, was reduced by 5.4 billion forints of interbank borrowings. There was a 17.4 billion forints increase in the mortgage bonds portfolio. Shareholders' equity increased by approximately 8.8 billion forints year-on-year, primarily as a result of an increase in accumulated assets. Cash-flow hedge reserve also increased by 2.3 billion forints.

The increase in assets compared to the balance sheet as of 31 December 2008 was caused predominantly by a 115.6 billion forints expansion in securities available for sale. Although the portfolio of own loans expanded by 2.1 billion forints, refinanced loans dropped by 13.4 billion forints in the first half. A 16.0 billion forints expansion was achieved in interbank lending. The change in the fair value of derivatives added 2.3 billion forints, and receivables from the NBH added 1.4 billion forints to the balance sheet total.

The State loan received contributed 140.2 billion forints to liabilities. Conversely, the balance sheet total was net of a 20.9 billion forints reduction in the mortgage bonds portfolio and a 5.3 billion forints drop in bonds issued. Deposits increased liabilities by 6.6 billion forints. Shareholders' equity increased by 4.9 billion forints in the first half of 2009 due to a greater extent to a 3.7 billion forints increase in accumulated assets and to a lesser extent to an increase in cash-flow hedge reserve.

The increase in assets compared to the balance sheet as of 31 March 2009 was caused predominantly by a 116.6 billion forints expansion in securities held for sale. The portfolio of own loans shrank by 19.2 billion forints and refinanced loans dropped by 25.4 billion forints in the reported quarter. The change in the fair value of derivatives decreased the balance sheet total by 12.1 billion forints. Conversely, a 2.3 billion forints expansion was achieved in interbank lending, and a 5.5 billion forints increase in receivables from the NBH also boosted the balance sheet total.

On the liabilities side, the most important item was the 140.2 billion forints State loan received. On the other hand, in Q2 of 2009, the mortgage bonds portfolio shrank by 41.5 billion forints and bonds issued dropped by 5.1 billion forints. Deposits decreased by 10.7 billion forints in Q2, and the adjustment of the fair value of derivatives decreased the balance sheet total by 19.5 billion forints. Shareholders' equity increased by 1.3 billion forints in the second quarter of 2009 due to primarily to a 2.4 billion forints increase in accumulated assets net of a 1.6 billion forints drop in cash-flow hedge reserve.

Interest earning assets

The Group's assets on the balance sheet increase from 663.3 billion forints as of 31 December 2008 to 705.1 billion forints as of 31 March 2009 and 785.0 billion forints as of 30 June 2009. Year-on-year growth was 30.0%. In Q2 of 2009 the year-on-year increase in the portfolio of own loans was 16.5%. Expansion compared to the Q4 of 2008 figure was 0.6%, but the portfolio was 5.5% down from the 31 March 2009 figure. Provisions to cover credit losses was up from 1,202 million forints as of 30 June 2008 to 4,079 million forints in Q2 of 2009. The increase in Q1 of 2009 amounted to 1,206 million forints, and in Q2 it was 1,025 million forints. The portfolio of refinanced loans shrank by 4.9% year-on-year. The H1 decrease was 4.7%, and the Q2 decrease was 8.5%, as a consequence of exchange rate volatility. As of 30 June 2008 the combined contribution of refinanced and own loans to interest earning assets was 94.4%. This contribution slipped to 91.8% as of 31 March 2009 and 76.8% as of 30 June 2009.

The collateral value of real estate covering ordinary collateral amounted to 1,387.4 billion forints as of 30 June 2009, 1.48% lower than the figure (1,408.3 billion forints) as of 31 December 2008 and 0.1% down from the figure in Q2 2008 (1,388.8 billion forints). The LTV ratio applicable for ordinary collateral (loan principal receivable to collateral value) was 39.3% as of 30 June 2009, somewhat higher than the 38.4% LTV ratio in the reference period of the previous year and the 39.9% LTV as of 31 December 2008.

The portfolio of NBH and other interbank loans was up from 31.1 billion forint as of 31 December 2008 to 40.7 billion forints as of 31 March 2009 and to 48.6 billion forints as of 30 June 2009. The contribution of this item to interest earning assets was 6.2%.

The value of the securities portfolio of the Bank shrank from 23.3 billion forints as of 30 June 2008 to 18.4 billion forints as of 31 December 2008 and slightly dropped further to achieve 17.4 billion forints as of 31 March 2009. By 30 June 2009 the value of the portfolio achieved as much as 134.0 billion forints, thus the contribution of securities to interest earning assets increased to 17.1%. Securities include NBH bonds amounting to 61.8 billion forints, discount treasury bills amounting to 17.5 billion forints and government bonds amounting to 45.9 billion forints as well as other bank and corporate bonds. The Bank's securities portfolio continues to serve exclusively as a liquidity reserve.

Property for investment, own and other assets

The value of real estate transferred into the Bank's ownership as a result of the annuity products sold in the course of the year amounted to 7.4 billion forints as of 30 June 2009, 10.5% up from the 6.7 billion forints achieved in the previous quarter. The year-on-year increase was 90.3%.

The net value of tangible and intangible assets amounted to 9.9 billion forints as of 30 June 2008. This amount was due primarily to new IT and other hardware and other tangible assets as well as software procured in the context of product development. In the wake of purchases in the course of 2009 the item increased to reach 10.9 billion forints by 30 June 2009.

Other assets amounted to 4.8 billion forints as of 30 June 2009 as opposed to 4.2 billion forints in Q1 of 2009. 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

Mortgage bonds contributed 65.6% to the Bank's interest bearing liabilities as of 30 June 2009. The same item was 81.1% as of 31 March 2009, 82.1% as of 31 December 2008, and 80.6% as of 30 June 2008. Although the portfolio of mortgage bonds shrank in the last quarter, the primary cause of the drop is rather the appearance of the State loan among the interest bearing liabilities items. The 485.1 billion forints book value of mortgage bonds as of 30 June 2009 was 7.9% down from the 31 March of 2009 figure (526.6 billion forints), and was 4.1% down from the 506.0 billion forints achieved as of 31 December 2008. The value of the portfolio was 17.4 billion forints as a result of 125.6 billion forints new issues, 36.7 billion forints repayments and 69.7 billion forints repurchase including related exchange rate adjustments that took place over the past 12 months.

Mortgage bond collateral

The value of assets used as ordinary collateral for the mortgage bonds issued by the Bank was 955.0 billion forints as of 30 June 2009, 4.2% down from the figure as of 31 March 2009 (997.1 billion forints), 1.9% less than the figure as of 31 December 2008 (973.6 billion forints), and 3.7% up from the 920.5 billion forints achieved as of 30 June 2008.

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

Outstanding mortgage bonds in circulation	
Face value:	510,158
Interest:	120,805
Total:	630,963
Value of the regular collateral	
Principal:	550,725
Interest:	404,263
Total:	954,988
Value of assets involved as supplementary collateral	
Balance of the separate blocked account at the NBH – principal:	2
Bond issued by the NBH – principal:	7,000
Securities issued by the Government – principal and interest:	22,550
Total:	29,552

The present value of mortgage bonds amounted to 537.1 billion forints, and the present value of collateral was 634.0 billion forints as of 31 December 2008, thus the rate of cover was 118%. As of 31 March 2009 the present value of mortgage bonds increased to reach 539.3 billion forints, and that of collateral dropped to 625.6 billion forints. The rate of coverage was 116%. As of 30 June 2009 the present value of mortgage bonds dropped to 537.0 billion forints and that of collateral dropped to 624.6 billion forints while the rate of coverage remained 116%.

As of 30 June 2009, net ordinary and supplementary collateral principle to the face value of mortgage bonds in circulation not yet repaid was 113.6%. Net interest on ordinary and supplementary collateral to interest on mortgage bonds in circulation not yet repaid was 335.2%.

Bonds issued

Launched first in September 2007, bond issues constitute long-term fund raising via non-covered securities type instrument. The issues resulted in bonds with a book value of 62.2 billion forints as of the 31 March 2009 balance sheet date. As a result re-allocation of securities within the Group, the Q2 of 2009 value of the consolidated bonds portfolio was 57.2 billion forints.

Interbank funds

As of 30 June 2009, the 16.8 billion forints interbank portfolio contained interbank drawdown amounting to 8.6 billion forints, and a Schuldschein loan equivalent to 8.2 billion forints denominated in EUR. The Bank has used the interbank facilities as supplementary funds.

Customer deposits

As of 30 June 2009, deposits amounted to 40.4 billion forints and included approximately 1.4 billion forints surety deposits covering corporate loans as well as 31 billion forints deposits from retail customers and approximately 7.9 billion forints deposits from corporate costumers of FHB Commercial Bank. As of 31 December 2008 deposits amounted to 33.7 billion forints compared to 28.6 billion forints as of 30 June 2008.

State loan received

As a result of negotiations that started in January of 2009 between the Ministry of Finance (MoF), the NBH, the HFSA and FHB Mortgage Bank Plc., the MoF and FHB Plc. signed an agreement on 25 March 2009 on the extension of a State loan amounting to 400 million euros. The first drawdown took place on 1 April 2009, the second on 30 April 2009. As of 30 June 2009 the Bank has 109.6 billion forints of the State funds available. In accordance with IFRS standards, the capital increase received from the State for a definite period is to be reported among liabilities rather than in the equity item, consequently, liabilities to the State total 140.2 billion forints.

Other liabilities

The Bank's other liabilities amounting to 3.8 billion forints include, among others, debts to suppliers contributing 3.9% as of 30 June 2009 (compared to 7.8% as of 31 March 2008 and 6.5% as of 31 December 2008), 17.1% passive accruals as of 30 June 2009 (compared to 8.2% as of 31 March 2009 and 12.6% as of 31 December 2008), and 24.8% taxes payable as of 30 June 2009 (compared to 13.0% as of 31 March 2009 and 17.2% as of 31 December 2008). Liabilities from settlement with customers were also substantial, 1.0 billion forints contributing 27.1% to other liabilities.

Shareholders' equity

The year-on-year increase in shareholders' equity was 24.1% (8.7 billion forints), reaching 45.1 billion forints as of 30 June 2009. The Q1 increase was 3.6 billion forints, or 8.9%, followed by 1.3 billion forints, or 2.9% in Q2.

The bulk of the year-on-year increase resulted from a 6.5 million forints increase in retained earnings. Cash-flow hedge reserves were up by 2.3 billion forints year-on-year due to the change in fair value in the wake of yield and exchange rate changes and the 0.7 billion forints increase in general reserve had a positive impact on the increase in shareholders' equity. On the other hand, shareholders' equity was reduced by a 1.3 billion increase in repurchased treasury shares.

Overall, shareholders' equity increased by 4.9 billion forints in the first half of 2009 and included 1.3 billion forints increase in Q2. The main contributing factors included a 3.7 billion forints increase in retained earnings (2.4 billion forints in Q2) boosted by a 305 million forints increase in general reserve and a 648 million forints increase in cash flow hedge reserve. Conversely, a 246 million forints increase in repurchased treasury shares had a negative effect on shareholders' equity.

Off-balance sheet items

The Bank's pending liabilities towards customers among the off-balance sheet items were 1.5 billion forints. Contracted but not yet disbursed loans amounted to 2.6 billion forints. Future liabilities amounted to 440.3 billion forints and mainly include swap transactions relating to mortgage bonds. Liabilities from other currency swaps amounted to 87.5 billion forints.

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

Capital structure

Data in HUF million

DESCRIPTION	30 Jun, 2009	31 Dec, 2008	30 Jun, 2008
Risk weighted assets (RWA)	303,420	246,380	253,665
Regulatory capital (IFRS)*	34,640	30,654	29,409
Capital adequacy ratio (IFRS)	11.4%	12.4%	11.6%

* Without cash flow hedge reserve.

IV. Analysis of FHB Mortgage Bank Plc.'s financial statements prepared according to HAS

Summary figures of the latest period (HAS)

As of 30 June 2009 the Bank's balance sheet total by the standards of the Hungarian Accounting Act amounted to 871.3 billion forints. The first half figure was 22.0%, or 157.3 billion forints higher than the H2 of 2008 figure achieved; year-on-year growth was 34.6%, or 224.1 billion forints. The main factors contributing to the growth of the balance sheet total were the capital increase by the State and the State loan, which are conspicuous on the liabilities side in terms of an expansion in the securities portfolio and the refinanced portfolio.

In the first half of 2009 earnings before taxation was 3.8 billion forints, 691 million forints down year-on-year. The drop was caused mainly by net provisions required by the deteriorating portfolio, which could not be compensated by the improving net operating profit.

In the first half the Bank's equity increased by 33.1 billion forints, or 82.7%, due to a larger extent to capital increase, and to a lesser extent to operating profit.

Key financial indicators (HAS)	30 Jun 2009	31 Dec 2008	30 Jun 2009
Balance sheet total (HUF million)	647,151	713,967	871,253
Book value of loans (HUF million)	547,008	592,156	574,828
Book value of mortgage bonds (HUF million)	457,871	506,078	510,158
Bonds issued (HUF million)	60,670	62,370	77,370
Shareholders' equity (HUF million)	36,042	39,956	73,016
Regulatory capital (HUF million)	26,654	32,005	33,897
Capital adequacy ratio (HUF million)	9.3%	15.13%	11.94%
Earnings before taxation (HUF million)	4,515	9,346	3,824
After tax profit (HUF million)	3,641	7,555	3,060
CIR (operating expenses/gross operating income)	42.1%	38.7%	19.8%
ROAA (return on average assets)	1.3%	1.2%	1.4%
ROAE (return on average equity)	24.5%	22.2%	11.8%

Balance sheet structure

The Bank's balance sheet total as of 30 June 2009 amounted to 871.3 billion forints. The first half figure was 22.0% up from the H2 of 2008 achievement. The majority, 88.4%, of growth in assets in the first half was generated by a 111.0 billion forints increase in securities and a 28.2 billion forints increase in interbank loans. The mortgage bonds portfolio including refinancing shrank by 16.9 billion forints in H1 (-10.7%). The increase in liabilities in the first half was mainly generated by the 109.0 billion forints loan received from the State, which contributed 69.2% to the grow, and by the expanding mortgage bonds and bonds portfolio, jointly contributing 12,1% to the growth of liabilities. On the other hand, interbank loans reduced growth on the liabilities side by 4.7%. The expansion of equity and provisions increased liabilities by 24.1%.

Data in HUF million

DESCRIPTION	30 Jun, 2008	31 Dec, 2008	30 Jun, 2009	30 Jun, 2009 / 30 Jun, 2008	30 Jun, 2009 / 31 Dec, 2008
Interest earning assets	607,186	667,489	789,340	30.0%	18.3%
- Loans	222,162	224,964	217,138	-2.3%	-3.5%
- Refinanced mortgage loans	324,926	367,192	357,690	10.1%	-2.6%
- Available for sale securities	21,590	16,368	127,388	490.0%	678.3%
- Interbank deposits	38,508	58,965	87,124	126.2%	47.8%
Cash	58	126	78	34.5%	-38.1%
Property for investment	9,417	11,497	39,909	323.8%	247.1%
Tangible assets	4	4	3	-25.0%	-25.0%
Intangible assets	265	251	256	-3.4%	2.0%
Other assets	30,221	34,600	41,759	38.2%	20.7%
Assets total	647,151	713,967	871,346	34.6%	22.0%
Interest bearing liabilities	570,271	604,961	726,085	27.3%	20.0%
- Mortgage bonds	457,871	506,078	510,158	11.4%	0.8%
- Bonds issued	60,670	62,370	77,370	27.5%	24.1%
- Interbank borrowings	49,667	34,410	27,281	-45.1%	-20.7%
- State loan received	0	0	108,972	-	-
- Other payable liabilities	2,063	2,103	2,304	11.7%	9.6%
Other liabilities	38,173	66,131	64,401	68.7%	-2.6%
Shareholders' equity and reserves	38,707	42,875	80,860	108.9%	88.6%
Liabilities total	647,151	713,967	871,346	-34.6%	22.0%

Interest earning assets

As of 30 June 2009 the Bank's interest earning assets increased from 667.5 billion forints in H2 of 2008 by 18.3% to 789.3 billion forints. Refinanced loans decreased by 2.6% in the first half. The net portfolio of loans to customers sold by FHB Mortgage Bank through FHB Commercial Bank and its network of agents was 3.5%, or 7.8 billion forints, down compared to 31 December 2008 and amounted to 217.1 billion forints. As of 31 December 2008 loans to customers contributed 33.7% to net interest earning assets; their contribution in H1 of 2009 was 27.5%.

As of 30 June 2009 the portfolio of mortgage bonds amounted to 574.8 billion forints, 2.9% (or 17.2 billion forints) down from the year-end of 2008 figure.

The collateral value of real estate covering ordinary collateral amounted to 1,387.4 billion forints as of 30 June 2009, 1.48% lower than the figure (1,408.3 billion forints) as of 31 December 2008 was 39.3% as of 30 June 2009, somewhat higher than the the 39.9% LTV as of 31 December 2008.

Property for investment, own assets

The net value of tangible and intangible assets amounted to 259 million forints as of 30 June 2009. The portfolio of investments increased to reach 39.9 billion forints from 11.5 billion forints in the reference year as a result of capital increase in subsidiaries. As of 30 June 2009 FHB Mortgage Bank held the following stakes in subsidiaries: 36.1 billion forints in FHB Commercial Bank, 3.0 billion forints in FHB Services, 578 million forints in FHB Annuity, and 233 million forints in FHB Real Estate.

Other assets

Other assets amounted to 41.8 billion forints and exceeded the year-end of 2008 figure by 20.7% or 7.2 billion forints. The increase is contributed predominantly by deferments, in particular deferment of swap exchange rates (the item was up from 16.4 billion forints as of 31 December 2008 to 23.5 billion forints in Q2 of 2009). Another factor contributing to the change was deferred exchange rate loss on mortgage bonds, which amounted to 1.9 billion forints as opposed to 2.4 billion forints in the reference year. As of 31 December 2008 the Bank had 1.1 billion forints repurchased treasury shares. This amount increased to 1.4 billion forints by 30 June 2009.

Interest bearing liabilities

Mortgage bonds

Mortgage bonds issued by the Bank, the instruments that provide long-term funds to finance mortgage loans contributed 70.3% to interest earning assets as of 30 June 2009, considerably below the year-end of 2008 contribution (83.7%).

The portfolio of mortgage bonds issued by the Bank was 510.2 billion forints as of 30 June 2009, 0.8% up from the year-end of 2008 figure, and emerged as the balance of 35.3 billion forints new mortgage bonds issued, 23.5 billion forints repurchase and 15.0 billion forints principal repayment as well as exchange rate related adjustment.

Bonds issued

Bond issues, the Bank's activity in the securities market that supplements mortgage bond issues resulted in bonds with a book value of 77.4 billion forints as of the 30 June 2009 balance sheet date, 24.1% up from the figure as of 31 December 2008, and emerged as the balance of 15.0 billion forints new issuance and 0.1 billion forints principal repayment.

Interbank liabilities

As of 30 June 2009, funds raised from interbank transactions were 27.3 billion forints and contained 70.0% interbank deposits and revolving credit drawdowns amounting to 19.1 billion forints short-term interbank loan received as a deposit from FHB Commercial Bank. The Schuldschein loan was equivalent to 8.2 billion forints as of 30 June 2009 and contributed 30.0% of the total amount of interbank funds. The Bank has used the interbank facilities as supplementary funds, which support liquidity and enhance its security.

As of 30 June 2009, surety deposits covering project loans were 1.3 billion forints, 34.0% higher than the 955 million forints achieved as of 31 December 2008.

State loan received

As a result of negotiations that started in January of 2009 between the MoF, the NBH, the HFSA and FHB Mortgage Bank Plc., the MoF and FHB Plc. signed an agreement on 25 March 2009 on the extension of a State loan amounting to 400 million euros. The first drawdown took place on 1 April 2009, the second on 30 April 2009. As of 30 June 2009 the Bank has 109.0 billion forints of the State funds available.

Other liabilities

There was a 1.7 billion forints drop in other liabilities half-on-half. The item amounted to 64.4 billion forints and included predominantly passive accruals on the Bank's accounts (amounting to 63.0 billion forints as of 30 June 2009 as opposed to 64.8 billion forints as of 31 December 2008). The increase was caused by deferred exchange rate difference of swap transactions reported in the passive accruals line item, which amounted to 40.0 billion forints as of 30 June 2009.

Shareholders' equity

The Bank's equity amounted to 73.0 billion forints as of 30 June 2009, 82.7% up from the 40.0 billion forints equity as of 31 December 2008. The rise was contributed by a 4.6 billion forints capital increase and a 25.4 billion forints increase of the capital reserve (altogether 30 billion forints), effected by the State. The general reserve increased by 306.0 million forints, retained earnings by 6.6 billion forints, the reserve for repurchase of treasury shares by 1.1 billion forints, and earnings on the balance sheet before dividend payment by 246 million forints compared to the respective year-end of 2008 figures.

The Bank's risk weighted assets (RWA) amounted to 254.1 billion forints as of 30 June 2009. Tier 1 was 33.9 billion forints excluding earnings for the period. As of 30 June 2009, the capital adequacy ratio was 11.9%.

Off-balance sheet items

The Bank's pending liabilities among the off-balance sheet items amounted to 1.5 billion forints as of 30 June 2009. Contracted but not yet disbursed loans amounted to 2.6 billion forints. Future liabilities amounted to 440.3 billion forints and mainly include swap transactions relating to mortgage bonds. Liabilities from other currency swaps amounted to 87.5 billion forints.

P/L Structure

Data in HUF million

DESCRIPTION	30.06.2008.	31.12.2008	30.06.2009.	30.06.2009./ 30.06.2008.
Net interest income	7,181	14,028	9,703	35.1%
Net fees and commissions income	-111	93	-610	449.5%
Net profit from financial transactions	416	2,652	3,504	742.3%
Other income and expenditure	-778	-1,735	-982	26.2%
Gross operating income	6,708	15,038	11,615	73.2%
Operating expenses	-2,827	-5,825	-2,294	-18.9%
Losses from lending and impairment	654	159	-5,485	-
Extraordinary revenues/ expenditure	-20	-27	-12	-40.0%
Profit before taxation	4,515	9,346	3,824	-15.3%
Taxes	-874	-1,790	-764	-12.6%
After tax profit	3,641	7,555	3,060	-16.0%
General reserve	-364	-755	-306	-15.9%
Profits as per Balance Sheet	3,277	6,800	2,754	-16.0%

In the first half of 2009 the Bank's gross operating profit was 11.6 billion forints, 73.2% up from the reference half of 2008 (6.7 billion forints). The largest contributing item was net income from interest, which was 35.1% higher than the reference half figure. Operating profit was net of a total of 2.3 billion forints expenditure, which was 18.9% less than in H1 of 2008.

Net interest income

Net interest income in the first half of 2009 was 9.7 billion forints and emerged as a balance of 38.4 billion forints interest income (14.4% above the H1 of 2008 achievement) and 28.7 billion forints interest expense (8.8% more than the H1 of 2008 figure).

In the first half of 2009, 22.5% of interest income was contributed by interest and similar payments received from customers, slightly down from the 24.8% achieved in the reference period of 2008. Interest subsidy on loans to customers amounted to 4.1 billion forints (compared to 4.7 billion forints in the reference period), thus the total income from interest on loans to retail customers was 12.0 billion forints. The combined interest income on interbank loans and securities contributed was 3.7 billion forints as opposed to 1.5 billion forints in H1 of 2008, and its contribution to income from interest grew to reach 9.7%. Swaps contributed 23.7% to income from interests in H1 of 2009 compared to 22.3% in H1 of 2008. The contribution of interest income on refinancing was 8.6 billion forints. Together with the related subsidy (5.3 billion forints as opposed to 6.9 billion forints in H1 of 2008) the total contribution of this line item was 13.9 billion forints.

As regards interest expense in H1 of 2009, the largest item was interest paid on mortgage bonds and bonds (65.3% was incurred in the reported half as opposed to 72% in H1 of the reference

year). Another important item was interest paid on swaps, which contributed 25.0% to total expenditure on interest (compared to 24.4% in H1 of 2008). The contribution of interest paid on interbank borrowings was 1.8 billion forints, or 6.3%. Interest paid on the State loan receive is a minor item as yet (contributing only 3.2%), and reduced the Bank's earnings by 909 million forints.

The average net interest margin (NIM) was 2.24% as of 31 December 2008 and 4.41% as of 30 June 2009. The increase in the NIM is propelled primarily by the easing costs of existing funds, which result from dropping EUR and CHF interest rates.

Net commission and fee income

In the first half of 2009, net income from fees and commissions amounted to -0.6 billion forints compared to the -0.1 billion forints generated in H1 of 2008. In the first half of 2009, the Bank realized 0.7 billion forints from fees and commissions (51.9% less than in the reference half of 2008), net of significantly higher, 1.3 billion forints expenditure on fees (16.2% down from the 1.6 billion forints generated in H1 of 2008).

The largest portion, over 400 million forints, of net income from fees and commissions was contributed by early repayment charges (in H1 of 2008 early repayment charges exceeded 730 million forints). Income from cover valuation fees amounted to 99.9 million forints; its contribution to net income from fees and commissions dropped from 30.1% as of 30 June 2008 to 14.1% as of 30 June 2009. The contribution of handling fees increased from 13.1% to 21.3% and amounted to 150.9 million forints as opposed to 193 million forints in the reference half of 2008.

One of the reasons for diminishing expenditure on fees and commissions is the Type "A" agency and loan management agreement concluded between the Mortgage Bank and the Commercial Bank. Pursuant to the agreement, FHB Commercial Bank sells the Mortgage Bank's products and manages the existing portfolio of loans through its network of branches. The agency fee paid for these services in H1 of 2009 was 1.2 billion forints, slightly short of the 1.3 billion forints paid in the first half of 2008 due to the drop in the Mortgage Bank's disbursements. Another reason for the shortfall was the drop in the fee paid by the Mortgage Bank to FHB Services for handling the classified loans portfolio, 97.6 million forints in H1 of 2009 as opposed to 170.0 million forints in H1 of 2008. The difference is caused by a shift in the date of the periodic review of the flat fee. Fees related to mortgage bond issues amounted 30.1 million forints (as opposed to 70 million forints in H1 of 2008), and fees related to bond issues were 0.2 million forints (as opposed to nine million forints in H1 of 2008).

Net result of financial operations

Net income from financial operations was 3.5 billion forints in the first half of 2009, almost 8.5 times the achievement in the reference half of 2008. The H1 of 2009 figure included 507.7 million forints net loss on exchange rates related to mortgage bonds, 788.1 million forints less than in H1 of 2008. Exchange rate gains on FX transactions amounted to 4.0 billion forints in H1 of 2009, several times the 138 million forints achieved in H1 of 2008. The increase stems primarily from conversion gains and revaluation difference related to swaps.

Other result

The Bank's balance of other incomes was – 1.0 billion forints as of 30 June 2009, 26.2% below the H1 of 2008 balance. Approximately half of the 29.1 million forints other income achieved in the reported half was contributed by income from invoices among Group companies.

The 1.0 billion forints other expenditures item included 948 million forints taxes paid, which included 440.0 million forints statutory banking contribution. Local business tax amounted to 404.5 million forints, innovation contribution was 60.7 million forints, and fees paid to the HFSA amounted to 43.2 million forints. The registration value of mortgage loan receivables sold was 4.6 million forints, and collection charges amounted to 45.9 million forints.

Operating expenses

Data in million HUF

DESCRIPTION	30.06.2008.	31.12.2008	30.06.2009.	30.06.2009./ 30.06.2008.
General administrative costs	2,774	5,701	2,275	-18.0%
Personnel expenses	985	1,909	851	-13.6%
- wages	389	994	589	51.4%
- other personnel expenses	366	467	57	-84.4%
- social security expenses	230	448	205	-10.9%
Other administrative costs	1,061	2,267	652	-38.5%
-banking expenses	752	1,496	259	-65.6%
Cost of internal services	728	1,525	772	6.0%
Depreciation	53	125	19	-64.2%
TOTAL OPERATING EXPENSES	2,827	5,825	2,294	-18.9%

In the first half of 2009 operating expenses amounted to 2.3 billion forints as opposed to 2.8 billion forints in H1 of the reference year. Personnel expenditures contributed 25.1% to the decrease. The contribution of general administrative costs to the item was 76.7% (achieving a 65.6% reduction). Conversely, the rise in the cost of internal services had a –8.3% impact on operating costs. The ratio of operating costs to gross operating profit improved from 42.1% in the first half of 2008 to 19.8% as of 30 June 2009.

There was a minor change in the breakdown of operating expenses. The contribution of personnel expenses in H1 of 2008 was 34.8%, and in H1 of 2009 it was 37.1% achieving a drop of 134 million forints as a result of the fact that intra-Group transfer of staff had been concluded in 2008 and cost effectiveness measures have been implemented since the end of 2008. The contribution of general administrative costs decreased considerably, from 37.5% as of H1 of 2008 to 28.4% as of H1 of 2009. The drop amounted to 409 million forints. Costs of internal services includes lease and operating costs of equipment provided by FHB Services Ltd. For day-to-day operation as well as consideration paid for business administration and back-office services, and totalled 772 million forints in H1 of 2009, contributing 33.7% to operating costs. Contribution of the same item was 25.8% in H1 of 2008.

Personnel expenses and related staff costs amounted to 851 million forints, which included 589 million forints wage costs, 51.4% up from H1 of 2008. Other personnel costs amounted to 57 million forints and were 84.4% below the H1 of 2008 figure due primarily to the fact that there were no share allocations in the context of the management share option scheme in 2009. Other payroll costs amounted to 205 million forints, 10.9% down from the costs incurred in H1 of 2008.

In the first half of 2009 general and administrative costs dropped by 38.6% compared to H1 of 2008. The 652 million forints included 393 million forints other administrative costs, 27.2% more than the H1 of 2008 figure. Marketing and advertising costs contributed a substantial 76 million forints, and the combined costs of consultants', auditor's, property supervisor's attorneys' fees and other administrative services amounted to 178 million forints. Database access fee amounted to 2.8 million forints, software costs were 12.7 million forints, mail, telecommunications and IT network costs totalled 13.5 million forints in H1 of 2009.

The contribution of banking costs to operating costs changed significantly, dropping from 26.6% in H1 of 2008 to 11.3% year-on-year as a result of a 65.6% decrease in these cost items compared to the previous year. Valuation fees amounted to 148 million forints, considerably below the 479 million forints paid in H1 of 2008. Life insurance premium paid to cover loans amounted to 189 million forints in H1 of 2008 while no such item occurred in H1 of 2009.

Depreciation was 64.2% below the H1 of 2008 figure. As the Bank does not need to procure new assets depreciation will gradually decrease as the write-off period of assets is reached.

Losses from lending and impairment

In the first half of 2009 the Bank reported 5.5 billion forints net impairment, which resulted from 6.0 billion forints impairment recognized and 494 million forints derecognized. The impairment item included 4.9 billion forints provision for impairment of short-term swap transactions that would be concluded after the reported period but are expected to generate a loss, based on the balance sheet date mark to market.

Financial Statements of FHB Mortgage Bank Plc. prepared in accordance with HAS

Profit and loss statement

(non-audited data as at 30 June, 2009 and 30 June, 2008, according to HAS, data in thousand HUF)

DESCRIPTION		30.06.2009.	30.06.2008.	30.06.2009./ 30.06.2008.
1.	Interest income	38,441,408	33,598,122	14.4%
2.	Interest expense	28,738,747	26,418,054	8.8%
	Net interest income	9,702,661	7,180,068	35.1%
4.	Fee and commission income	696,313	1,448,333	-51.9%
5.	Fee and commission expense	1,306,700	1,559,494	-16.2%
6.	Net profits on financial transactions	3,504,255	415,801	742.8%
7.	Other revenues from business activities	29,060	53,844	-46.0%
8.	General administrative cost	2,274,469	2,774,152	-18.0%
9.	Depreciation and amortization	19,180	53,321	-64.0%
10.	Other expenditure of business activities	1,011,068	831,393	21.6%
11.	Loss of value of receivables and provision for pending and certain (future) liabilities	5,955,027	748,751	695.3%
12.	Reversal of the loss of value of receivables and the use of risk provision for pending and certain (future) liabilities	493,687	1,404,067	-64.8%
13.	Loss of value of debt securities held as investments and of shares and participations in affiliated and other associated enterprises	23,310	0	0-
15.	Ordinary profits on operating (business) activities	3,836,222	4,535,002	-15.4%
18.	Extraordinary profit	-11,772	-19,912	-40.9%
19	Profit before taxation	3,824,450	4,515,090	-15.3%
20.	Taxes	764,890	873,672	-12.5%
21.	After tax profit	3,059,560	3,641,418	-19.0%
22.	General provisions	305,956	364,142	-16.0%
25.	Profits as per Balance Sheet	2,753,604	3,277,276	-16.0%

Balance sheet

(non-audited data as at 30 June, 2009 and 30 June, 2008, according to HAS, data in thousand HUF)

DESCRIPTION		30.06.2009.	31.12.2008.	30.06.2008.	30.06.2009./ 31.12.2008.
1.	Liquid assets	388,117	4,211,681	60,126	-90.8%
2.	Government securities	117,980,158	16,368,309	21,590,263	620.8%
3.	Receivables from credit institutions	444,504,227	422,071,035	363,431,188	5.3%-
4.	Receivables from customers	215,092,110	222,942,941	219,191,033	-3.5%
5.	Debt securities, including fixed securities	9,407,995	0	0	-
8.	Shares and participations in associated enterprises	14,909,129	11,496,750	9,416,750	29.7%
9.	Intangible assets	255,737	250,985	264,685	1.9%
10.	Tangible assets	3,246	3,612	3,983	-10.1%
11.	Own shares	1,400,567	1,154,718	125,677	21.3%
12.	Other assets	31,367,247	5,714,546	6,632,425	448.9%
13.	Accrued income and deferred expenditures	36,037,353	29,752,565	26,434,923	21.1%
Total assets		871,345,886	713,967,142	647,151,053	22.0%
1.	Liabilities towards credit institutions	27,280,944	34,409,649	49,666,510	-20.7%
2.	Liabilities to customers	111,276,005	2,103,255	2,062,830	5.190.7%
3.	Liabilities from securities issued	587,528,385	568,447,505	518,541,350	3.4%
4.	Other liabilities	1,428,828	1,319,218	1,632,369	8.3%
5.	Accrued expenditure and deferred income	62,972,401	64,812,952	36,541,346	-2.8%
6.	Provisions	7,843,292	2,918,192	2,664,267	168.8%
Liabilities		798,329,855	674,010,771	611,108,672	18.4%
8.	Subscribed capital	11,215,401	6,600,001	6,600,001	69.9%
10.	Capital reserve	26,530,294	1,145,594	1,145,594	2.215.9%
11.	General reserve	4,121,034	3,815,078	3,423,679	8.0%
12.	Profit reserve	26,995,131	20,441,113	21,470,154	32.1%
13.	Fixed reverse	1,400,567	1,154,718	125,677	21.3%
15.	Profit as per balance sheet	2,753,604	6,799,867	3,277,276	-59.5%
Shareholders' Equity		73,016,031	39,956,371	36,042,381	82.7%
Total liabilities		871,345,886	713,967,142	647,151,053	22.0%

Declaration

FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) hereby declares that the consolidated and the individual financial statements have been prepared in accordance with the applicable accounting standards and its best knowledge, and it does not conceal any fact or information that would be substantial in the judgement of the issuer's position.

The consolidated and the individual annual financial statements give a true and fair view of assets, liabilities, financial position and profit of the issuer and its consolidated affiliates, furthermore the consolidated annual report gives a fair view of the position, development and performance of the issuer and its consolidated affiliates, disclosing the risks and the factors of uncertainty.

FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) hereby declares that the consolidated and the individual financial statements have not been audited by independent auditor.

Budapest, 12th August, 2009

Dániel Gyuris
CEO

Gyula Köbli
Deputy CEO

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 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Reporting period: 01.01.2009 – 30.06.2009

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 Investor relations: Péter Bárdos

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

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

Profit and Loss Statement

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

DESCRIPTION	30 Jun, 2009	30 Jun, 2008	Change (%)
Interest income	40,272,908	34,499,637	16.7%
Interest expense	-29,176,828	-26,260,953	11.1%
Net interest income	11,096,080	8,238,684	34.7%
Fee and commission income	873,671	1,040,864	-16.1%
Fee and commission expense	-80,774	-148,493	-45.6%
Profit from FX transactions	4,128,139	727,134	467.7%
Profit from changes of fair value of derivatives	-1,996,599	102,216	-2,053.3%
Gain less losses from securities	365,330	280,421	30.3%
Other operating income	912,109	1,045,798	-12.8%
Other operating expense	-226,702	-22,228	919.9%
Operating income	15,071,254	11,264,396	33.8%
Losses/provisions on loans and impairment	-2,583,887	-236,501	992.6%
Operating expenses	-6,659,641	-6,073,989	9.6%
Profit before tax	5,827,726	4,953,907	17.6%
Taxation expense	-1,772,378	-1,494,133	18.6%
Profit for the period	4,055,348	3,459,774	17.2%

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Balance Sheet

(consolidated, non- audited data as at 30 June, 2009 and consolidated, audited data as at 31 December, 2008, and 30 June, 2008, according to IFRS, data in thousand HUF)

DESCRIPTION	30 Jun, 2009	31 Dec, 2008	30 Jun, 2008	Change (%)
Assets				
Cash	770,028	554,755	446,865	38.8%
Due from National Bank of Hungary	6,237,289	4,794,234	1,530,577	30.1%
Placements with other banks	42,319,180	26,348,388	9,018,420	60.6%
Available for sale securities	133,980,608	18,393,204	23,277,449	628.4%
Refinancing of mortgage loans	273,237,054	286,612,512	287,326,420	-4.7%
Loans	329,184,651	327,134,134	282,674,866	0.6%
Fair value of derivatives	6,265,794	3,954,087	7,021,188	58.5%
Property for investment	7,405,413	5,980,066	3,892,045	23.8%
Goodwill	1,487,955	0	0	-
Tangible and intangible assets	11,397,729	10,837,441	9,936,106	5.2%
Other assets	5,169,285	4,903,344	5,614,306	5.4%
Total Assets	817,454, 986	689,512, 165	630,738, 242	18.6%
Liabilities				
Deposits from banks	16,757,335	14,232,707	22,144,310	17.7%
Mortgage bond liabilities	485,077,387	506,021,752	467,649,057	-4.1%
Bonds issued	57,165,429	62,429,220	61,734,680	-8.4%
Deposits	40,364,261	33,766,465	28,634,711	19.5%
State loan received	140,156,879	0	0	-
Fair value of derivatives	26,116,519	27,134,286	9,009,754	-3.8%
Reserve for annuity payment	1,347,239	1,105,713	984,295	21.8%
Other liabilities	5,415,755	4,635,119	4,280,062	16.8%
Total Liabilities	772,400, 804	649,325, 262	594,436, 869	19.0%
Share capital	6,600,001	6,600,001	6,600,001	0.0%
Repurchased own shares	-1,400,567	-1,154,718	-125,677	21.3%
Share premium	1,709,014	1,709,014	1,709,014	0.0%
General reserve	4,121,034	3,815,078	3,423,679	8.0%
Cash-flow hedge reserve	1,762,565	1,114,355	-562,190	58.2%
Stock option reserve	71,261	85,790	21,622	-16.9%
Variation in fair value of tradable financial assets	398,278	-22,794	-18,957	-
FX reserve	3,026	0	0	-
Retained earnings/(deficit)	31,789,570	28,040,177	25,253,881	13.4%
Total Shareholders' Equity	45,054, 182	40,186, 903	36,301, 373	12.1%
Total Liabilities and Shareholders' Equity	817,454, 986	689,512, 165	630,738, 242	18.6%

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Cash Flow

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

DESCRIPTION	30 June, 2009	30 June, 2008
Cash flows from operating activities		
Net profit	4,055,348	3,459,774
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	743,623	837,477
Change of fair value of property for investment	-851,536	-998,126
Provision for losses	3,006,010	197,683
Loss/(profit) on sale of fixed assets	27,776	8,665
Stock option reserve	-14,529	-160,488
Share granted	0	0
Derivatives	-2,681,264	5,807,703
Real value of annuity	241,526	599,120
FX reserve	3,026	0
Operating profit / (loss) before changes in operating assets	4,529,980	9,751,808
<i>Increase (decrease) in operating assets:</i>		
Refinancing of mortgage loans	13,375,458	7,393,558
Loans	-4,955,653	-17,774,841
Accrued interest receivable	0	0
Other assets	54,079	-387,096
<i>Increase (decrease) in operating liabilities:</i>		
Deposits	6,597,796	25,035,622
Due to other banks	2,295,128	-3,645,067
Accrued interest payable		0
Other liabilities	679,762	-108,868
Net cash used in operating activities	22,576,550	20,265,116
Cash flows from investing activities		
Increase in available for sale securities	-115,166,332	-1,575,880
Proceeds from sale of property and equipment	-8,247	3,921
Purchase of property and equipment	-1,323,440	-1,140,800
Purchase of property for investment	-573,811	-1,386,632
Investment service	-1,807,974	42
Net cash used in investing activities	-118,879,804	-4,099,349
Cash flows from financing activities		
Sale/(purchase) of own shares	-245,849	-106,806
own shares of prior year	0	-165,842
Long term loans	140,386,379	-5,556,600
Paid dividend	0	0
Cash flow hedge reserve	0	0
Instalment from mortgage bonds	-27,672,326	-57,674,860
Proceeds from issue of mortgage bonds	1,464,170	45,762,891
Net cash from financing activities	113,932,374	-17,741,217
Net increase in cash and cash equivalents	17,629,120	-1,575,450
Cash and cash equivalents at beginning of year	31,697,377	12,571,312
Cash and cash equivalents at end of period	49,326,497	10,995,862
Cash and cash equivalents comprises of:		
Cash	770,028	446,865
Due from Central Bank	6,237,289	1,530,577
Placements with other banks, with a maturity of less than 90 days	42,319,180	9,018,420
Cash and cash equivalents at end of period	49,326,497	10,995,862
<i>Supplemental information</i>		
Interest received	39,503,403	32,208,425
Interest paid	-31,080,607	-28,646,554
Tax paid	-419,454	-577,290

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Statement of Shareholders' Equity

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

DESCRIPTION	Share Capital	Treasury Shares	Share Premium	General reserve	Cash-flow hedge reserve	Stock option reserve	Variation in fair value (financial assets)	FX reserve	Retained earnings (deficit)	Shareholders' Equity
30 June, 2008	6,600,001	-125,677	1,709,014	3,423,679	-562,190	21,622	-18,957	0	25,253,881	36,301,373
Transfer to general reserve				391,399					-391,399	0
Change of fair values cash flow hedge					1,676,545					1,676,545
Own shares purchase		-1,296,618								-1,296,618
Shares granted		267,577							-65,556	202,021
Creation of stock option reserve						64,168				64,168
Changes in fair value of available for sale financial assets							-3,837			-3,837
Profit for the period									3,243,251	3,243,251
31 December, 2008	6,600,001	-1,154,718	1,709,014	3,815,078	1,114,355	85,790	-22,794	0	28,040,177	40,186,903
Transfer to general reserve				305,956					-305,956	0
Change of fair values cash flow hedge					648,210					648,210
Own shares purchase		-245,849								-245,849
Shares granted										0
Creation of stock option reserve						-14,52				-14,529
Changes in fair value of available for sale financial assets							421,072			421,072
FX reserve								3,026		3,026
Profit for the period									4,055,348	4,055,348
30 June, 2009	6,600,001	-1,400,567	1,709,014	4,121,034	1,762,565	71,261	398,278	3,026	31,789,570	45,054,182

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Loans

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

DESCRIPTION	30 June, 2009	30 June, 2008
Real estate purchase	119,761,114	113,146,387
Real estate construction	50,857,819	50,464,749
Real estate reconstruction	4,419,115	4,295,223
Real estate extension	10,468,961	11,451,640
Other loans secured by real estate	137,808,253	100,687,034
Loans secured by non real estate	3,816,835	9,184
Employee loans	2,113,644	1,912,281
Loans, gross	329,245,742	281,966,498
from this: retail loans	301,122,803	264,567,310
other	28,122,939	17,399,188
Loan loss provision	-4,078,709	-1,201,753
Accrued interest	1,924,357	1,129,675
Amortised cost	2,093,261	780,446
Loans, net	329,184,651	282,674,866

Mortgage bonds

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

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	30 June, 2009		30 June, 2008	
Non-listed mortgage bonds				
Fixed	160,099,268	159,911,991	172,178,415	172,394,150
Floating	67,832,847	69,141,285	74,536,422	75,033,360
Fixed	131,376,254	133,157,745	137,808,602	139,784,520
Floating	114,223,212	114,566,283	70,331,376	70,659,320
Accrued interest	11,545,806	0	12,794,241	0
Total	485,077,387	476,777,304	467,649,057	457,871,350

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

RS1. Ownership structure, participation and voting rates

Description of group of owners	Entire share capital						Listed series ¹					
	Beginning of target year			End of period			Beginning of target year			End of period		
	(01.01.2009)			(30.06.2009)			(01.01.2009)			(30.06.2009)		
	% ²	% ³	Db	% ²	% ³	Db	% ²	% ³	Db	% ²	% ³	Db
Domestic institutional / company	51.18	52.18	33,778,013	26.37	45.94	29,571,238	49.12	44.26	28,492,313	44.80	45.94	29,571,238
Foreign institutional / company	41.19	42.00	27,184,214	27.18	47.36	30,483,823	46.87	42.00	27,184,214	46.19	47.36	30,483,823
Domestic private individuals	1.44	1.47	948,957	1.35	2.35	1,512,847	1.64	1.47	948,957	2.29	2.35	1,512,847
Foreign private individuals	0.00	0.00	2,000	0.00	0.00	3,115	0.00	0.00	2,000	0.00	0.00	3,115
Employees, executives	0.15	0.16	101,055	0.07	0.13	81,046	0.17	0.16	101,055	0.12	0.13	81,046
Treasury shares	1.93	0.00	1,270,511	1.46	0.00	1,633,641	2.19	0.00	1,270,511	2.48	0.00	1,633,641
State ⁴	4.11	4.19	2,715,260	2.42	4.22	2,714,300	0.00	0.00	960	4.11	4.22	2,714,300
International Development Institutes ⁵	0.00	0.00	0	0.00	0.00	0,00	0.00	0.00	0	0.00	0.00	0
Hungarian State - Ministry of Finance "C" special dividend preference shares	0.00	0.00	0	41.15	0.00	46,153,999	0.00	0.00	0	0.00	0.00	0
Other	0.00	0.00	0	0.00	0.00	0,00	0.00	0.00	0	0.00	0.00	0
TOTAL	100.00	100.00	66,000,010	100.00	100.00	112,154,010	100.00	87.88	58,000,010	100.00	100.00	66,000,010

¹ If the listed series is the same as the entire share capital, this must be indicated and no completion is required. If there are several series on the Stock Market, the ownership structure must be given for every series.

² Ownership share

³ The voting rights ensuring participation in decision making at the General Shareholder's Meeting of Issuer. If the ownership share and the voting rights are identical, only the ownership share column must be completed and submitted / disclosed, while the fact must be indicated.

⁴ E.g.: MNV Zrt., TB, local authorities, companies with 100% state ownership, etc.

⁵ E.g.: EBRD, EIB, etc.

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

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

	1 January 2009		30 June 2009	
	Number of shares (pcs)	%	Number of shares (pcs)	%
Company	1,270,511	2.19	1,633,641	2.82
Subsidiaries ¹	0	0.00	0	0.00
TOTAL	1,270,511	2.19	1,633,641	2.82

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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)
VCP Finanz Holding Kft.	no	12,875,000	19.51	19.51
Citibank Letétkezelő	yes	7,014,510	10.63	10.63
Allianz Hungária Biztosító Zrt.	no	6,438,105	9.75	9.75
A64 Vagyonkezelő Kft.	no	6,437,598	9.75	9.75
Silvermist Estate SA	no	6,303,545	9.55	9.55
Clearstream Letétkezelő	yes	4,218,004	6.39	6.39
RZB Austria	yes	4,050,990	6.14	6.14
TOTAL		47,337,752	71.72	71.72

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)
Magyar Állam	no	46,154,000	41.15	0.00
VCP Finanz Holding Kft.	no	12,875,000	11.48	19.51
Citibank Letétkezelő	yes	7,014,510	6.25	10.63
Allianz Hungária Biztosító Rt.	no	6,438,105	5.74	9.75
A64 Vagyonkezelő Kft.	no	6,437,598	5.74	9.75
Silvermist Estate SA	no	6,303,545	5.62	9.55
TOTAL		85,222,758	75.99	77.11

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Data forms related to the organisation and operation of the issuer

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

	Beginning of target year (1 January 2009.)	End of target period (30 June 2009.)
Bank	81	71
Consolidated	582	521

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

Type ¹	Name	Position	Beginning of mandate	End / termination of mandate	Shares held (pcs)
IT	Dr. Zoltán Spéder	Chairman	29.04.2008.	29.04.2013.	0
IT	István Somkúti	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Gábor Borsányi	Member	29.04.2008.	29.04.2013.	14,000
IT	Dr. Károly Salamon	Member	29.04.2008.	29.04.2013.	6,000
IT	Dániel Gyuris	Member, CEO	29.04.2008.	29.04.2013.	16,000
IT	László Harmati	Member, Deputy CEO	29.04.2008.	29.04.2013.	16,192
IT	Dr. Márton Vági	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Christian Rienert	Member	29.04.2008.	29.04.2013.	0
FB	Csaba Lantos	Chairman	28.04.2009.	28.04.2014.	0
FB	Róbert Somfai	Member	29.04.2008.	29.04.2013.	5,000
FB	Winkler Ágnes	Member	26.07.2002.	27.04.2012.	0
FB	Kata Orsolya Molnár	Member	05.05.2005.	05.05.2010.	0
FB	Dr. Erik Landgraf	Member	02.05.2006.	02.05.2011.	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:					81,046

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